

PIOLAX

Sustainability

Report

2023

Pioneer of elasticity



【Editorial Policy】

This report is published to provide stakeholders with an understanding of the Piolax Group's sustainability efforts to achieve a sustainable society.

Through this report, the Group hopes to expand the circle of communication with more stakeholders.

■ Reportable organization

PIOLAX, INC. and the Piolax Group (Articles that do not cover the entire Piolax Group are noted for their scope of coverage.)

■ Period covered

April 1, 2022 to March 31, 2023

* For activities outside the period covered, the year and month are listed.

* Some photos are taken outside the period covered.

■ Reference guideline

This report is created in accordance with the GRI standards.

■ Issuing time

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■ Contact regarding this report

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【Table of Contents】

Cover	・・・1
Table of Contents / Editorial Policy	・・・2
Message from the President	・・・3
Materiality - ESG Vision and Goals	・・・6
Stakeholder Engagement	・・・9
History	・・・10
Company Credo / Philosophy	・・・11
Business Overview (Automotive-related, medical device)	・・・12
Management Strategy / New Moka Plant	・・・23
G: Governance	
Corporate Governance	・・・28
Interview of Outside Director	・・・31
Risk Management	・・・32
Compliance	・・・33
S: Society	
Human Rights and Human Assets	・・・34
Health Management	・・・38
Safety and Health	・・・40
Commitment to Quality	・・・41
Procurement	・・・47
Contribution to Society	・・・48
E: Environment	
Environmental Efforts	・・・50
Environmental Performance Data	・・・56
Databook	
Company Information /	・・・61
International Certification / Employee Data	
GRI Standards Reference Table	・・・65

Disclaimer

This report contains forward-looking statements regarding the Piolax Group's plans, forecasts, strategies, and performance. These statements are based on judgments made referring to information available at this time.

We would like to ask readers to understand the above.

Message from the President

Celebrating the 90th Anniversary

Spirit of company credo: "Sincerity, Cooperation, and Contribution"

Piolax celebrated its 90th anniversary in October 2023. I would like to express my deepest gratitude to all of our stakeholders who have supported our company over the years.

Our company's origins date back to October 1, 1933, when the founder, Saburo Kato, established Kato Hatsujo Seisakusho and began producing precision metal springs for the automobile and telecommunications industries. Since then, the company has grown significantly by creating new products, expanding sales channels, and starting new businesses leveraging unique technologies of product development and manufacturing that we have cultivated through our expertise in both metals and resins.

The company credo "Sincerity, Cooperation, and Contribution" advocated by the founder has always been the foundation of the Piolax spirit as the universal value of the Group. We will inherit this spirit and make strides toward the 100th year and beyond.



Yukihiro Shimazu, President

Medium-term Management Plan (FY2023 to FY2025)

In light of the environment surrounding the Group, we announced our Medium-term Management Plan (FY2023 to FY2025) in June 2023. This Medium-term Management Plan is formulated on a rolling basis and reviewed annually, but the Basic Policies and Management Strategies remain unchanged from the previous plan. Under the vision "As a pioneer creating elasticity, widely contribute to industries and society," we are determined to contribute to a sustainable society.

Vision

As a pioneer creating elasticity, widely contribute to industries and society.

Basic Policies

1. Reform existing businesses.
2. Take on the challenge of new/next-generation businesses.
3. Strengthen the management foundation.
4. Actively invest for the future.
5. Promote ESG-based management.

Management Strategies

1. Product and customer strategy
2. Business strategy
3. Regional strategy
4. Growth investment strategy
5. Management capital strategy

Capturing business opportunities in vehicle electrification

There is a risk of decline or loss of orders for our existing products as the electrification of vehicles advances and the production of internal combustion engines decreases. However, we see this major change as a new business opportunity to enter into areas other than our current product domains. Our Group's strengths are "composite technology combining resin and metal" and "response to diverse needs of our customers."

In FY2022, we established e-Products Development Department and are strengthening the development and

sales of products that respond to a new area of CASE, making full use of unique technologies we have cultivated over the years. We are working with a sense of speed to achieve our sales target of 10 billion yen for CASE products in FY2030. On the other hand, the possibility of declining global car production due to structural changes in the automotive industry will pose a major risk to our company, which highly depends on the automotive business. To mitigate it, we also set up MIRAI Business Department in FY2022 to find a third business after automotive parts and medical devices, not necessarily limited to manufacturing.

Toward strengthening profit structure

In order to improve profit margin, we have started profit structure reform in FY2022 with two pillars: "building a lean profit structure" and "selecting and concentrating investments for growth." Even now that the coronavirus pandemic is coming to an end, costs for raw materials, logistics, and energy are increasing, impacting our profits. The ideal situation is to build a structure that can generate stable profits no matter what the business environment is like, and we aim to reduce costs by 1 billion yen over the three-year period from FY2023 to FY2025.



Capital policy

Believing that improving profitability and capital efficiency is critical to increase shareholder and corporate value, we have substantially revised our capital policy in FY2022. In the Medium-term Management Plan, we aim to achieve a positive EVA spread and PBR*1, and are working to 1) strengthen shareholder return measures and pursue capital efficiency further, 2) introduce balance sheet management, and 3) thoroughly implement group cash management. Since there is still a gap between our initial ROE target and the current ROE, 100% dividend payout ratio is extended for one year until FY2025 to improve ROE and EVA spread.

* PBR (price-to-book ratio): An index used to determine whether the stock price is at an appropriate level relative to the company's net assets.

Promotion of ESG Management

For the solution of sustainability issues, we have established a vision for 2030, "PIOLAX ESG Vision 2030," in which our priority measures and KPIs are defined. ESG management is an important strategy that will lead to our company's growth as well as fulfill our corporate responsibilities toward a sustainable society. We will make steady progress on it from a medium- to long-term perspective.

For "E (Environment)," we have announced a roadmap to achieve carbon neutrality in 2050, and have switched to 100% green electricity at Moka and Fuji Plants starting in FY2023 as well as at our medical device subsidiary since October 2023. At the new Moka Plant, which will start operation this fiscal year, solar panels and the latest energy-saving equipment will be introduced.

For "S (Society)," we aim to "create a vibrant workplace where employees can work with peace of mind." In FY2022, we laid the groundwork for human assets development by formulating a human assets development plan, assisting employees in developing their career plans, and conducting an employee satisfaction survey. In addition, company incentives for an employee stock ownership plan were increased. By creating a pleasant and rewarding work environment, Piolax will increase employee engagement, develop human assets that can

contribute to raising corporate value, and also continue to address a variety of issues, including diversity and human rights initiatives.

For "G (Governance)," we have strengthened governance by increasing the number of female directors and outside directors on the Board of Directors and incorporating diverse insights, even after the transition to the Tokyo Stock Exchange Prime Market in April 2022. In FY2023, a performance-linked element was added to the stock trust compensation plan for directors and the scope was extended to include executive officers. We will continue to build a highly effective governance system.

To Our Stakeholders

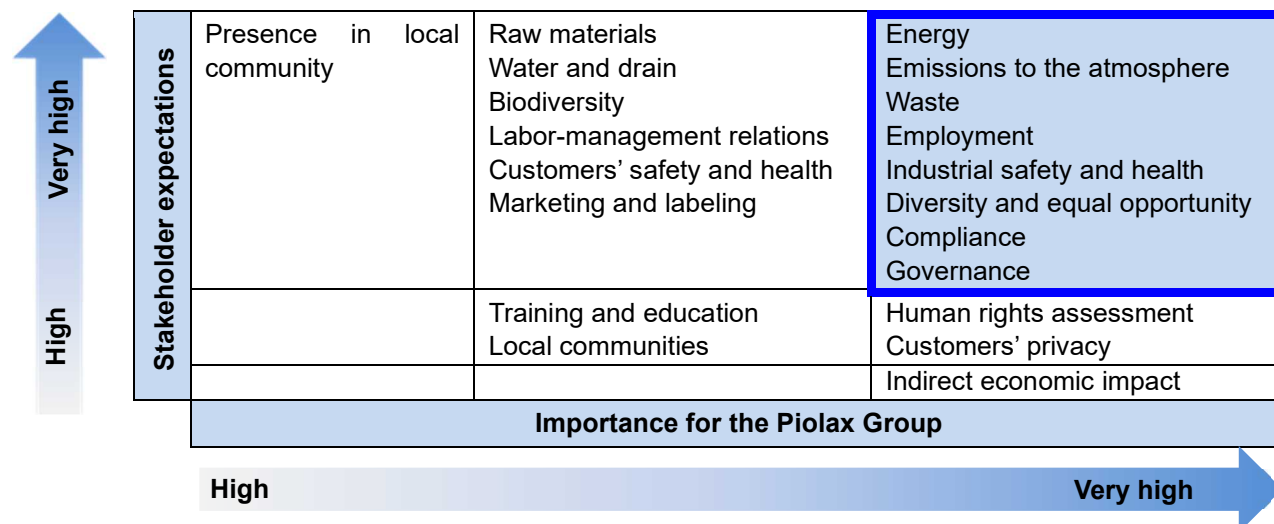
Looking ahead to our 100th anniversary and beyond, Piolax will respond to the changing times and advance various reforms. With the aim of achieving sustainable growth and contributing to the solution of social issues, all employees will work together as one and continue to take on new challenges. I would like to ask for your continued support.

Materiality - ESG Vision and Goals

【Identification of Materiality】

With the use of “materiality matrix,” Piolax has organized issues to be addressed from two perspectives, the Piolax Group and its stakeholders, to clarify the importance and positioning of the issues.

<Materiality of the Piolax Group>



Issues were identified according to the following process.

Step 1: Identification of social issues

Referring to 34 aspects of the triple bottom line (environmental, social, and economic aspects) reflected in the GRI Standards, our Sustainability Committee identified social issues surrounding the Piolax Group which our stakeholders value or focus on when evaluating the Group.

Step 2: Prioritization

The issues identified in Step 1 were prioritized based on the following.

(1) Three items in terms of stakeholder expectations

GRI requirements, customer requirements, and general requirements (from shareholders, customers, employees, local communities, etc.).

(2) Three items in terms of the importance of the Piolax Group

- The Group's policies: President's policies, code of conduct, environmental policies, etc.
- In-house activities: committee activities (sales, production, quality, design and administration), company-wide environmental activities, etc.
- Legal requirements: environment, job security, political measures, Tokyo Stock Exchange regulations, etc.












Step 3: Validation

The issues identified in Step 2 were examined for their appropriateness in light of the Medium-Term Management Plan and management strategies of the Group and were approved by the Management Meeting and the Board of Directors. The identified key issues are incorporated into a business plan of each department and linked to its activities.












【ESG Vision and Activity Goals】

Piolax has established its ESG vision for FY2030 as “Piolax ESG Vision 2030.” Based on this, we set targets for FY2022 and implemented activities. Items not achieved in FY2022 are reflected in the FY2023 ESG Activity Targets and the 8th Medium-term Environmental Goals to continue our efforts.

Piolax ESG Activity Targets 2022

	Materiality: major related SDGs issues	Piolax ESG Vision 2030	Key activities	KPI		FY2022 results	Rating		
E	Energy Emissions to the atmosphere Waste    	Corporate activities aimed at a decarbonized society and a recycling-oriented society	Thorough efforts to conserve energy	Scope 2: Indirect energy consumption (Electricity)					
				Reduce total energy consumption	-3% (from FY19)	-9%	○		
				Reduce energy consumption per basic unit (production volume or sales)	-3% (from FY19)	9%	×		
						Greenhouse gas: reducing CO2 emissions	-10% (from FY19)	-13.7%	○
			Efforts to reduce waste	Reduce waste	-6% (from FY19)	-15.5%	○		
			Effective use of resources	Improve recycling rate	90% (from FY19)	80%	×		
				Increase the use rate of FSC-certified cardboard boxes for delivery	50%	99.9%	○		
S	Employment Occupational health & safety Diversity & equal opportunity     	Creating a vibrant workplace where employees can work with peace of mind	Promote health management	Score employee engagement	Obtain benchmarks	Scoring being considered	△		
			Work-life balance	Reduce overtime work	-10%	1%	×		
				Increase the rate of paid holidays taken	60%	76%	○		
				Rate of female employees taking childcare leave	100%	100%	○		
				Rate of male employees taking childcare leave	More than the previous year's result	55.6%	○		
				Number of industrial accidents	0 accident	13 accidents	×		
			Diversity	Rate of female managers	4.0% or more	3.9%	×		
				Rate of female new graduate hires	30% or more	24.7%	×		
				Number of foreign employee hires	2 or more people	2 people	○		
				Rate of employees with disabilities	2.3% or more	2.37%	○		
			Human assets development	Establish human assets policy	Establishment	Establishment	○		
			Respect for human rights	Education on Piolax Human Rights Policy	Implementation	Study session including domestic subsidiaries: 814 people attended for a total of 204h	○		
				Education on harassment prevention	Implementation				
			Enhancing fair and equitable businesses and trust relationships	Improve CSR procurement	Confirm suppliers' CSR compliance status (Response rate of agreement on Supplier CSR Guidelines)	100%	100%	○	
Support suppliers' ESG management promotion	Investigate activities	100%			○				
Respond to conflict minerals problems (Survey response rate)	95% or more	97%			○				
G	Governance Compliance  	Stable organizational management by strengthening governance	Corporate governance	Comply with the Corporate Governance Code	Enhance compliance with the Corporate Governance Code	Compliance with the revised Corporate Governance Code	○		
				Increase stakeholder engagement	Timely disclosure	Timely disclosure	○		
				Enhance the compliance system	In-house training	Study session including domestic/overseas subsidiaries: 1,870 people attended for a total of 493h	○		
			Risk management	Strengthen information security	Email training Expand usage of EDR system	Email training Expanded usage of EDR system	○		
				Set up a system for disaster measures	BCP training	Not implemented (carried over to the next fiscal year)	×		

Piolax ESG Activity Targets 2023

	Materiality: major related SDGs issues	Piolax ESG Vision 2030	Key activities	KPI	
E	Energy Emissions to the atmosphere Waste    	Corporate activities aimed at a decarbonized society and a recycling-oriented society	Thorough efforts to conserve energy Activities toward carbon neutral	Scope 2: Indirect energy consumption (Electricity)	
				Reduce total energy consumption	-3% (from FY22)
				Reduce energy consumption per basic unit (production volume or sales)	-3% (from FY22)
				Greenhouse gas: reducing CO2 emissions	-13% (from FY19)
			Efforts to reduce waste	Reduce waste	-6% (from FY22)
			Effective use of resources	Improve recycling rate	90% (from FY22)
S	Employment Occupational health & safety Diversity & equal opportunity     	Creating a vibrant workplace where employees can work with peace of mind	Promote health management	Score employee engagement	Consideration of scoring
			Work-life balance	Reduce overtime work	-10% (from FY22)
				Increase the rate of paid holidays taken	60%
				Rate of female employees taking childcare leave	100%
				Rate of male employees taking childcare leave	More than the previous year's result
			Diversity	Number of industrial accidents	0 accident
				Rate of female managers	5% or more
				Rate of female new graduate hires	30% or more
				Number of foreign employee hires	2 or more people
				Rate of employees with disabilities	2.3% or more
			Human assets development	Improve human assets development	Development of training system Improvement of training quality
			Respect for human rights	Education on Piolax Human Rights Policy	Implementation
				Education on harassment prevention	Implementation
		Enhancing fair and equitable businesses and trust relationships	Improve CSR procurement	Confirm suppliers' CSR compliance status (Response rate of agreement on Supplier CSR Guidelines)	100%
				Support suppliers' ESG management promotion	Investigate activities
				Respond to conflict minerals problems (Survey response rate)	95% or more
G	Governance Compliance  	Stable organizational management by strengthening governance	Corporate governance	Comply with the Corporate Governance Code	Enhance compliance with the Corporate Governance Code
				Increase stakeholder engagement	Timely disclosure
				Enhance the compliance system	In-house training (including subsidiaries)
			Risk management	Strengthen information security	Email training Expand usage of EDR system
				Set up a system for disaster measures	Maintenance of manuals

Stakeholder Engagement

In order to meet the needs and expectations of various stakeholders and build trust with them, Piolax values "dialogue with stakeholders."

We will link issues identified through the dialogue to our goal setting and activities to raise our corporate value.



Stakeholders	Piolax's responsibilities/issues	Main dialogue/means
Customers	Provide safe and reliable products through improved partnerships	<ul style="list-style-type: none"> - Daily sales operations - Quality assurance support - Plant visits - Co-creation of technologies
Employees	Create an environment where employees can demonstrate their abilities and individuality	<ul style="list-style-type: none"> - Human assets development and personnel evaluation - Promotion of diversity - Labor-management council - Safety and health - Whistle-blowing system - Stress check - Regular transmission of messages from top management - Visits of production bases by top management - Incentives for improvements and inventions (Global Small Group Activity Competition, New Product and New Technology Report Meeting)
Suppliers	Conduct fair and equitable transactions and build relationships of trust	<ul style="list-style-type: none"> - Information exchange through visits - Purchase policy guidance - Award system
Shareholders and investors	Increase corporate value and disclose information appropriately	<ul style="list-style-type: none"> - Shareholders' meetings - Financial results briefings - Interviews - Website - Shareholder questionnaires
Local communities	Contribute to local community development	<ul style="list-style-type: none"> - Local volunteer activities - Plant tours for local elementary school students - Participation in industry associations - Company information sessions for students and acceptance of interns

External Evaluation

CDP evaluation

In the 2022 survey conducted by CDP, an international non-profit organization, Piolax obtained rating of "Climate Change B" and "Water Security C."

We will continue to enhance our efforts to address environmental issues aiming to obtain higher scores.



Continued selection for ESG investment index

For the first time, Piolax has been selected as an issue of the FTSE Blossom Japan Sector Relative Index, which is constructed by a global index provider FTSE Russell.



**FTSE Blossom
Japan Sector
Relative Index**

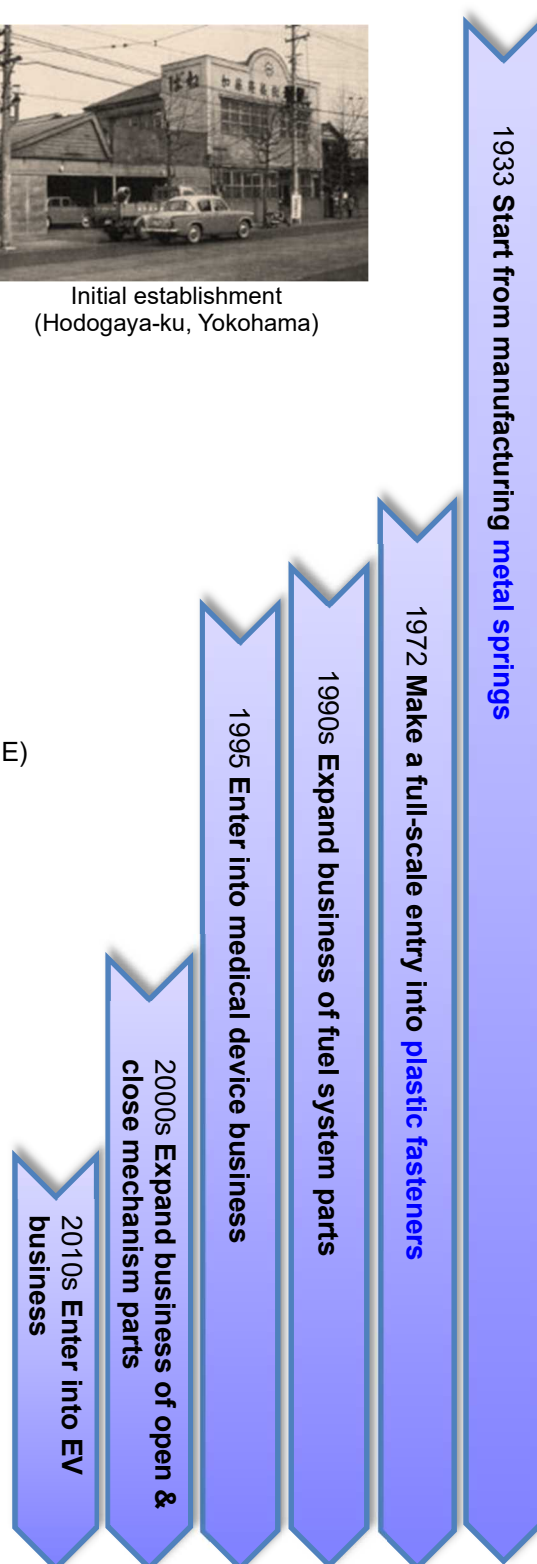
History

Piolax was founded in 1933 as "Kato Hatsujo Seisakusho" and celebrated its 90th anniversary this year. It started out manufacturing precision metal springs for the automotive and telecommunications industries, and then expanded its business to plastic fasteners. **Our strength is that we are able to develop and manufacture spring products with properties of both metal and plastic.** Utilizing this strength, we have developed new businesses and products.

- 1933 Start "Kato Hatsujo Seisakusho" at Honjo Kikukawa, Tokyo
- 1936 Move to Iwai-cho, Hodogaya-ku, Yokohama
- 1937 Start business with Ford Japan
- 1939 Established as "Kato Hatsujo K.K."
- 1957 Build Yokohama Plant at Kariba-cho, Hodogaya-ku, Yokohama
- 1969 Start production of plastic fasteners
- 1970 Build Moka Plant (Tochigi Prefecture)
- 1988 Start local production in the U.S.
- 1995 Change the company name to "PIOLAX, INC."
- 1995-1996 Set bases in the U.K. and Korea
- 1998 Listed on the 2nd section of the Tokyo Stock Exchange (TSE)
Build Fuji Plant (Shizuoka Prefecture)
- 1999 Spin off medical device business into a separate company
- 2000 Set a base in Thailand
- 2003 Set a base in China (Dongguan)
- 2004 Listed on the 1st section of the TSE
- 2009-2012 Set bases in India, Mexico, Indonesia, and China (Wuhan)
- 2017 Sign a cooperation agreement with ARaymond (France)
- 2019 Set a base in China (Shanghai)
- 2021 Make the Shanghai base into a controlling company in China
- 2022 Set a representative office in Germany (Dusseldorf)
Relocate the Head Office to Nishi-ku, Yokohama
Moved to the Prime Market of the TSE



Initial establishment
(Hodogaya-ku, Yokohama)

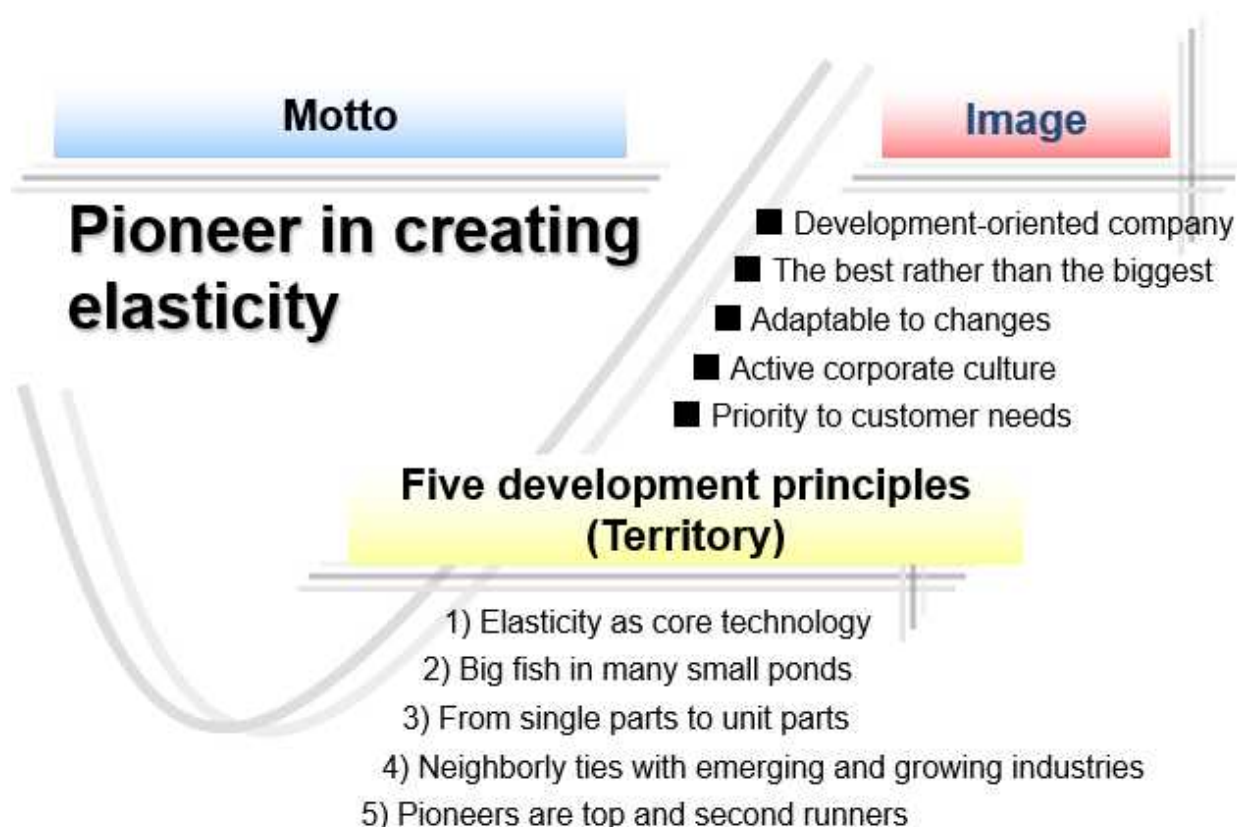


Company Credo

“Sincerity, Cooperation, and Contribution”

Company Philosophy

Piolax will continue new challenges always looking ahead to the changes in the times as a development-oriented company using “elasticity” as core technology.



The management spirit "we do in all sincerity and cooperate for the benefit of our customers and society" that Saburo Kato, our founder, expressed in the company credo "Sincerity, Cooperation, and Contribution" leads to the SDGs today and continues to be the basis of our business activities.

Business Overview

【Business Segment】

1. Automotive-related business

The automotive-related business is a Piolax's core field earning about 90% of its sales. Piolax is a development-oriented automotive parts manufacturer and makes products applying technologies of "elasticity (spring)" of any kind of materials such as metal and plastic. With this strength, it has been providing products that satisfy various customer needs, and this has led to its development to date.

Lineup of automotive parts

Powertrain parts



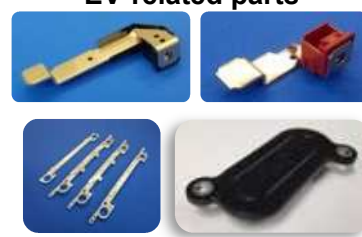
Retainer assemblies, snap rings, etc. used in the transmission and other powertrain mechanism.

Open & close mechanism parts



Air dampers, latches, etc. used in the opening and closing mechanism of the glove box.

EV-related parts



Battery and motor related parts such as bus bars and gas terminals

Clamps



Hose clamps to fasten pipes and rubber hoses to prevent their separation or leakage.

Harness parts



Band clips, taping clips, etc. to bundle wires and harnesses running in a vehicle like blood vessels and fix them to the vehicle body.

Fasteners

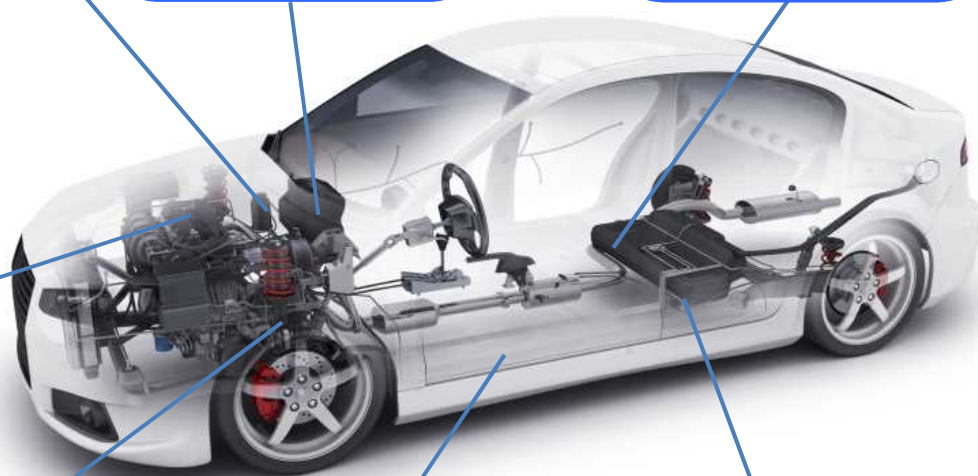


Metal and plastic fasteners like trim clips to fix interior and exterior parts and pipes to the vehicle body.

Fuel system parts



Valves, connectors, and filters to refuel, store and supply fuel safely and reliably.



Automotive parts

Piolax's automotive parts boast one of the industry's top market shares in Japan. They are broadly classified into fasteners, open and close mechanism parts, powertrain parts, and fuel system parts. For their details, please refer to our product information site LiNX.



<Fasteners>

Piolax manufactures a variety of plastic and metal fasteners to fix interior and exterior parts and piping to vehicle bodies.

For interior use, there are hidden fasteners that are invisible for good appearance, repeatedly used fasteners that are easy to remove and re-attach, and human-friendly fasteners with reduced VOCs (volatile organic compounds).

For exterior use, there are plastic fasteners that replace screws with excellent installation workability and high shearing and retention force, plastic nuts that can be assembled from one direction, and metal nuts that can be temporarily fixed to a mating part.



Trim clips



Garnish clips



Piping clips



Band clips

<Open and Close Mechanism Parts>



Latch



Damper



Spring cushion



Plastic hinge

Open and close mechanism parts are mainly used for storage boxes inside vehicles. They include latches for glove boxes and console boxes, and dampers that give a luxurious feel by softening the opening movement of storage boxes.

Spring cushions, which suppress rattling of storage box lids, function semi-permanently compared to conventional rubber parts and improve the closing feel. Lid hinges made of plastic contribute to weight saving.

<Powertrain Parts>

Powertrain parts are mainly used in transmissions. Our main products are composite springs (retainer assemblies) used in transmission clutches and snap rings for holding components.

In recent years, we are also focusing on resin-metal composite parts that can be used even in high-temperature oil to replace metal parts.



Retainer assemblies



Snap rings



Valve assembly



Baffle plate

As parts for EV reduction gears, we manufacture detent springs and torsion springs used in the parking mechanism, as well as shims used to adjust bearing clearance.



Detent spring

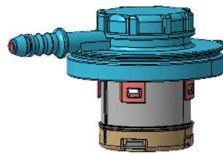


Torsion spring

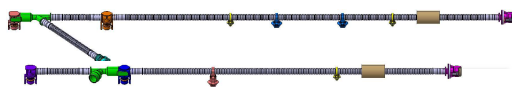
<Fuel System Parts>



CFLVV for PHEV



High seal 2K-ROV



Gas vent pipe



Connector-integrated filter

Our main parts relate to the flow path control of gasoline vapor (gas) and liquids around fuel tanks. They perform functions such as preventing gasoline from blowing back when refueling, detecting a full tank, and preventing leaks from the tank in the event of a rollover.

Recently, restrictions on the capacity and shape of gasoline tanks have been increasing due to the expansion of passenger space and the spread of HEVs. We are working to realize a spacious and comfortable cabin space by integrating valve functions and improving liquid level control technology.

Regarding parts for BEVs and HEVs, we are focusing on developing internal pressure control valves for gas generated from battery packs, joints and connectors for cold and hot piping, and connector-integrated filters for circulating oil.

<CASE products>

E-Products Development Department was established in April 2022 to take on the challenge of creating new value that does not belong to the four existing SBUs (Strategic Business Units). It positions "environment- and people-friendliness" as a core value to offer and conducts research and development of CASE products.

We are developing products that are indispensable for EVs, such as bus bars and gas vent valves ensuring battery safety for a certain period of time in the event of a battery failure. In the wake of electrification, noise control in the low-frequency band is drawing attention, and vibration-damping products are also under development to improve sound performance.

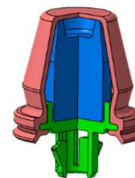
In addition, we are pursuing value in fasteners for sensors and cameras which are essential for driver assistance systems and autonomous driving to maximize their functions.



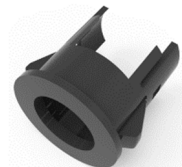
Bus bar



Gas vent valve



Vibration-damping part



Sonar bracket

Eco-friendly products

Yokohama Technical Center plays a central role in developing products that contribute to the environment. Our criteria for eco-friendly products include "light weight, reduced number of components, integration, and selecting materials that are compatible with a recycling-oriented society."

Fastener: Insulator clip for new exterior noise regulations

Promoting recycling
Easy disassembly

To encourage product recycling, we are reviewing materials in use to select easy-to-recycle ones.

A loud noise is generated by the rotation of a belt and pulleys. Insulators to control the noise satisfying the new exterior noise regulations are irregular-shaped, and we have developed clips to attach such insulators to engines. They use recycling-promoting materials and are designed for easy disassembly.

We will continue to promote a recycling-oriented society from the material level.

Before



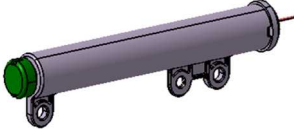
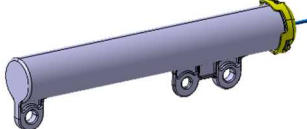
After



Open & close mechanism part: Improved string air damper (reduced number of components)

Light weight

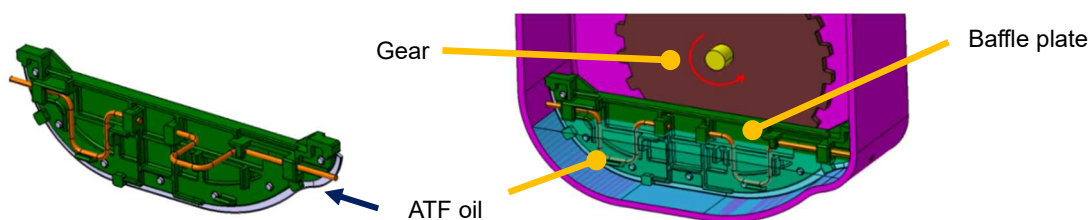
By devising the internal orifice structure (a hole through which air passes), the number of components has been reduced by two from the previous model without degrading function or performance. This product contributes to light weight and reduction in work processes.

	Current product	Developed product
Schematic		
Number of components	8	6

Powertrain part: Baffle plate for oil inflow prevention

Improved fuel efficiency
Light weight

This product reduces agitation resistance of gears rotating in the automatic transmission fluid (ATF) and contributes to improve fuel efficiency of automobiles. Based on our analysis technology, this is attached to the transmission case with wire, instead of bolts, and its behavior is stabilized by spring reaction force.

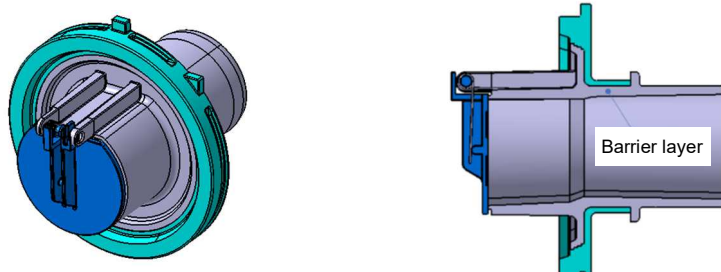


Fuel system part: 2K-ICV

Compliance with environmental regulations
Light weight

This valve is installed between the fuel tank and filler hose and prevents fuel from blowing back when refueling. By using a 2K (two-color molding) method to form a barrier layer made from a low-permeability material on the inner layer of the body, the amount of fuel evaporative gas released into the atmosphere is reduced, meeting strict exhaust gas regulations in countries such as North America and China.

The new model eliminates one component (BODY-B) from the previous one, contributing to weight saving.



CASE product: Damping stopper

Light weight

Our efforts to create new value pursuing weight saving are not limited to our product level. We are making such proposals to customers at the "vehicle level," too.

As a solution for muffled noise in the low-frequency band in vehicles, we are developing a "damping stopper" which uses a material with a damping function. If we succeed in replacing conventional dynamic dampers, the weight of each vehicle will be reduced by 0.3 kg to 1.8 kg.



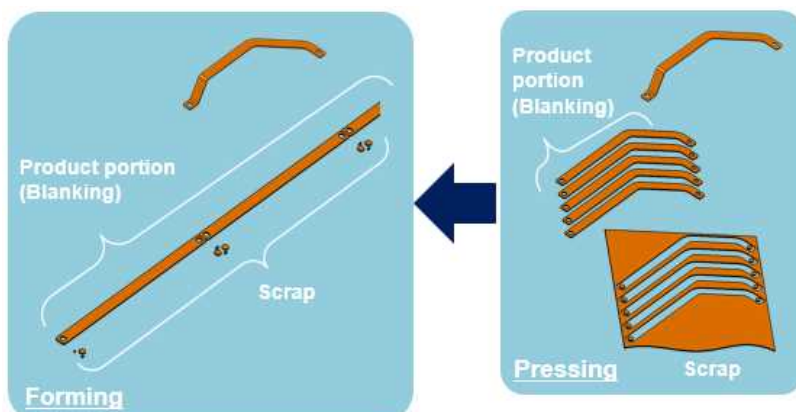
CASE product: Bus bar

Reducing material waste

Many electronic and electrical units are used in EVs and other mobility devices these days and bus bars are attracting attention as parts with conductive functions, because they are more flexible in layout and more efficient compared to conventional wiring harnesses.

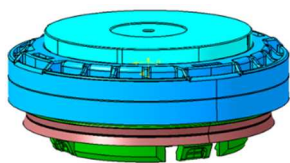
Most bus bars are punched out with a press from copper plates with excellent conductivity, but it generates a large amount of scrap. For the purpose of using up materials without generating waste, we have started to use a forming machine.

By bending plates in the direction of the plate width, which is impossible with a press, we have succeeded in reducing scrap produced from the base material by more than 30% to less than 5%.



CASE product: Gas vent valve for EV battery

Light weight
Simplified assembly work



In the rapidly expanding EV market, automakers are paying close attention to battery safety and researching safety devices.

To meet such needs, we have developed gas vent valves that fully utilize our technologies relating to "valves," "fastening," and "springs" cultivated over many years. This product can be fixed to the battery housing without using bolts, reduce weight, and simplify the assembly work.

Carbon neutral initiatives

As part of our efforts to reduce CO2 emissions, we are studying the use of biomass materials and recycling of resin materials.

You have ever seen food bags and detergent containers with silver aluminum on the inside and plastic on the outside. This packing material is used in large quantities and has become an issue in the industrial world, as its metal and plastic are stuck together and cannot be separated, making recycling difficult.

The Advanced Material Recycle and Innovation Alliance was established in 2022 as a joint industry-government-academia effort to find solutions to such difficult-to-recycle plastic materials and implement them in society. Piolax is participating in this project and considering the use of factory waste as packing materials for daily necessities (PIR*).

To realize a resource recycling society, we will continue our research in collaborating with other industries.



Packing material prototype that uses waste from packaging material manufacturing process

*PIR (Post-Industrial Recycling): Recycling or reusing materials generated in the manufacturing process of products before they are released on the market

<Research and Development Initiatives>

The Piolax Group's research and development is promoted by Design Department, e-Products Development Department, Production Engineering Department, Development Group of SBUs (including overseas subsidiaries), and a development division of our subsidiary Piolax Medical Devices, Inc.

Under the slogan "pioneer in creating elasticity," we engage in research and development of products utilizing elasticity, whether solid, liquid, or gas, and actively pursue the possibilities of "elasticity" in various fields, including the automotive industry, lifestyle-related items, and medical devices.

The Group's research and development expenses in FY2022 were 804 million yen (1.2% of consolidated sales). One of our goals set in the Medium-term Management Plan is strengthening research and development centered on CASE products, increasing the ratio to 1.5% in FY2025.

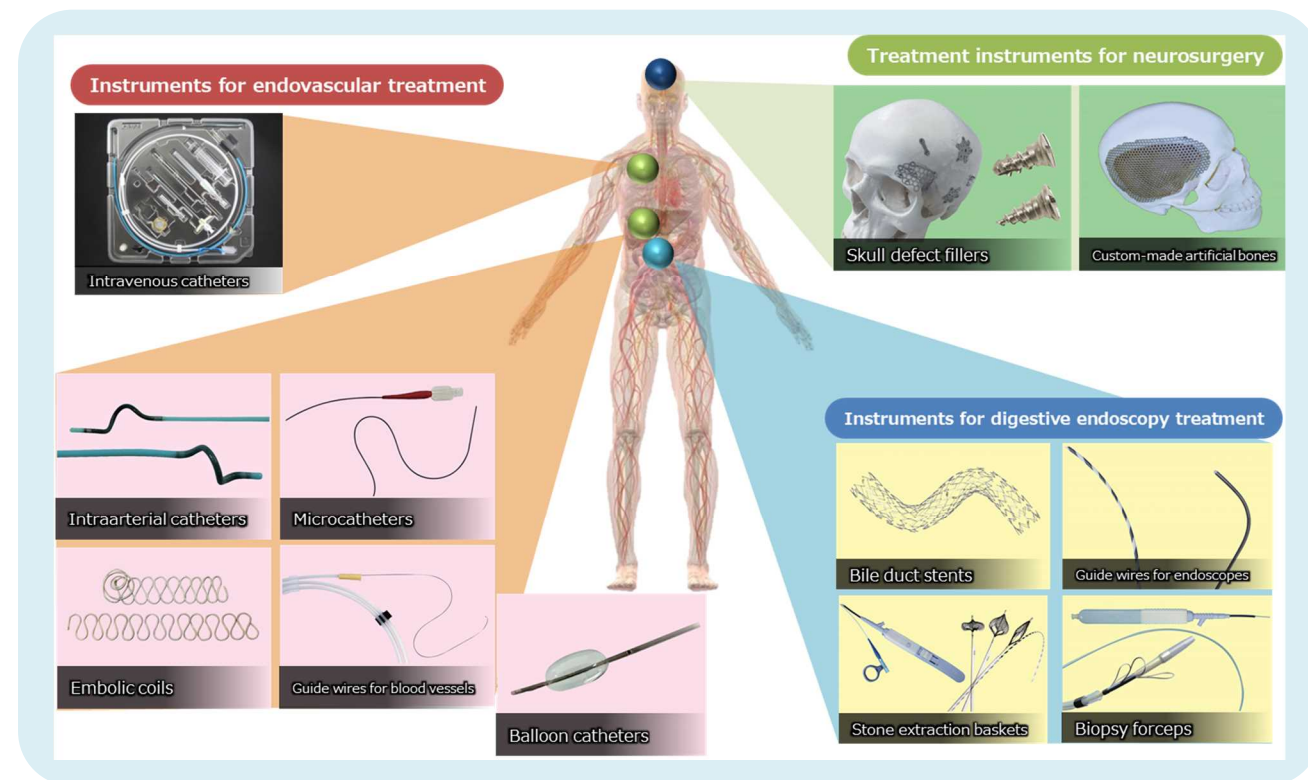
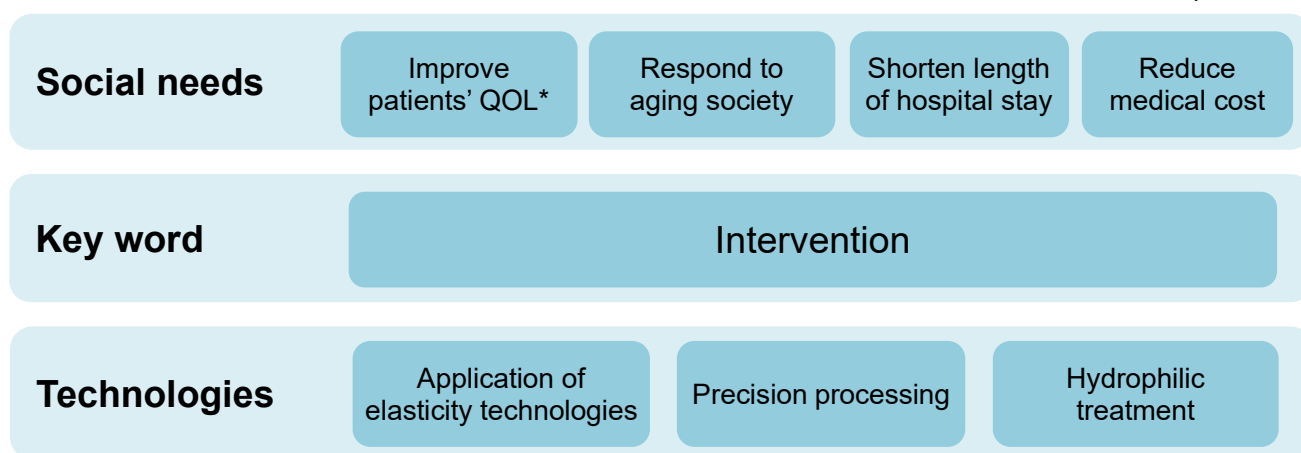
2. Medical device business

Piolax Medical Devices (PMD) operates a medical device business based on elasticity technologies Piolax has built through the development and manufacture of automotive parts as well as PMD's original technologies.

In scalpel-using surgical procedures, there are issues such as physical burden on patients, blood loss, and prolonged hospitalization. In the "interventional treatment" that PMD pursues, devices are delivered into the body or blood vessels through a small hole or incision of about 2 mm in diameter made in the skin or via an endoscope, without creating large surgical scars in their body. Through the interventional treatment, which is less physically demanding than surgical treatment, PMD realizes "people-friendly treatment" enabling patients' early return to society.

Applications that PMD aims for

*QOL: Quality of Life



<Recommended New Product>

Gastrointestinal endoscope guidewire "RevoWave DualMaster"

About one year has passed since the release of the gastrointestinal endoscope guidewire "RevoWave DualMaster."

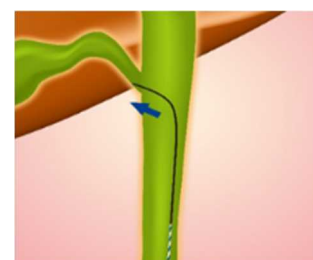
Since both of its ends can be used depending on the anatomy and pathology, this guidewire is considered cost-effective. Further, co-development and promotion with a doctor have a great impact in the market and we have received many inquiries from medical institutions.

Guidewires are made of thin and soft wire-like material (mainly shape memory alloy), guiding a medical device such as a catheter to a lesion. The key to successful treatment is whether doctors can manipulate such thin wires skillfully, and they study hard every day.

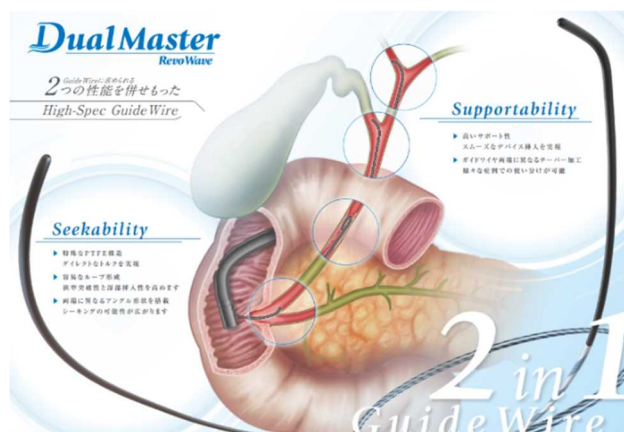
In the field of gastrointestinal endoscopy, new treatment methods using ultrasound endoscopes have recently emerged, and a wide range of performance is required for guidewires.

Under these circumstances, RevoWave DualMaster, which combines multiple performance, has smoothed out treatment that used to be difficult. With this single guidewire, doctors can complete a procedure regardless of their years of experience.

PMD has a vision to "provide patient-friendly medical devices that realize standardization of procedures and solve medical issues." RevoWave DualMaster is a product that can achieve this vision.



Comment from a doctor involved in the co-development (Dr. Hiroyuki Isayama, Professor of Gastroenterology, Juntendo University Graduate School of Medicine)



The RevoWave DualMaster, developed aiming for improving the quality of life of patients and based on the needs of doctors, is packed with Piolax Medical Devices' unique technologies.

During the development process, I spent quality time with PMD members through many discussions and reviews.

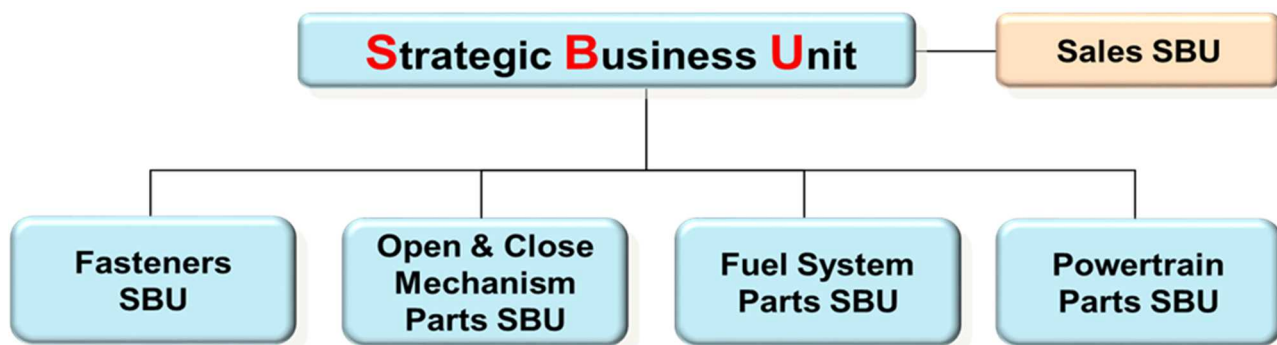
I am very happy that many doctors will pick up this guidewire and use it for their treatment.

【Organization】

1. SBU system

Automotive parts that Piolax produces include fasteners, open and close mechanism parts, fuel system parts, and powertrain parts, and we have introduced the SBU (Strategic Business Unit) system by product category. Each product-related SBU has marketing, development, and manufacturing sections and, in cooperation with Sales SBU, formulates and implements its own strategies. This enables Piolax to respond to market changes and customer needs quickly and flexibly.

Piolax SBU system



2. Design and development

As a development-proposal type company with high creativity and reliable technologies, the Piolax Group performs design and development activities in the U.S., the U.K., South Korea, China, Thailand and India as well as at Yokohama Technical Center (YTC) in Japan, where drawings are created based on proper understanding of customer needs.

YTC serves as a global center for design and development, where design, development, sales and purchasing divisions are located on the same floor. This enables seamless cooperation among them and promotes “synchronization” and “homogenization” of development capabilities in the whole Group.

Product testing facilities are located at YTC, Moka Plant, and Fuji Plant, securing optimal quality evaluation.

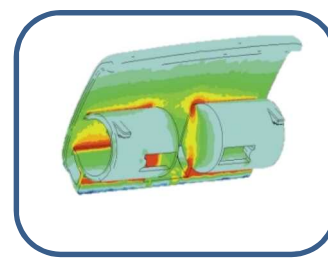
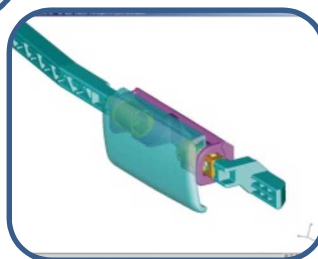


Survey of substances of concern

YTC keeps abreast of revisions to laws, regulations, and customer requirements related to substances of concern in relevant countries and creates a database of such information. Members in development and production engineering divisions use it to provide safe products to our customers.



Drawing review



Layout study and structure analysis by digital mock-up*

*Digital mock-up: A method using 3D data to verify designs and interference without creating actual prototypes



Environmental evaluation of products



Durability mounting test



SOC evaluation of materials

<Intellectual Property Initiatives>

Basic concept

The Piolax Group's approaches to intellectual properties (patents, utility models, designs, trademarks, copyrights, trade secrets, etc.) are to (1) respect intellectual property rights of third parties and avoid their infringement, (2) make rational use of our intellectual properties for our benefit, and (3) enhance the presence of our patents. We strive to create, protect, manage, and utilize our intellectual properties appropriately in coalition with relevant departments and group companies.

Intellectual property initiatives

Piolax promotes appropriate efforts by introducing an incentive system for employee inventions to encourage active creation of intellectual properties and by providing regular in-house training to deepen understanding about intellectual properties.

Concerning the development of CASE products, one of the key strategies in the Medium-term Management Plan, we are engaged in a patent strategy proposal activity. It aims to build a strong patent network by analyzing internal and external patent information on target CASE products from various perspectives and by defining the direction of development.

Number of rights held by the Group (as of March 31, 2023)

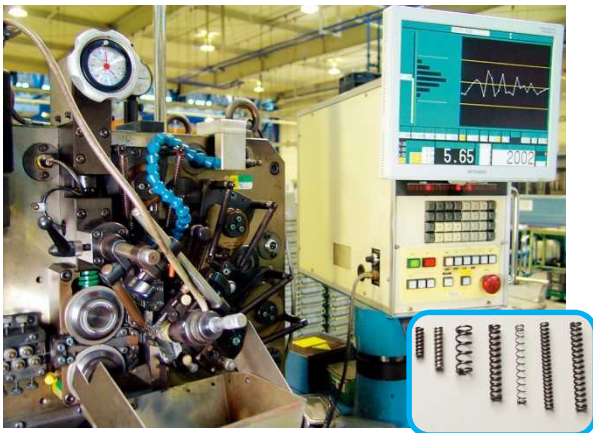
(Cases)

	Patents	Utility models	Designs	Trademarks
Japan	442	0	35	87
Overseas	340	2	30	74

3. Production engineering

Piolax strives to build manufacturing technologies suitable for a development proposal-oriented company and to ensure the same quality level in the Group. Its production lines for fasteners and open and close mechanism parts are located mainly in Moka Plant and those for fuel system parts and powertrain parts are in Fuji Plant. We will make continuous improvements to eliminate loss, raise global productivity, and develop new manufacturing methods.

Introduction of our processes



Winding of wire springs



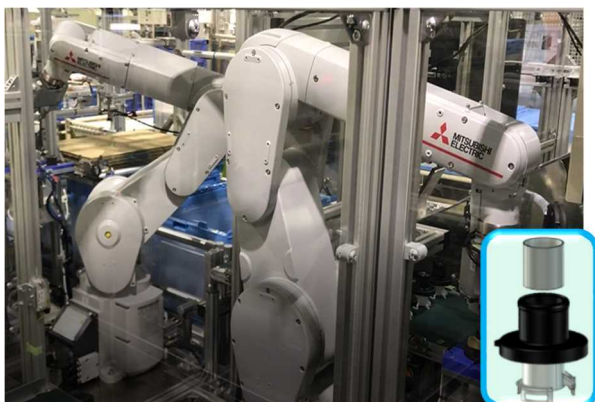
Pressing of flat springs



Injection molding



Cell production line



Labor saving: robot assembly line



Automation: flexible assembly line

【Product and Customer Strategies】

- Develop and increase sales of CASE products
- Diversify customers and products
- Maximize profit margin per product
- Globally achieve superior quality

More than 90% of the Group's sales are earned in the automotive industry. Our Group is highly dependent on Japanese automakers, and their production and sales trends tend to greatly affect our business performance.

In the automotive industry, efforts to achieve carbon neutrality are progressing rapidly. As the electrification of automobiles is accelerating, some of our products are expected to see a decline or disappearance of orders. To counteract this risk, we established e-Products Development Department in 2022 and are working to speed up the development of CASE products and increase their orders.

In addition, in order to diversify our customer base, we are strengthening sales to non-Japanese automakers to raise their sales percentage to 17% by FY2025. At the same time, we aim to maximize the profit margin of each product and promote technological development of high value-added products to increase parts sales per vehicle.

Quality is the foundation of these activities. We regard it as the most important issue for our Group and aim to achieve high quality throughout the Group. A new quality assurance organization has been launched since FY2022 to further enhance our quality management system.

【Business Strategy】

- Find a new business
- Reform profit structure

Due to new trends in the automotive industry, such as electrification, our Group may not be able to increase profits simply by expanding its automotive business.

For this reason, we established MIRAI Business Department in 2022 to create a third business following auto parts and medical devices with free ideas, without being bound by the existing businesses or manufacturing sector. Discovering a new business requires repeated trial and error. We will continue to take on challenges from a medium- to long-term perspective.

We have also started profit structure reform for future growth. Piolax's non-consolidated profit margin is declining since FY2016, and we are implementing activities to restore it. In order to build a profitable structure, we have set a goal of reducing fixed costs by 1 billion yen and securing a double-digit operating profit margin from FY2023 to FY2025.

Regarding investments for growth, we will actively encourage research and development for CASE and eco-friendly products, development of domestic infrastructure and human assets, digitalization, DX and IoT. We will carry out reforms based on two pillars: building a lean profit structure and investing for growth.

【Regional Strategy】

- Expand sales in North America and China
- Expand profitability of ASEAN bases
- Examine strategies in continental Europe
- Reinforce regional management functions

At our North American bases (U.S. and Mexico), we will expand production capacity and increase sales to non-Japanese automakers including the U.S. Big 3 (General Motors, Ford, and Stellantis), Volkswagen, and Hyundai.

At our Chinese bases, we will reduce our dependence on Japanese automakers and expand sales to Chinese automakers, as there are concerns about the continued stagnation of Japanese automakers in China amid the major movement toward electrification.

For the ASEAN and India regions, we will strengthen cooperation among our three bases in Thailand, Indonesia and India and enhance sales especially to rapidly developing Indian automakers, responding to the shift to EVs.

The ratio of sales to non-Japanese automakers in FY22 was 13%, and we aim to raise the ratio to 17% or more in FY2025. In Europe, a leader in automotive electrification and carbon neutrality, we aim to expand sales to European automakers, especially German automakers. As a stepping stone to our strategies in Continental Europe, we opened a representative office in Dusseldorf, Germany in FY2022. In FY2024, we plan to establish a sales company in the Netherlands and review our production system in Europe.

Plant expansion in India

In strengthening our approach to non-Japanese automakers, we have been able to win orders for EV battery-related parts. In preparation for the production shift to EV-related parts and future production increases, the 3rd plant is being built in the production base in Chennai, which will be completed in February 2024. This will increase production capacity by 1.5 times the current level. We will follow the expanding automobile industry in India.



Plants in India (Chennai)

Enhancing sales to Chinese automakers

In China, the automotive industry is entering a new phase, with the continued stagnation of Japanese automakers, our main customers, and the rapid shift to EVs. Against this backdrop, our Group has set a goal of reducing our dependence on Japanese automakers in China and increasing sales to Chinese automakers, which are strong in EVs, to 30% of our total sales by 2030. In addition to our existing products such as fasteners and open and close mechanism parts, we will focus on CASE products such as battery-related parts (for thermal management) and ADAS brackets (for cameras, radars, sonar, etc.).

【Growth Investment Strategy】

- Develop domestic infrastructure
- Strengthen R&D development
- Promote DX

Aiming for the growth of our Group over the medium to long term, we will actively invest in equipment, R&D, and DX. Regarding capital investment, in addition to strengthening domestic infrastructure such as building a new Moka Plant and a new Head Office, we will also expand overseas production bases in India and other countries.

Especially overseas, we will establish a production system that can handle new products including CASE products. We will also continue to invest in environmental measures at our production sites to achieve our carbon neutrality goal.

Official operation of new Moka Plant

We are constructing a new Moka Plant (Tochigi Prefecture) on a site adjacent to our existing plant since FY2022. Phase I construction will be completed and operation will start in FY2023. The new Moka Plant will become the "global mother plant," spreading Piolax brand to the world. The investment amount is expected to be 10.1 billion yen over the three years from FY2023 to FY2025. Phase II construction will begin in 2024 and is to be completed in FY2025. The total floor area at the end of Phase II will be 28,700 m² and accommodate the production of CASE products that is expected to expand in the future.



<Next-generation global mother plant>

- Next-generation equipment and molding lines
- Automated lines using AI/IoT technology
- Efficient production through DX
- 200% increase in productivity by 2030
- **Initiatives toward carbon neutrality**
- **Production of CASE products** (Increased production)

Expanding investment in CASE products development

The automobile industry is undergoing a period of major change once in a century, with technological innovation progressing in a new field called "CASE." For the purpose of responding quickly to this change and winning orders for CASE products, we established e-Products Development Department in April 2022. The department integrates the functions of sales, development, and production engineering to work on CASE.

Due to the electrification of automobiles, orders for some of our products will decrease or disappear in the future. We see this risk as a new business opportunity and have set a goal of "sales of 10 billion yen for CASE products by 2030."



Currently, e-Products Development Department is focusing on battery-related parts, sensor/camera-related parts for ADAS (Advanced Driving Assistant System), parts for e-Axel (a drive motor system that is said to accelerate the shift to EVs), and vibration control parts that meet the demand for quietness inside vehicles. We will aggressively invest in research and development to win these orders.

【Management Capital Strategy】

- Pursue capital efficiency
- Enhance shareholder returns
- Promote ESG management

Change in capital policy

In the Medium-term Management Plan (FY2023 to FY2025) announced in June 2023, we decided to extend a period of 100% dividend payout ratio for one year until FY2025.

We will strive to increase corporate value by improving ROE and capital profitability with an awareness of capital costs. Our capital policy is to limit the buildup of equity capital, maintain 100% dividend payout ratio, and purchase and retire treasury shares in a flexible manner.

	FY2022 to FY2024 Management indicators (previous)		FY2023 to FY2025 Management indicators (current)
ROE	8% or more (Final target: 10% or more, positive EVA spread)	➡	8% or more (continued) Final target: 10% or more, positive EVA spread
Consolidated dividend payout ratio	100%		100% (continued)

Promotion of ESG Management

In 2021, we established a sustainability policy and set up Sustainability Committee to strengthen our efforts to solve social issues and promote sustainable development of our company.

As a company involved in the automotive business, we recognize that the challenge of carbon neutrality is absolutely essential and that realizing a sustainable society is our responsibility. We have created and announced a roadmap for carbon neutrality in 2022, and our Group's efforts toward it center on three points: energy-saving activities, introduction of renewable energy, and use of innovative energy (methanation).

We have been installing solar panels at our overseas bases, and since FY2023, we have started purchasing 100% renewable energy at two plants in Japan (Moka and Fuji Plants). In addition, the new Moka Plant, which will be completed in FY2023, will install solar panels and other energy-saving equipment and promote initiatives to become a carbon-neutral model as the mother plant of the Piolax Group.

Regarding "S" (Society) of ESG, we have intensified our efforts to develop human assets. We have formulated a human assets development plan for executives, supported employees in drawing career plans, and introduced 360-degree evaluations. Also, based on the employee satisfaction survey launched in FY2022, we conduct activities to increase employee engagement and improve corporate value. To strengthen training for new employees and value learning in the field, we have resumed plant training that had been suspended due to the coronavirus pandemic, extending the training period from two weeks to six months.

Regarding "G (Governance)," in FY2022, we increased the number of outside directors as well as the number of female directors from one to two. In FY2023, we reviewed our executive compensation system and introduced performance-linked elements. We will continue to strive to strengthen governance with the aim of increasing corporate value over the medium to long term.

【Introduction of New Moka Plant】

Global mother plant transmitting the corporate brand

Since 1970, Moka Plant has been a mainstay of our production activities for many years. However, more than 50 years have passed since its establishment, and its aging and lack of production space due to increased sales led to a decision to build a new plant. We have purchased a site adjacent to the current plant, renovated the office building existing there, and will build two buildings; one is for production of plastic parts and the other for metal parts.



Shigeru Masuda
Director and Senior Executive Officer

The mission of the new plant is "Beyond our dream." It will be a state-of-the-art plant with the following functions: (1) supporting sustainable growth, (2) keeping up with changes, (3) encouraging new businesses and technology development, and (4) fostering manufacturing human assets.

One of the concepts of the new plant is a "plant with high productivity, flexibility, and reliability." Aiming for 200% productivity from the current level, the new plant will install integrated production lines and next-generation heat treatment and geomet lines and introduce DX using AI and IoT. It will also be a "non-stop plant" that can respond to changes in production conditions and recover quickly from disasters.

The other concept is an "eco-friendly plant." As a smart plant with high energy efficiency achieving CASBEE (Comprehensive Assessment System for Built Environment Efficiency) rank A, the new plant will install solar panels and other latest equipment that contribute to carbon neutrality and use the BEMS (Building and Energy Management System) for the centralized management and efficient operation of data in the buildings. In addition to these production functions, we will promote new initiatives, encouraging research and development of CASE products for electrification and ADAS and creating comfortable and lively workplaces where employees can work with confidence.

Phase I construction is until the completion of the plastic building in December 2023, and Phase II is until the completion of the metal building in October 2025. So far, the office building has been renovated, and the plastic building is almost finished as planned. We will make this new plant a global mother plant that embodies Piolax corporate brand and accelerates our growth.



Image of the new Moka Plant



Situations in November 2023

Addressing sustainability is an important management issue. For this, we established Sustainability Committee in 2021 and formulated the Sustainability Policy. This committee examines policies related to sustainability and ESG management, sets targets, and monitors progress. Specific measures discussed in the committee are raised to the Management Meeting and decided by the Board of Directors. The committee consists mainly of Directors, chaired by the President, and it meets four times a year.

Link: Sustainability Policy

<Directors and Their Activities>

Position	Name	Sex	Term of office (At the end of the GSM in June 2023)	Attendance (FY2022)	
				Board of Directors	Audit and Supervisory Committee
President Chairman of the Board of Directors	Yukihiko Shimazu	Male	18 years	18/18	-
Senior Managing Director Chairman of the Management Meeting Chairman of the Appointment/ Remuneration Advisory Committee	Michio Nagamine	Male	15 years	18/18	-
Director	Toru Suzuki	Male	9 years	18/18	-
Director	Shigeru Masuda	Male	2 years and 10 months	18/18	-
Director	Masaaki Kaji	Male	1 year	14/14 *	-
Director	Hiroyuki Ochiai	Outside, Independent	Male	1 year	14/14 *
Director	Makiko Akabane	Outside, Independent	Female	1 year	14/14 *
Director and Full-time Audit and Supervisory Committee Member Chairman of the Audit and Supervisory Committee	Genichi Ishikawa	Male	1 year	14/14 *	7/7 *
Director and Audit and Supervisory Committee Member	Kenichi Asano	Outside, Independent	Male	7 years	18/18
Director and Audit and Supervisory Committee Member	Sakae Komiyama	Outside, Independent	Female	2 years and 10 months	18/18

* Covering Board of Directors and Audit and Supervisory Committee meetings held after the inauguration on June 24, 2022.

<Directors' Skill Matrix>

Position	Name	Corporate management	Sales/ Marketing	Technology/ Development	Manufacture/ Quality	Finance/ Accounting	Legal/ Risk management	Global business	ESG/ Sustainability	DX/IT	Innovation/ New business
President	Yukihiko Shimazu	●	●					●	●		●
Senior Managing Director	Michio Nagamine	●				●			●	●	
Director	Toru Suzuki	●	●		●			●			
Director	Shigeru Masuda			●	●					●	
Director	Masaaki Kaji	●				●		●		●	
Outside Director	Hiroyuki Ochiai	●			●			●	●		
Outside Director	Makiko Akabane	●							●		
Director, Full-time Audit and Supervisory Committee Member	Genichi Ishikawa	●				●		●			
Outside Director, Audit and Supervisory Committee Member	Kenichi Asano						●				
Outside Director, Audit and Supervisory Committee Member	Sakae Komiyama					●					

<Implementation of Corporate Governance Measures>

Piolax holds a regular meeting of the Board of Directors once a month to decide basic management policies and important matters and to supervise execution of duties by the Directors. Piolax adopts an executive officer system, and part of the Board of Directors' authorities for business execution is delegated to the Management Meeting to speed up the decision-making process. We have established a system in which management information is shared between the Board of Directors and the Management Committee to ensure thorough implementation of business operation policies and to enhance sensitivity to management risks.

Concerning risk management, department heads identify risks of their department and prepare rules and manuals to manage them, and Internal Audit Department monitors the situations.

<Evaluation of the Effectiveness of the Board of Directors

In order to objectively evaluate whether the Board of Directors is fulfilling its expected role, we conduct an annual survey of all Directors on the composition, operation, and agenda of the Board of Directors. In FY2022, we also evaluated the effectiveness of the Audit and Supervisory Committee. In addition, we receive external (third-party) advice once every three years to enhance the objectivity of our evaluations.

<Internal Control System>

Piolax has prepared the "Basic Policy on Internal Control System" and the "Basic Policy for Internal Control System concerning Financial Reporting," and continues its activities for the Group's internal control. It includes establishing and operating the internal control system headed by the President and evaluating its effectiveness every year to secure sound, efficient, and fair corporate control.

Specifically, "company-wide internal control," "internal control over business processes," "internal control over financial reporting," and "internal control over IT" are operated and, in each control, checklists, segregation of duties tables, business descriptions, business flow charts, risk control matrices, and other documents are prepared for evaluation.

Link: Corporate Governance Report

Link: Basic Policy on Internal Control System, Basic Policy for Internal Control System concerning Financial Reporting

【Interview with Outside Director】

I will contribute to improving corporate value by giving advice from the perspective of all stakeholders and with an awareness of offensive risk-taking.

Hiroyuki Ochiai

He has served as Managing Officer of Toyota Motor Corporation, Executive Vice President of Toyota Motor Europe, General Manager of Kamigo and Shimoyama Plants of Toyota Motor Corporation, and President of FTS Corporation.

In addition to his work in the automobile industry and economic organizations, he also has a wealth of management experience, including being appointed as the President of Social Welfare Corporation *Toyota Hikari-no-sato* in 2022. He was appointed as Outside Director of Piolax, Inc. in June 2022.



1. what is your impression of Piolax?

Since my appointment last year, I have visited various sites within the company over the past year, believing that it is important to understand the actual situation of each department in order to appropriately supervise and provide advice to management as an outside director. I felt warmth at every site and sensed that this is the foundation of Piolax's corporate culture. The issues I heard on-site and the issues the company sees generally match, and I am impressed by their good communication and steady approach to problem-solving through teamwork.

2. Corporate governance of the company

This year marks the 90th anniversary of Piolax's founding, and it is noteworthy that the company has achieved sound and continuous growth and social contribution over the years as a "pioneer in creating elasticity." I believe this is a proof that its corporate governance is functioning properly.

However, the automotive industry is now in a period of great change. To respond to CASE and create a new growth engine as a third pillar of the company, we need an "elastic" system that is more flexible and agile than before, rather than a rigid system. This may pose a risk to governance, but I believe it can be ensured through "promoting visualization" and "further improving the quality of communication." In particular, "visualizing abnormalities" is important, and abnormalities found must be dealt with immediately.

3. Improvement of the company's corporate value

Piolax incorporates an idea of broadly contributing to industry and society through the science of elasticity of all materials into its Medium-term Management Plan and annual business policies, and is working to achieve sustainable growth and increase corporate value through the practice of ESG management. As an outside director, I will give advice from the perspective of "common sense of all stakeholders" rather than "common sense of Piolax," with an awareness of not only "defensive" but also "offensive" risk-taking.

Amid drastic changes in the business environment, I hope that the management and employees will view 2023, the 90th anniversary of the company's founding, as the second founding year and unite under "ONE PIOLAX" to achieve further growth and solve social issues so that all stakeholders would say, "Piolax is a good company." I am looking forward to seeing it put into practice in new work environments in line with the times, such as the new Moka Plant and the new Head Office.

【Risk Management】

Piolax works to prevent possible risks in its business activities. In the event of a risk, we strive to minimize the impact on our business and company. Sustainability Committee identifies various risks and opportunities, including climate change, and implements measures and monitors progress according to the assessment of materiality.

<Information Security System>

Piolax has established the "Guidelines for Prevention of Confidential Information Outflow" to protect its information assets by taking drastic and effective measures against the risk of confidentiality leaks. Based on the guidelines, we are improving our confidential information management system, including information security, to properly manage company information.

In order to respond to cyber-attacks, which are becoming more sophisticated every year, we conduct in-house education and e-mail attack training in the entire Group. We have also introduced an EDR (Endpoint Detection and Response) system as an endpoint countermeasure for PCs and servers to improve response efficiency in case of incidents. We will continue to address cybersecurity risks to improve business continuity and reduce business risks.

In 2023, in response to the increasing number of cyber-attacks worldwide, we conducted a question-and-answer e-learning course on IT security in multiple languages for Group employees in Japan and overseas to prevent any damage in advance. 1,650 people participated, and the total course time was 825 hours.

<Business Continuity>

In the event of a large-scale disaster, Piolx has formulated a business continuity plan (BCP), developed a safety confirmation system and emergency contact network, and deployed stockpiles so that it can promptly assess the damage and quickly restore operations. We conduct company-wide BCP drills on a continuous basis that simulate the occurrence of natural disasters and infectious diseases to improve proficiency.

<Disaster Preparedness Initiatives>

A business-card-sized "Disaster Response Manual" has been distributed to all employees. It outlines action guidelines in the event of a disaster for ensuring personal safety, confirming the safety of family members, and reporting to the company.

If a disaster occurs in the area where our bases or suppliers are located, safety confirmation emails will be automatically sent to quickly gather safety information and prevent delivery delays.



<Personal Information Management System>

Personal Information Management Committee has been established to develop and administer rules in response to the Personal Information Protection Law and other laws and to build a system for handling personal information.

【Compliance】

The Piolax Group has established Compliance Committee, chaired by the President, as an organization that oversees overall compliance. The committee has set up a system to promote compliance management in accordance with laws and regulations, the Articles of Incorporation, and the Group's management policies.

<Piolax Code of Conduct>

Under the corporate philosophy of "pioneer in creating elasticity," the Piolax Group strives to contribute to industry and society at large in the automotive and medical fields through business operations. A basic code of conduct has been created to ensure that each and every officer and employee acts with high ethical standards as a sensible corporate citizen and a member of society. Regular education to raise awareness of compliance is provided.

Link: Piolax Code of Conduct

<Whistleblower System>

A multi-lingual whistleblower hotline has been established for the purpose of identifying compliance issues at an early stage and take countermeasures. The Piolax Group's officers and employees can anonymously report compliance issues to a contact point operated by a third party. The system is designed to protect whistleblowers and the number of reports and the content of consultations are reported to the Board of Directors.

<Fair and Equitable Transactions>

For fair and free competition in the market, we have established the "Global Declaration for Prevention of Cartels" and the "Global Management Rules for Cartel Prevention." In all countries and regions where we do business, we will comply with laws and regulations relating to the protection of fair and free competition, including competition and antitrust laws.

<Prevention of Corruption and Bribery>

Under the Code of Conduct, we have established the "Global Declaration for Prevention of Bribery" and the "Global Management Rules for Prevention of Bribery" to prevent bribery. In all countries and regions where we do business, our officers and employees will comply with laws and regulations relating to anti-bribery and anti-corruption, and will not offer or accept any improper gratuities, money, gifts, or other benefits, whether from public officials or private businesses.

<Elimination of Antisocial Forces>

We will take a resolute stance against unreasonable demands from antisocial forces and cut off all relationships with them. In cooperation with external specialized organizations, we collect information on antisocial forces and disseminate it through training.

<Compliance Education>

In FY2022, compliance education through video viewing and questionnaires was conducted for employees of Piolax and its domestic subsidiaries to learn the importance of fraud prevention and compliance based on the Code of Conduct. 1,870 people participated, and the total course time was 493 hours.

【Human Rights and Human Assets】

<Piolax Group Basic Policy on Human Rights and Labor>

The Piolax Group supports and respects human rights-related international norms such as the Universal Declaration of Human Rights.

The Piolax Group stipulates as follows the basic policy on human rights and labor based on the "Piolax Group Codes of Conduct." This policy applies to all directors, officers, and employees of the Group.

1) Respect for human rights

The Piolax Group respects fundamental human rights of all people and does not tolerate any harassment.

2) Elimination of discrimination

The Piolax Group does not discriminate on the basis of race, ethnicity, national origin, religion, gender, disability, sexual orientation, gender identity and so on. The Group makes efforts to build a workplace where diverse human resources play active roles respecting one another as important partners.

3) Prohibition of child labor

The Piolax Group prohibits labor of children under the legal working age in its business activities.

4) Prohibition of forced labor

The Piolax Group ensures that all work is voluntary. Employees shall not be engaged in forced labor and are free to terminate their employment.

5) Wages

The Piolax Group complies with laws and regulations of individual countries and regions relating to minimum wages, overtime hours, payroll deduction, and benefits.

6) Working hours

The Piolax Group complies with laws and regulations of individual countries and regions in the decision of employees' working hours (including overtime hours) and the grant of holidays, annual paid leave, etc.

7) Communication and consultation with employees

The Piolax Group communicates and consults with employees or their representatives in good faith to develop a sound relationship and solve problems. The Group recognizes the right of employees to freely associate or not to associate based on laws and regulations of individual countries and regions.

8) Safe and healthy work environment

The Piolax Group prioritizes the safety and health of employees and prevents labor accidents and disasters.

9) Responsible procurement of minerals

The Piolax Group strives not to use conflict minerals and other raw materials that may relate to social issues or inhuman acts.

<Human Rights Initiatives>

Based on the "Piolax Group Basic Policy on Human Rights and Labor," we respect human rights and promote the development of an appropriate working environment globally. In FY2022, a subcommittee under Sustainability Committee subdivided and identified work items based on the Japanese government's "Guidelines for Respecting Human Rights in Responsible Supply Chains, etc." We will work on human rights due diligence starting with high-impact themes.

<Basic Human Assets Policy of Piolax Group>

The Piolax Group considers its employees to be the company's important managerial resources and unmatched assets, so as to refer to them as human assets rather than human resources.

Under the corporate vision to "broadly contribute to industry and society as pioneer in creating elasticity technologies," the Group esteems its employees' individuality and strives to foster a corporate culture where each employee can demonstrate diverse abilities and eventually contribute to the company's growth as well as the social development.

The Group aims to develop human assets who are geared up to;

- share the Group's corporate philosophy/visions, value individuality and diversity, and work diligently as a team;
- show a high level of creativity, expertise and leadership to take on new challenges;
- own global/critical perspectives and an innovative mindset; and
- maintain high aspirations backed by a solid sense of integrity and fairness.

<Employee Treatment and Evaluation>

The Piolax Group always respects human rights and does not tolerate any practices that lead to discrimination based on race, ethnicity, national origin, religion, gender, disability, sexual orientation, or gender identity. We do not have any discriminatory recruitment or employment conditions based on gender, age, or other factors. Through personnel evaluations, we objectively and fairly assess whether employees have demonstrated their abilities and achievements, thereby encouraging development and effective use of their abilities. There is no difference in basic salary and total compensation between male and female employees of the same grade. We also comply with laws and regulations regarding equal pay for equal work. In FY2022, a 360-degree multifaceted evaluation was introduced at the management level with the aim of objectively reviewing and analyzing day-to-day management skills and utilizing the results to strengthen their skills.

<Conducting Employee Awareness Surveys>

Piolax and its domestic subsidiaries interview with employees and feed back the survey results to the heads of each department in order to understand issues such as employees' expectations for their jobs and work environment. By conducting the survey every year, the heads grasp issues within their department and work to resolve them, leading to improvements in employee satisfaction and job motivation.

<Promotion of Diversity>

The Piolax Group has adopted "elimination of discrimination" and "respect for human rights" as its basic policy on human rights and labor. We will actively respond to diversity by not discriminating on the basis of race, ethnicity, national origin, religion, gender, disability, sexual orientation, or gender identity in all aspects of employment.

<Employment of People with Disabilities>

Piolax's employment rate of people with disabilities in FY2022 was 2.37%. We will continue to actively recruit people with disabilities to improve their employment opportunities.

	FY2020	FY2021	FY2022
Statutory disability employment rate	2.2%	2.3%	2.3%
Piolax's rate	2.00%	2.24%	2.37%

*Scope: PIOLAX, INC.

<Work-Life Balance>

Piolax aims to create a vibrant workplace where employees can work with peace of mind, and strives to improve work-life balance by promoting support systems for balancing work and private life as well as flexible and diverse work styles.

Specifically, in FY2022, infrastructure allowances were provided with the aim of reducing the impact of rising prices on employees' lives. Also, as a preparation for retirement, an asset building seminar by an outside lecturer was held.

System for work-life balance

Item	Contents
No-overtime days	Every Wednesday and Friday
Paid leave reserve	Up to 5 days per year from unused paid holidays (up to 40 days in total)
Anniversary leave	Twice a year on anniversaries
Refreshment leave	3 consecutive days off
Telecommuting	Upon application and permit
Childcare support	- Up to 3 hours less per day from the date of birth to the 3rd grade - Childcare leave up to 2 years old
Condition survey	Monthly (physical condition, work environment, engagement)
Health maintenance and promotion	Health promotion support (centralized management of health checkup data, distribution of health app and body composition analyzers)
Asset building seminar	For 50-year-old employees

<Promoting Women's Participation>

Piolax is working to create an environment where female employees can play an active role, reviewing childcare-related systems and promoting understanding among supervisors and colleagues. In-house seminars to encourage women's empowerment were held, including roundtable discussions with members of other company.

In FY2022, as in the previous fiscal year, we received the highest Eruboshi rank (three stars) as an excellent company certification based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. Data on female employees in FY2022 are shown in the table below. Our goal in FY2023 is to increase the percentage of women in management positions to 5% or more.



	FY2020	FY2021	FY2022
Percentage of female employees hired	28.9%	33.3%	24.5%
Percentage of female employees	18.1%	18.8%	19.6%
Percentage of women in management positions	2.8%	3.5%	3.8%
Percentage of women in director positions	11.1%	11.1%	20.0%
Average years of service: men	15.1	15.6	15.2
Average years of service: women	17.6	17.6	17.6

*Scope: PIOLAX, INC.

The above figures are as of the end of each fiscal year. They exclude directors, advisors, and temporary employees (contract employees, employees on a short-term contract and part-timers) and include loaned employees from the outside to the company.

<Return-to-work rate after childcare leave>

The return-to-work rate for employees who took childcare leave in FY2022 was 100%. We will continue to maintain and improve the work environment that makes it easy for employees to return to work.

<Improving the rate of male employees taking childcare leave>

Piolax encourages male employees to take childcare leave. In FY2022, the rate of male employees taking childcare leave reached a record high of 55.6%. To further increase the rate, we are responding to the revised Child Care and Family Care Leave Law and actively approaching managers of employees who will be a father.

<Activities of Senior Human Assets>

Piolax has introduced a continuous employment system. We rehire 100% of employees who wish to continue working after the retirement age of 60 until they reach 65. We are working to create a workplace where rehired employees can work lively.

<Human Assets Development>

At Piolax, we strive to develop the abilities of individual employees, impart knowledge and skills, and develop human assets who can contribute to society. In addition to rank-based training, language training and other programs are provided to develop global human assets who can respond to changes in the business environment.

In FY2022, as a foundation for human asset development, we formulated a new plan to develop future management executives and added department head training to reinforce the existing rank-based training. We have also launched correspondence courses to support employees' self-development. As a result of these efforts, the total training hours per person in FY2022 was 3.47 hours.



Education system

Programs for new employees (including plant training), follow-up, QC, language, harassment prevention, etc.

Training by job level

Training according to positions such as officer, manager, assistant manager, and assistant chief, with the aim of acquiring necessary knowledge and skills.

Language training

Conversation programs of English and other languages to enhance language skills necessary for Piolax's global expansion. Those who wish can continue to receive language training after their overseas assignment.

Other training

Programs to eliminate harassment (power, sexual, maternity, LGBT, etc.) New employees take the Japan Business Law Examination Level 3 to acquire basic knowledge of business law.

Education system (including some plans)

Job level-based	Language	Skills / Technologies	Others	Self-development
[Directors / Executive Officers] Management training	Overseas training Global human assets development	Production engineering / design development External training	Internal control, confidentiality, safety and health, quality, environment, etc.	Business law Correspondence course, skill, language
[Department Heads] New department head training				
[Managers] New manager training				
[Assistant Managers / Assistant Chiefs] New supervisor training				
[Young employees] Balance support / Career support training				
[New employees] Newcomer training Plant training Follow-up training				

<Labor-Management Relations>

Piolax employees join the Piolax Labor Union, which belongs to the Federation of All Nissan General Workers Unions. The Piolax Labor Union applies a union shop system, and all employees (except managers, rehired employees, contract workers, part-timers, and temporary workers) are members of the union.

Piolax and the union have signed a collective agreement and established a sound labor-management relationship, fulfilling their own responsibilities on an equal footing and working together for high productivity and sustainable development of the company, stable employment, and improvement of all employees' lives.

The collective agreement is renewed annually, and a request for amendment or termination if any is to be made at least three months prior to the expiration date.

Link (in this report): Employee data

【Health Management】

<Health Management Declaration>

Piolax considers promoting physical and mental health of all employees as one of the most important management issues and established the "Health Management Declaration" in June 2021, expanding the scope of the declaration to all domestic subsidiaries in September 2022. We are strategically engaged in "health management," considering employee health management from a managerial perspective.

<Piolax Group Health Management Declaration>

Since its founding in 1933, the Piolax Group has expanded its business globally based on the corporate philosophy "Pioneer in creating elasticity technologies." Toward the 100th anniversary in 2033, we will continue to strive to create a business environment that will realize the sustainable development and growth of the Group under the slogan of "ONE PIOLAX."

The source of vitality to achieve such business environment are "human assets" i.e. our employees and their families. Promoting physical and mental health of our employees and ensuring a work-life balance are the key elements of our management goals.

Under the leadership of top management, we value our employees' mutual communication and engagement, and declare to implement the below eight specific yet achievable health management measures by actively coworking with healthcare-related professionals/institutions.

1. Publicize this Health Management Declaration both internally and externally to clarify the Group's commitment to its employees' and their families' health.
2. Encourage all employees to foster health management mindset and set their own health goals to maintain physical and mental soundness.
3. Fully comply with related laws and regulations.
4. Assign devoted staff to promote the Group's physical and mental health.
5. Ensure the regular medical checkup rate of 100% and make the results available upon each employee's demand.
6. Identify the Group employees' health issues and devise measures to solve them.
7. Build/redesign organizational units to practice health management.
8. Standardize/enhance the telecommuting system envisioning the ideal work style now and in the future.

<Health Management Initiatives>

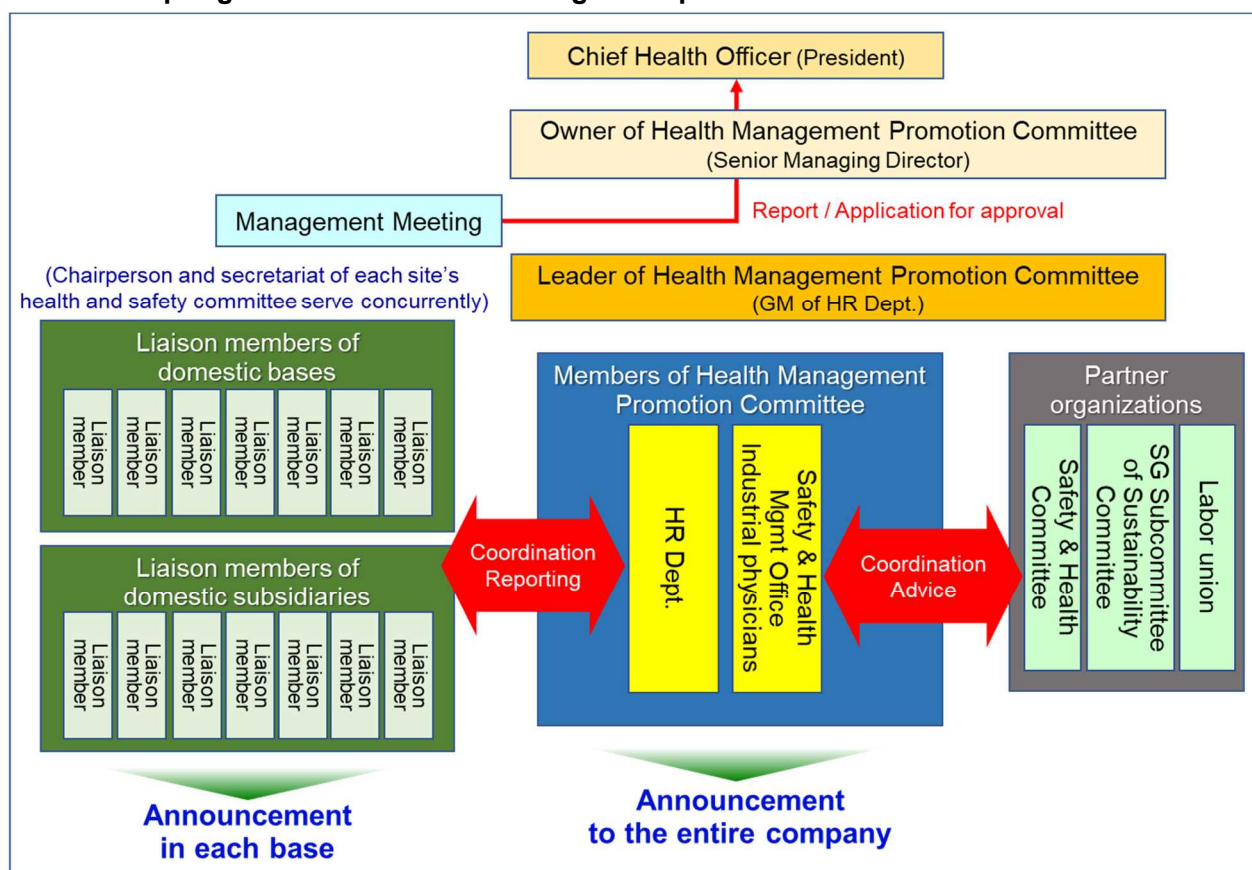
Piolax intends to develop a sustainable management environment by implementing the health management measures set forth in the "Health Management Declaration" and promoting health of all executives and employees. Health Management Promotion Committee, set up in FY2021, has been upgraded to a health management promotion system for Piolax and its domestic subsidiaries since FY2022.

A strategy map to visualize and communicate our health management strategy to internal and external stakeholders is also prepared for the purpose of improving physical and mental health of employees and their families and ensuring work-life balance.

As a result of our proactive efforts in health management, we obtained a certification of "Excellent Health Management Corporation 2022" (large corporation division) in March 2022, which was renewed in March 2023.



Piolax Group organization for health management promotion



<Employee Health Care>

In order to check health of our employees, periodic and general health checkups as well as special health checkups depending on the nature of the work are conducted in accordance with laws and regulations, and those who wish or have findings have an interview with industrial physicians. In FY2021, a centralized health checkup data management system was introduced to share information between Safety and Health Management Office and industrial physicians.

Starting in FY2022, a health support app and a body composition analyzer are distributed to all members of Piolax and its subsidiaries in Japan to encourage behavior change for better health, such as through voluntary walks ranking. Also, two "Women's Health Webinars" were held to deepen understanding of women-specific health issues, and a total of 91 people provided feedback.



<Mental Health Measures>

In addition to annual statutory stress check, we conduct a pulse survey (simple stress check) every month to monitor employees' work performance decline due to mental and physical health issues (presenteeism), job satisfaction (work engagement), and eNPS (attachment to the company) at a near real-time frequency.

[Safety and Health]

<Approach to Safety and Health>

A source of vitality that supports Piolax's business environment is our human assets, namely our employees and their families, and promoting the safety and health of our employees is one of our most important management goals. We aim to create a safe and comfortable workplace that is free from labor accidents, traffic accidents, and occupational diseases.

<Safety and Health Activity System>

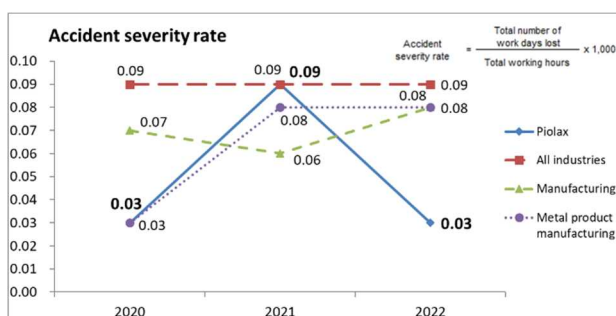
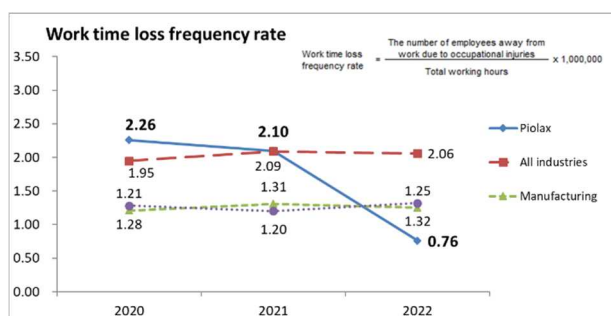
Piolax has established and operates an occupational safety and health management system in which Central Safety and Health Committee and local Safety and Health Committees at individual offices and plants work together. Central Safety and Health Committee is chaired by the President and consists of representative members of local Safety and Health Committees, industrial physicians, labor union nominees, and other suitable persons, with an equal number of members from labor and management.

By stipulating compliance rules in the "Safety and Health Management Rules" and sharing information, we aim to ensure the safety and health of our employees in the workplace, promote smooth operations, and improve productivity. We are also focusing on the development of specially qualified personnel.



<Safety and Health Performance and Initiatives>

Piolax is working to eradicate serious accidents and reduce the number of work-related accidents to less than the previous year. In FY2022, there were zero serious accidents and 10 work-related accidents (+1 from the previous year). Reporting and information sharing on accidents are held at monthly Management Meetings and secretariat meetings attended by each site, and the heads of each site transmit the information to their members and take measures to prevent similar accidents.



*Scope: PIOLAX, INC.

<Elimination of Automobile Accidents>

Piolax strives to prevent automotive accidents and organizes traffic safety training every year from FY2014 inviting speakers from the police or insurance companies. The training in FY2022 was given through video distribution, including our domestic subsidiaries. Company cars are equipped with safety devices such as drive recorders and automatic braking systems.

【Commitment to Quality】

<Piolax Global Quality Policy>

The Piolax Group will strive for stable manufacturing throughout the Group to further increase customer satisfaction and corporate value.

Basic policy

Deliver quality of the greatest satisfaction to customers.

Action guidelines

Seven action guidelines are set in order of major manufacturing processes from design development to production.

1. Meet customer needs by achieving robust design.
2. Build high quality process to secure design quality.
3. Enforce 5S and create a clean and safe work environment.
4. Making good parts 100% is secured by following work standards and procedures.
5. Quality check is mandatory when any trouble or change occurs.
6. Train operators to be keen and alert to “quality.”
7. Continue to improve quality by all employees.

<International Certification for Global Quality Management>

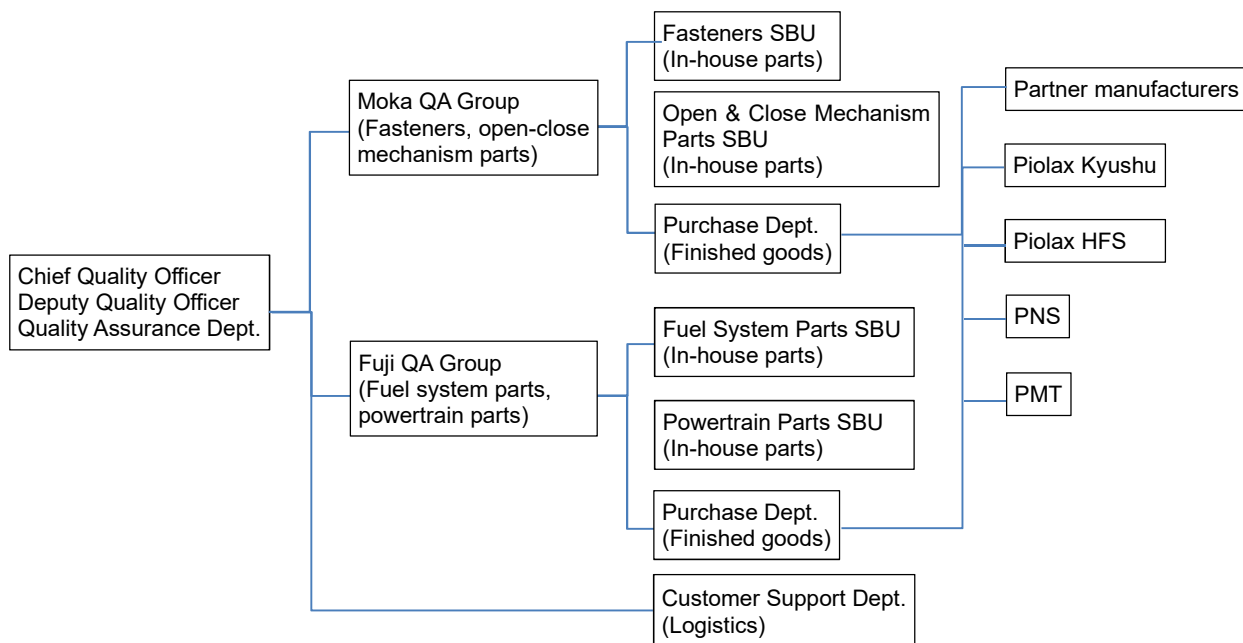
Piolax has been continuously certified to international quality standards, starting with QS9000 in 2001, followed by ISO9001, ISO/TS16949, and IATF16949:2016 in 2017. As of March 31, 2023, nine of our overseas production subsidiaries had obtained IATF 16949:2016 certification. For domestic production subsidiaries, Piolax Kyushu, Piolax HFS, and PNS had obtained ISO 9001:2015, and Piolax Medical Devices had obtained ISO 13485:2016 for medical device quality management system.

Link (in this report): Organizations with international certifications

<Quality Management System>

As shown in the following diagram, Piolax and its domestic subsidiaries have established a quality management system under the supervision of the Chief Quality Officer (Director in charge of quality), the Deputy Quality Officer, and Quality Assurance Department. Moka and Fuji Plants, Product SBUs, and Purchase Department in Piolax as well as its production subsidiaries practice quality management using their expertise in product characteristics. We have a consistent quality assurance system from production to delivery, including Customer Support Department that make deliveries to our customers.

Piolax domestic quality assurance system



<Global Quality Meeting>

Quality Assurance Department has global quality meetings four times a year to raise the level of quality assurance operations at overseas bases. In FY2022, the meetings were held online about horizontal development of lessons learned from past defects. This aims to prevent recurrence of defects similar to past ones. By utilizing video and live streaming, participants confirmed that countermeasures derived from past defects are in place and shared precise advice from the Head Office on work methods and others.

Guidance on disassembly and cleaning of heating cylinders and screws of injection molding machines



Online meeting with overseas bases



Injection molding machine



Disassembly of a screw



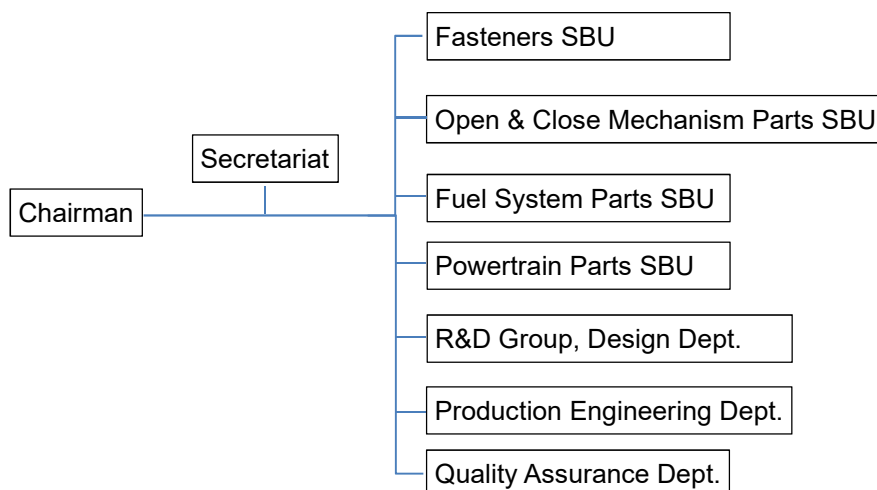
Cleaning of a heating cylinder

<Global Engineering Standards>

Since 2006, Piolax has been establishing Piolax Engineering Standards (P-ES) for the purpose of building and documenting our know-how.

For its operation, Engineering Standard Committee with seven working teams is formed to establish and review standards of Piolax annually. To date, 149 standards have been created.

Piolax Engineering Standard Committee



<Education for Next-generation Engineers>

Design Department holds monthly study sessions to foster young engineers in all divisions related to products. The contents are diverse, including design support tools, quality engineering, automotive structures, substances of concern, latest automotive technologies, and laws and regulations.

In FY2022, 12 sessions were provided in both face-to-face and online styles. A total of approximately 1,150 participants from Japan and abroad attended, which totaled 1,533 hours of instruction.



<Yamabiko Kaizen Activity>

Yamabiko Kaizen Activity is a general term for monthly improvement activities that have continued since 2007 at Moka and Fuji Plants. This is named with the aim of working on improvements speedily like the speed of sound and ensuring that voices for improvements propagate like mountain echoes ("yamabiko" in Japanese). In this activity, employees report improvements and production management status at their shops, and the Chief Quality Officer, the Deputy Quality Officer, and directors in charge review such report, thereby ensuring quick and appropriate feedback and boosting their motivation.

This activity has now expanded to domestic and overseas subsidiaries, which is improving their capabilities and quality. In FY2022, it was conducted online in Japan and on-site in overseas bases with infection control measures taken.



Moka Plant



Piolax Wuhan, China



Piolax Dongguan, China



Piolax Dongguan, China
Improved production efficiency through automated assembly

<Global Production Meeting>

The Piolax Group holds a technical exchange meeting every year for manufacturing sections of domestic and overseas production bases. It aims to increase the level of quality and technologies through activities such as providing advice for equipment design in terms of labor saving and automation, giving on-site guidance for process improvement methods, and conducting injection molding skill tests.

In FY2022, the meeting was held online in June, with approximately 70 participants. Activities at each base were reported, and virtual plant tours of Moka and Fuji Plants were conducted.



Reports from participants



Explanation of improvements using actual items



On-site explanation of improvements



Mold disassembling training



Injection molding skill test (Practical test)



Injection molding skill test (Written test)

<Global Small Group Activity Competition>

Piolax has been holding report meetings for workplace-based improvement activities (Small Group Activity) since 1979. Employees' reporting of their activities directly to the management encourages their improvement awareness and growth. Since 2012 when overseas subsidiaries have joined, the meeting has been renamed the Global Small Group Activity Competition. This gives overseas participants meaningful opportunities; they learn about "*kaizen*" cases in Japan and bring them back to their workplaces for further "*kaizen*."

To prevent coronavirus infections, the meeting style has been changed since FY2020. Presenters submit audio materials instead of gathering in one place.

<Supplier Engagement>

The Annual Policy Meeting and the Interim Report Meeting are held for our suppliers of products and materials, where the Piolax Business Policies and Purchasing Policies are explained and quality lectures are given. They are good opportunities for discussing the annual plan and its progress and reinforcing relationships of trust. In the Annual Policy Meeting, excellent suppliers are awarded based on our QCD evaluation system. In FY2022, the Annual Policy Meeting was held in March and the Interim Report Meeting in December, both online with 55 companies participating.

As part of improvement activities, we organized a "Yamabiko Activity Report Meeting" online in November 2022 for the Kappatsu Cooperative Association to introduce case studies, and 23 member companies joined. The Kappatsu Cooperative Association consists of Piolax and its suppliers, where they exchange information and conduct training sessions for mutual development and friendship. The name of the association "Kappatsu" is derived from the abbreviation of our former company name "Kato Hatsujo." (Japanese pronunciation of "Kappatsu" means "active.")

In July 2022, Purchasing Liaison Meeting was held online, with 53 companies participating. In addition to the progress toward QCD targets for FY2022, local production for local consumption activities to reduce CO2 emissions, efforts related to fire prevention, and a disaster impact study through the introduction of a safety system were explained.

<Quality Control Standards>

Quality Assurance Department provides our suppliers with the "Quality Evaluation Standards for Suppliers" that reflect the requirements of the IATF16949:2016 to clarify Piolax's quality control standards. As part of our initiatives, we have established an inspector certification system for inspectors engaged in final shipment inspections at our suppliers to increase the level of product assurance.

In FY2022, we certified 459 inspectors from 61 companies based on lectures from October to December and a subsequent written test, which were conducted online as the coronavirus pandemic showed no signs of subsiding. They are expected to be engaged in the inspection of products delivered to Piolax up until the next license renewal in FY2025.

【Procurement】

The Piolax Group has established the “Piolax Group Procurement Policies” based on the concept “fair and free competition and transparent relation” as specified in the Piolax Code of Conduct. We will continue to conduct procurement activities in cooperation with our suppliers to realize high-quality manufacturing and a sustainable society.

<Piolax Group Procurement Policies>

In its all procurement activities, the Piolax Group complies with applicable laws and regulations in Japan and abroad and makes fair and open transactions considering the impact on the environment and society. The Piolax Group also builds trust relationships with its suppliers and vendors aiming for mutual prosperity.

1) Conduct fair and open transactions

The Piolax Group provides fair and open opportunities to all suppliers and vendors based on the principle of free competition.

2) Build mutual trust with business partners

The Piolax Group establishes trust relationships with its suppliers and vendors and strives for mutual development.

3) Operate CSR procurement

The Piolax Group promotes CSR procurement in view of compliance with laws, occupational safety and health, respect for human rights, environmental conservation, and corporate ethics.

To fulfill our social responsibility with our suppliers, Piolax has established the "Supplier CSR Guidelines" and the "Green Procurement Guidelines."

<Working with Suppliers to Address Environmental Regulations and Conflict Minerals>

Piolax distributes the latest version of the Piolax Engineering Standard (P-ES) once a year which outlines requirements for substances of concern (SOC), and conduct surveys on SOC and conflict minerals relating to materials, components and other deliverables. We fully confirm that our products do not contain any hazardous substances prohibited by legal or customer requirements and report the results to our customers as needed through IMDS and other means.

As for conflict mineral surveys, we are working with our suppliers to improve response collection rates and accuracy.

【Contribution to Society】

As a member of the community, the Piolax Group is actively involved in local communities and contributes to their development through a variety of social activities in Japan and overseas.

<Initiatives at Piolax>

Investment in bonds

Piolax purchases bonds issued by Japan Student Services Organization (JASSO) every year since FY2020. The funds raised are used to finance loan scholarships and contribute to equal educational opportunities. We also purchase Kanagawa Prefecture's third series of public bonds (green bonds), which are issued to address environmental issues such as global warming and climate change.

Community cleanup

We clean areas around our offices and plants to protect the local environment. Moka Plant inspects drain water quality four times a year as part of environmental activities of the industrial park.



Sponsorship and support of local events

Fuji Plant participates as a supporting member in the "Oguruma Sakura Guardian," a group established to maintain and manage Kawazu cherry trees planted in the Matsuno district of Fuji City where the plant locates. The plant also sponsors a firework display at a local summer festival.

Effective use of stockpiles

We make effective use of emergency stockpiles that are nearing their expiration date. In FY2022, Piolax Kyushu donated mineral water bottles to a local food bank.



Cooperation in blood donation

At the request of the Japanese Red Cross Society, we hold blood drives at three of our locations including plants.

Employment support for people with disabilities

Piolax cooperates with an employment support organization that helps people with disabilities prepare for general employment. In FY2022, we entrusted greening and maintenance work at Moka Plant.

<Initiatives at Overseas Subsidiaries>

Providing workplace experience (Korea)

PIOLAX CO., LTD. (Korea) has been participating in the CSR Activity Support Program for Japanese companies in Korea organized by the Japan-Korea Industrial Technology Cooperation Foundation since 2021. This program intends to give university students in Korea one-month internship opportunities at Japanese companies. Its purpose is to deepen their understanding of Japan by learning about work processes and thinking in Japanese companies, as well as to improve their abilities. In FY2022, Piolax Korea accepted two students from Incheon, where the company locates, in the departments of human resources and general affairs and production and quality management.

Support as a partner company (U.S.)

PIOLAX CORPORATION (U.S.) is a partner of MUST Ministries, a non-profit organization that provides minimal needs related to food, clothing and shelter to the needy and homeless. In FY2022, the company collected unused coats and non-perishable foods from its employees for donation.

The company has also enrolled in a school support program promoted by the local Cherokee County and hosted a "STEM Family Night" at its partner school, Hasty Elementary School. Employees volunteered to teach students, hoping to motivate them to pursue STEM education (science, technology, engineering, and math).



Gifts for orphans (Indonesia)

To bring a joy to children without families, PT. PIOLAX INDONESIA invites them every year from an orphanage in Karawang City where the Piolax's industrial park locates and celebrates the end of the fast together. In 2022, instead of eating together due to the coronavirus pandemic, sweets were handed out to them.



Charity event (U.K.)

PIOLAX LTD. (U.K.) took part in a charity event "Christmas Jumper Day" organized by the international NGO "Save the Children" to raise money for underprivileged children and their families.

Donations of ATKs and medicines (Thailand)

In the province of Rayong, where PIOLAX (THAILAND) LTD. locates, there was a sharp increase in the number of coronavirus cases in March. The company donated antigen test kits (ATKs) to the local government in needs of supplies and medicines to local schools.



Various support activities (Mexico)

Employees collected school supplies and delivered them to an orphanage. They also supported a team of missionaries from a nearby Christian community and gave food and gifts to children.



【Environmental Efforts】

<Piolax Global Environmental Policy>

The Piolax Group updates its Global Environmental Policy every three years to ensure that it reflects environmental trends. In January 2023, we created a new environmental policy, clarifying that our business activities contribute to natural capital and the SDGs.

Its Action Guidelines refer to risks and opportunities based on the TCFD Recommendations, which we support as a framework for ESG information disclosure, as well as our efforts for carbon neutrality. We will comply with environmental laws and regulations and work to minimize the impact of our corporate activities on the global environment.

Basic Policy

Recognizing that its business activities are based on natural capital, the Piolax Group will contribute to the Sustainable Development Goals (SDGs), which will be achieved through the balance of environment, society, and economy.

Slogan

We will grow in harmony with the environment.

Action Guidelines

The Piolax Group will work on climate change mitigation and adaptation, environmental protection, and pollution prevention in all its business areas and practice continuous improvement of its environmental performance and environmental management system.

<Major Actions>

- 1) Promote environmental improvement activities in line with the Piolax Business Policies.
- 2) Advance SDGs initiatives such as diversity, circular economy, social contribution, and biodiversity.
- 3) Disclose information in accordance with the TCFD Recommendations (regarding risks and opportunities of climate change and carbon neutrality).
- 4) Fully comply with environmental laws and regulations and customer requirements.

<International Certification for Global Environmental Management>

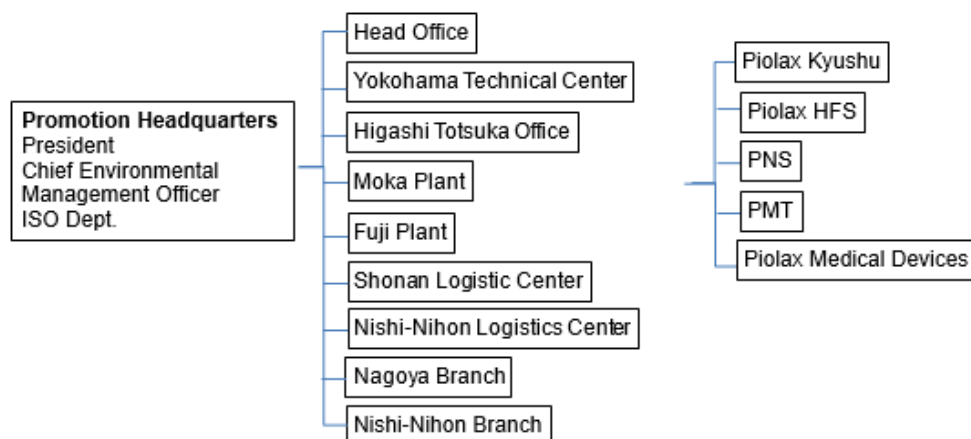
Piolax obtained the ISO14001 international certification in April 2002, and currently has ISO14001:2015 international certification at 17 locations in Japan and overseas. We will further expand our certification status.

Link (in this report): Organizations registered for international certifications

<Environmental Promotion System>

Individual Piolax offices and domestic subsidiaries have a meeting structure led by a person responsible for environment and secretariat and operate an environmental management system in line with the ISO 14001:2015.

Environmental system in Japan



<Compliance with Environmental Laws and Regulations>

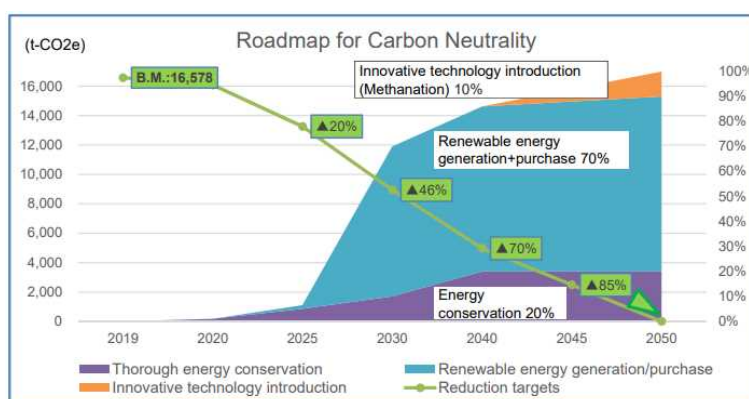
In an on-site inspection by the Dongguan Municipal Environmental Protection Bureau in May 2022, DONGGUAN PIOLAX CO., LTD. (China) was pointed out regarding notification of the disposal volume of metal containers and was fined 190,000 yuan in accordance with an administrative penalty notice. This issue was promptly remedied and is now being handled appropriately. Other than this, the Piolax Group did not cause any violations of laws or regulations, payments of fines or penalties, or leakages that may have a significant environmental impact in the past three years. There are also no legally filed environmental complaints. Asbestos (16 m³) used in part of the former head office building, which was demolished in 2022, was disposed of as specially controlled industrial waste in January 2023. We will continue to ensure compliance with environmental laws and regulations.

<Major Environmental Issues>

"Energy, emissions to the atmosphere, and waste," mentioned in the materiality analysis, are major environmental issues of the Piolax Group. We will work on 3Rs (Reduce, Reuse, and Recycle) in our business activities and make efforts to reduce greenhouse gas (GHG) and waste in our supply chain, mitigate and adapt to climate change, and use water and other resources efficiently.

In March 2021, we disclosed a roadmap toward achieving carbon neutrality by 2050 in the domestic business domain.

Link (in this report): For greenhouse gas data, see environmental performance data.



<Risks and Opportunities by Multiple Scenarios based on TCFD Recommendations on Climate Change>

PIOLAX has revised its scenario analysis based on the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) and added analysis for North America (including Mexico) and China to the existing analysis for Japan to assume scenarios for future climate change and develop business strategies. There are uncertainties in every scenario due to changes in various factors, but we believe that sustainable corporate management can be realized by identifying risks and opportunities in the scenarios. We clearly define strategies for the electrification of vehicles, develop infrastructure to reinforce resilience for fewer risks and more opportunities, and expand a lineup of products. The following tables show our initiatives in the production domain in Japan, North America and China to address risks and opportunities. For details, please refer to our website*.

* https://www.piolax.co.jp/resources/pdf/csr/PIOLAX_TCFD_2023.pdf



Procurement	Impact/ Time frame	Manufacturing and Logistics	Impact/ Time frame	Development and Sales	Impact/ Time frame
<ul style="list-style-type: none"> Higher raw materials and transport prices with carbon tax and energy transition at suppliers Loss of market due to non-eco raw materials Drop in demand for materials for existing products with increased electrification, rise in material cost and difficulty in procurement 	1.5°C Large Medium to long term (China: short to medium)	<ul style="list-style-type: none"> Rise in capital investment and improvement cost related to manufacturing process decarbonization Rise in energy cost with review of heat sources for manufacturing process decarbonization and use of green electricity Rise in costs of waste water/waste treatment with stricter environment-related regulations (U.S., China) Increased response costs due to strengthened or changed government environmental policies Delayed response to increased transport process disruptions 	1.5°C Medium to large Short to medium Large Medium to long 4°C Medium (U.S.: large) Short to medium	<ul style="list-style-type: none"> Review of product development and sales strategies in response to rapid electrification Drop in orders for existing products with increased electrification Rise in new product development cost/capital investment to address CASE Drop in sales with reduced new car sales due to domestic population decrease and spread of MaaS Reduced market size and orders due to restrictions by new pandemic, etc. 	1.5°C Large Medium to long (China: short to medium) Large (China: medium) Medium to long 4°C Medium Medium to long

	Procurement	Manufacturing and Logistics	Development and Sales
Opportunity	<ul style="list-style-type: none"> Review raw materials (conversion to eco-friendly or recycled ones), suppliers, product designs, etc. to promote actions for decarbonization and resource recirculation, and differentiate us from competitors. (U.S., China) Increase local procurement of raw materials to strengthen competitiveness. (Realize cost reduction and stable procurement.) 	<ul style="list-style-type: none"> Accelerate efforts to improve productivity through factory automation and decarbonize domestic facilities. 	<ul style="list-style-type: none"> Promote and accelerate co-creation activities with customers to increase sales of products for CASE. (U.S., China) Strengthen sales expansion to non-Japanese OEMs and increase market share focusing on fastener parts, etc., which are less affected by electrification
Measure	<ul style="list-style-type: none"> Resin material: Use of bioplastics Metal material: Replacement with low-CO2 materials Cost reduction through procurement of locally produced goods Reduction of energy used for transport Purchase of decarbonized energy sources 	<ul style="list-style-type: none"> Moka Plant renewal to improve productivity Thorough energy conservation Reduction of energy consumption by replacing utility system Improvement of thermal efficiency of injection molding machine Gas replacement in heat treatment furnace (LPG → LNG) [Reference] P16: Moka Plant renewal plan P20: Roadmap for carbon neutrality by 2050 	<ul style="list-style-type: none"> Development and sales of new products for CASE Increase of existing market share mainly in fuel and drive system components (Short-term response to demand for ICE vehicles) [Reference] P15: Actions for CASE

	Chronic Risk	Impact/ Time frame		Acute Risk	Impact/ Time frame												
Physical risk	<ul style="list-style-type: none">• Rise in air conditioning cost with temperature rise and health hazards to employees	4 °C	Medium (China: medium to large)	Long	• Impact on plant operations due to supply chain disruptions caused by increased natural disasters	4 °C	Medium (U.S.: large)	Medium									
	<ul style="list-style-type: none">• Degradation of raw material and product quality with temperature and humidity rise								Medium (Mexico: large)	Long (Mexico: short)	• Decrease in orders due to delay in responding to changes in performance requirements from automakers as a result of rising temperatures	Medium to large	Medium to long				
	<ul style="list-style-type: none">• Shutdown of operations and vessels due to inundation of coastal sites by rising sea levels													• Delay in reviewing procured materials in response to performance requirements from automakers due to rising temperatures	• Increased procurement/logistics costs due to increased natural disasters	• Shutdown of plant and warehouse due to abnormal weather and increase in repair cost	• Destabilization of energy supply due to abnormal weather
	<ul style="list-style-type: none">• Suspension of operations due to decrease in available water resources caused by rapid drop (or depletion) of groundwater level																
Measure	<ul style="list-style-type: none">• Infrastructure development to strengthen plant and warehouse resilience• Improvement of work and material storage environment through thermal management (room temperature and humidity)• Introduction of water circulation system through water management• Review of risk assessment with BCP database including supply chain				<ul style="list-style-type: none">• Reduction of inventory cost through increased use of locally produced goods• Stable procurement through supply chain diversification and raw material standardization• Infrastructure development to strengthen plant and warehouse resilience (U.S., China)• Promote local production and consumption, and enhance cooperation with business partners in view of geopolitical risks.												

Risk impact level

Large: A failure to respond has a great impact on the survival and growth of the company and its businesses.

Medium: A failure to respond poses a limited impact and does not affect the survival and growth of the company and its businesses.

Time frame

Short-term: 2024 (3 years from 2022)

Mid-term: 2030 (Achievement of the SDGs)

Long-term: 2050 (Target to limit the increase in global average temperature to 1.5°C)

<Promotion of Energy Saving>

PIOLAX and its subsidiaries in Japan and overseas are working on energy saving in their plants and logistics centers, introducing LED lighting and high-efficiency motors and inverter controls.



LED lighting in the premises



High-efficiency motor, inverter control compressor, and chiller

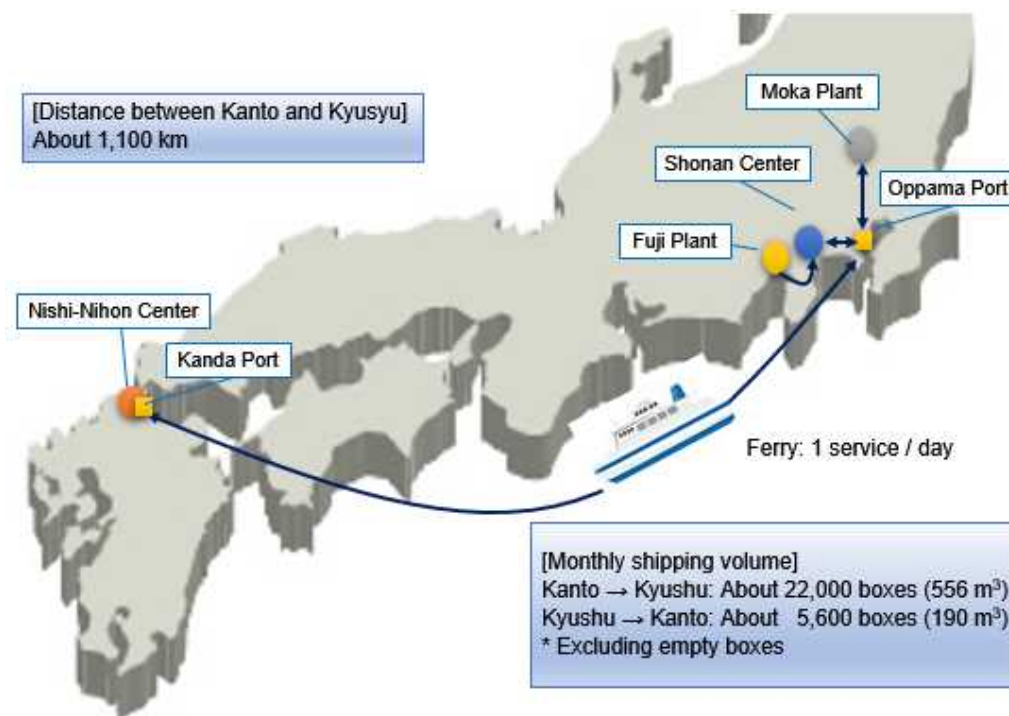


Energy saving of injection molding machine heating cylinder
(Left: Close-up of injection molding machine)

<Efforts in Logistics Division>

As an effort to reduce greenhouse gas emissions generated during transporting our products, modal shift transportation by ferry is introduced from our plants in the Honshu region to our customers in the Chugoku and Kyushu regions. In FY2022, this reduced 398 tons of CO2 emissions.

In addition, we make devise to increase the number of products put in one packing box and one container and use high cube containers for export to reduce the total number of containers (transportation frequency).



<Conservation of Water Resources and Improvement of Drainage>

The Piolax Group recognizes that its corporate activities may affect water resources. All production bases in Japan and overseas monitor water intake and comply with environmental assessment laws and regulations in each country, including treatment and discharge of wastewater.

At Moka Plant, in response to the environmental standard for nitrate nitrogen contained in wastewater from heat treatment, the conventional acid-alkali wastewater treatment was replaced by biological denitrification treatment, in which nitrogen compounds are removed by the action of microorganisms. This saves approximately 170 m³/day of water and contributes to environmental protection and biodiversity in the plant's watershed (Kinugawa River system).



Moka Plant: biological denitrification wastewater treatment

Link (in this report): For water intake data, see the environmental performance data.

<Biodiversity>

The Piolax Group thinks that minimizing environmental impacts of its products and corporate activities is the greatest contribution to biodiversity conservation and has set “contribution to the Sustainable Development Goals (SDGs)” as one of the key themes of the Piolax Global Environmental Policy.

To address greenhouse gas emissions and pollutants, which are major causes of biodiversity loss, and to support a recycling-based society, we are committed to economic use of energy, sustainable and effective use of resources, and 3Rs (Reduce, Reuse, Recycle), believing that waste and use of land and water also impact biodiversity.

For environmental impacts of our production bases in Japan and overseas on plants and animals in terms of biodiversity, we started a survey in FY2021 using the Integrated Biodiversity Assessment Tool (IBAT) and continued the assessment in FY2022. We also consider it important to know environmental impacts in areas around our production bases referring to the Red List species designated by the International Union for Conservation of Nature and Natural Resources (IUCN).

<Disaster Risk Preparedness>

Moka Plant, Fuji Plant, Shonan Logistics Center, and Piolax Medical Devices (PMD) have installed generators in accordance with the continuity plan to maintain their basic functions in case of a prolonged power outage caused by natural disasters and climate change. They would mitigate the risk of power outage supplying power to heat treatment lines and water supply/drainage system (Moka Plant), plant office and some production shops (Fuji Plant), ordering system (Shonan Logistics Center), and sterilization rooms (PMD).

In response to the increasing flood risk in recent years, we try to identify potential flood risk at our business bases and surrounding areas referring to hazard maps. As a measure against river flooding, Moka and Fuji Plants have installed regulating reservoirs.



Generators



Regulating reservoir

【Environmental Performance Data】

<Greenhouse Gases from Corporate Activities>

The Piolax Group collects data on greenhouse gases generated by its corporate activities in the following categories: total emissions in the supply chain, direct emissions (Scope 1), indirect emissions of grid electricity (Scope 2), and other indirect emissions (Scope 3). For direct emissions (Scope 1), non-energy source emission data is added from FY2022.

Scopes 1 and 2

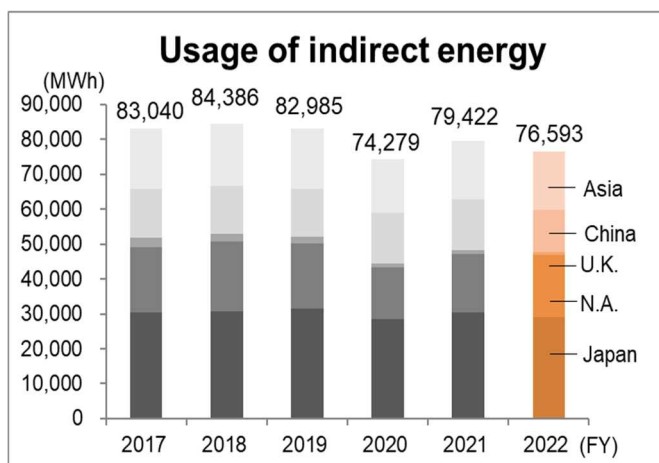
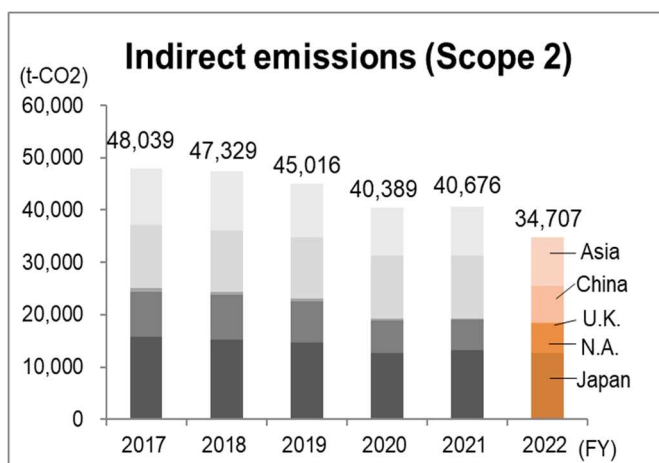
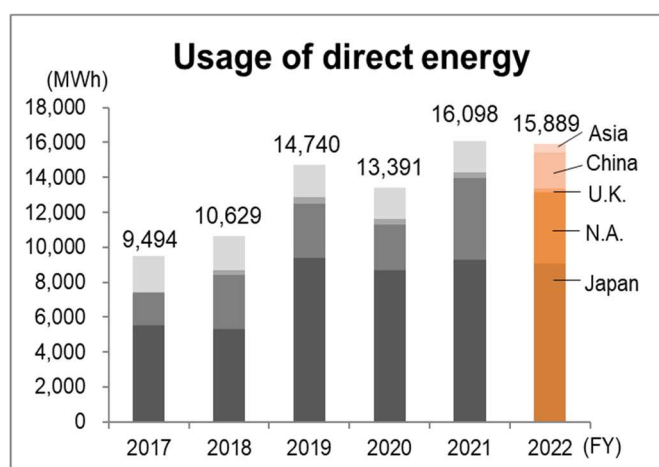
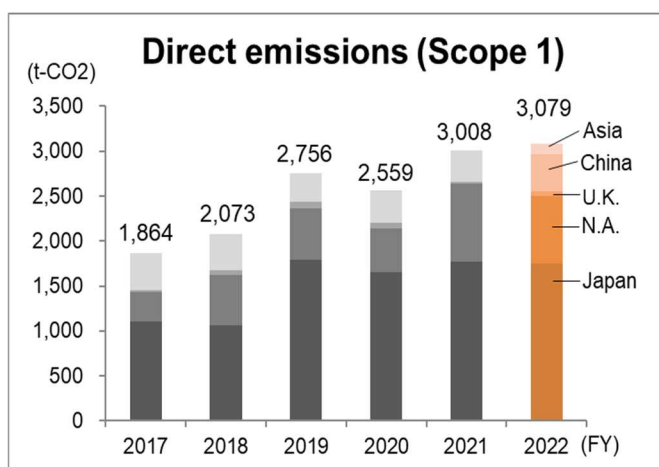
(Unit: t-CO₂ (t-CO₂e))

Classification		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Total emissions in the supply chain	Scopes 1+2	49,903	49,402	47,772	42,948	43,684	37,786
Direct emissions (fuel combustion)	Scope 1	1,864	2,073	2,756	2,559	3,008	3,064
Direct emissions (non-energy source)	Scope 1	-	-	-	-	-	15
Indirect emissions (grid electricity)	Scope 2	48,039	47,329	45,016	40,389	40,676	34,707

Scope 1: Emission factors are calculated based on the Greenhouse Gas Emissions Calculation and Reporting Manual (Ver. 4.9) and the Law Concerning the Rational Use of Energy.

* Breakdown of non-energy source emissions - CO₂ put in EOG gas cylinder: 5 (t-CO₂); HFC gas R-134a: 10 (t-CO₂e)

Scope 2: Domestic and international emission factors are calculated based on location reference values.
Domestic: National average factor = a value of general transmission and distribution companies other than Okinawa
Overseas: IGES. Carbon footprint. Climate transparency. UK Government GHG conversion factors. Government information publication on environment and climate [2023] No.43 of Ministry of Ecology and Environment of the People's Republic of China. Thailand Greenhouse Gas Management Organization Emission Factor.



Scope 3

(Unit: t-CO₂)

Category	Contents	FY2022	Remarks
1	Purchased products and services	62,708	Materials procured: Piolax Group Others: Excluding overseas bases
2	Capital goods	14,552	Equipment and mold investment: Piolax Group
3	Activities related to fuel and energy not included in Scope 1 or 2	94	Electricity, gas, and 00000kerosene: Piolax Group
4	Transportation and delivery (Upstream)	1,049	(Ton-kilometer method): excluding overseas bases
5	Waste from business activities	234	Industrial and general waste: excluding overseas bases
6	Business trips	136	Excluding overseas bases
7	Employee commuting	443	Excluding overseas bases
8	Lease assets (Upstream)	865	Contract warehouses for production plants in Japan
9	Transportation and delivery (Downstream)	2,249	(Ton-kilometer method): excluding overseas bases
10	Processing of products sold	NA	Related but not calculated
11	Use of products sold	NA	Related but not calculated
12	Disposal of products sold	NA	Related but not calculated
13	Lease assets (Downstream)	19	1F of the Head Office
14	Franchise	NA	Not applicable
15	investment	NA	NA
Total		82,350	

Scope 3: The basic guidelines for calculating greenhouse gas emissions through the supply chain (ver. 2.5) are referred to. For emission factors in Japan, the emissions basic unit database (ver. 3.3) provided by the Ministry of the Environment for calculating an organization's greenhouse gas emissions through the supply chain is referred to. See Emission Intensity Database (Ver. 3.3).

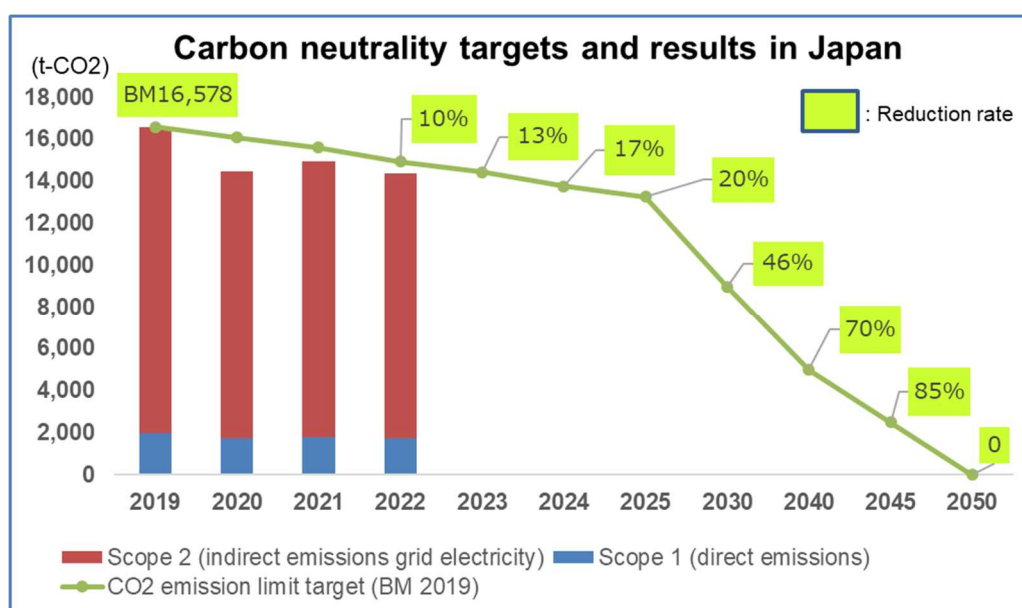
LCI database IDEAv2 (for calculating greenhouse gas emissions from the supply chain).

* Decimal point omitted.

<Carbon Neutrality Targets and Results of Piolax and its Domestic Subsidiaries>

Our medium-term goal is to reduce Scope 1 and 2 emissions from our domestic business areas by 46% by FY2030, using FY 2019 as a benchmark. FY2022 result was -13% from FY2019, achieving the target.

In FY2023, power used at Moka Plant, Fuji Plant, Nishi-Nihon Logistics Center, and Piolax Medical Devices was switched to CO₂-free electricity. We will continue to promote initiatives to surely meet the reduction targets.



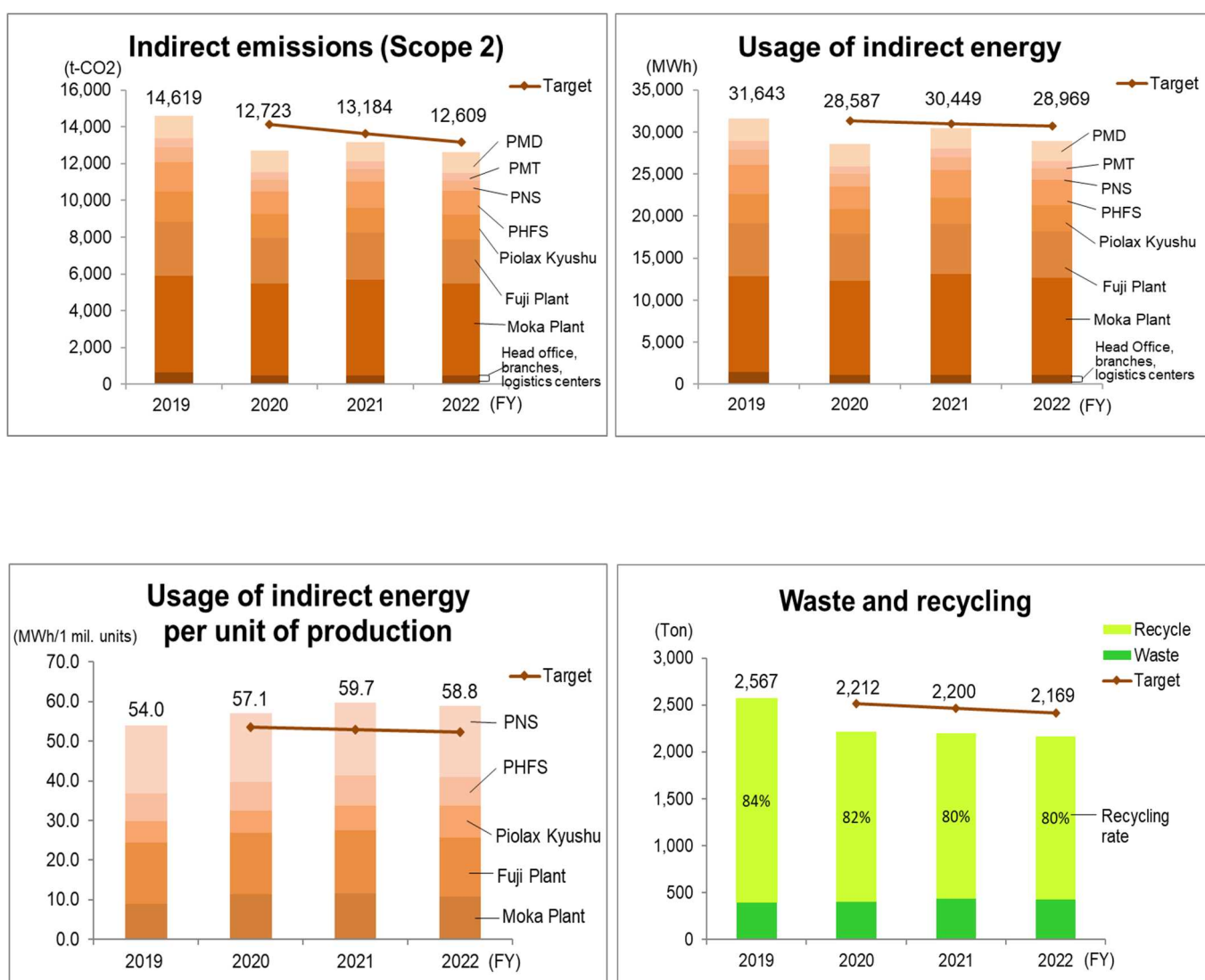
<Medium-Term Environmental Targets and Results>

Piolax and its domestic subsidiaries worked on environmental activities based on the 7th environmental medium-term target, a three-year plan through FY2022 setting FY 2019 as a benchmark, and achieved all the targets except for usage of indirect energy per unit of production. Starting in FY2023, we are working based on the 8th environmental medium-term target.

Medium-term targets and results (Benchmark: FY 2019)

	Target by FY2022	FY2020 result	FY2021 result	FY2022 result
Indirect emissions (Scope 2)	-10%	-13%	-10%	-13.7%
Usage of indirect energy	-3%	-10%	-4%	-8%
Usage of indirect energy per unit of production*	-3%	+6%	+11%	+9%
Total waste (including recycling)	-6%	-14%	-14%	-15.5%

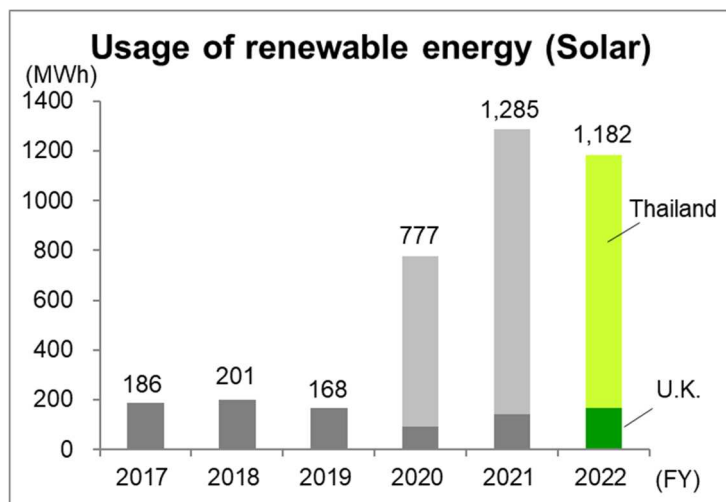
* Used per 1 million units used at production plants excluding Piolax Medical Devices and PMT.



<Approaches to Renewable Energy>

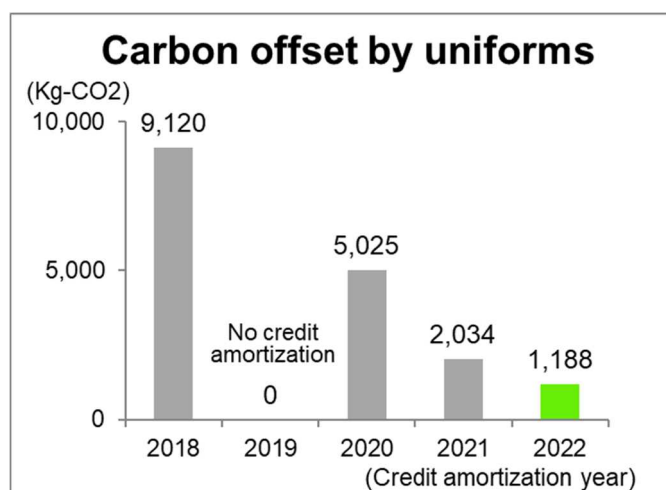
PIOLAX LTD. in the U.K. has started to use renewable energy self-supplied by solar panels since 2017, followed by PIOLAX (THAILAND) LTD. since 2020, and the UK base installed additional solar panels in September 2022.

Greenhouse gas emissions reduced in FY2022 through self-supplied renewable energy was 544 (t-CO₂) compared to the market standard. We plan to introduce solar panels at our main plants in Japan.



<Approaches to Carbon Offset>

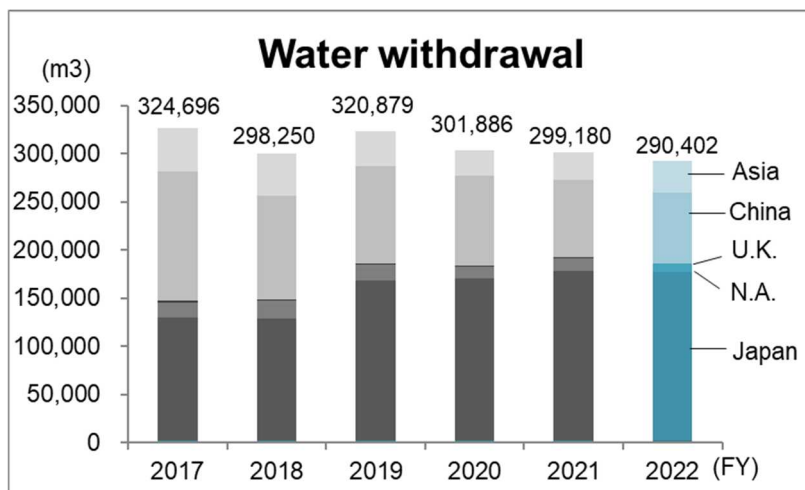
Piolarx purchases carbon-offset uniforms. Carbon credits for FY2022 purchases are generated by the Green Linkage Club's fuel cell project, which is commissioned by the Ministry of Economy, Trade and Industry. Each uniform contributes to reducing greenhouse gas emissions by approximately 3 kg.



<Water withdrawal data>

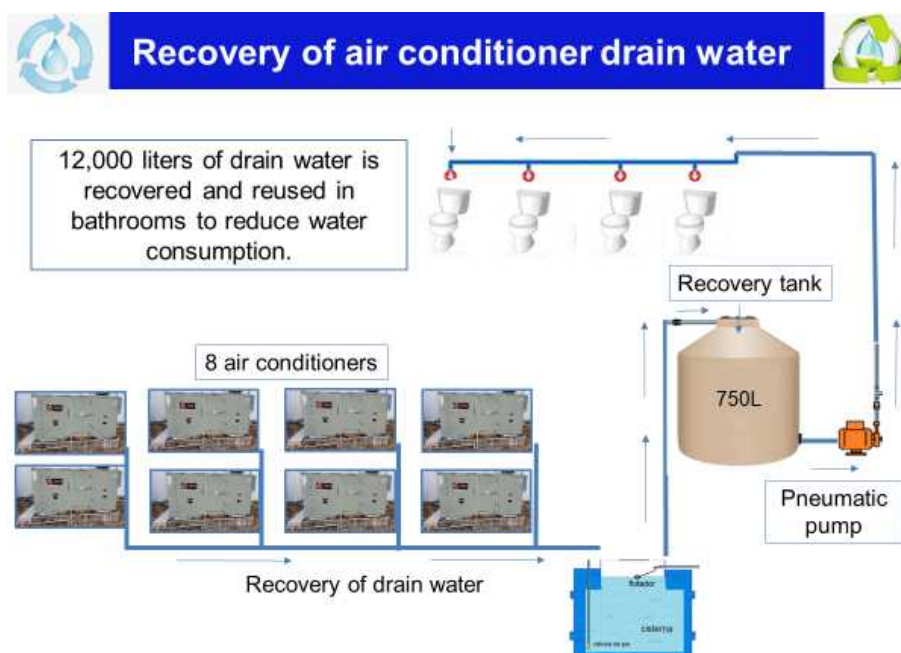
The Piolax Group monitors water withdrawal data for water management. In FY2022, it was -3% compared to the previous year. Water withdrawal sources are third-party sources and renewable groundwater, with a ratio of approximately 50% each.

To minimize water withdrawal, we are promoting water conservation and other initiatives at each production site. Water risks at all Piolax bases are verified using the Aqueduct Water Risk Atlas, a map that shows water risks around the world. Water withdrawal from extremely high water stress areas in terms of physical risk quantity was 1,600 m³ for Piolax India Private Limited (India) and 1,542 m³ for Piolax Mexicana S.A. de C.V. (Mexico), accounting for 1.1% of the Piolax Group's total water withdrawal.



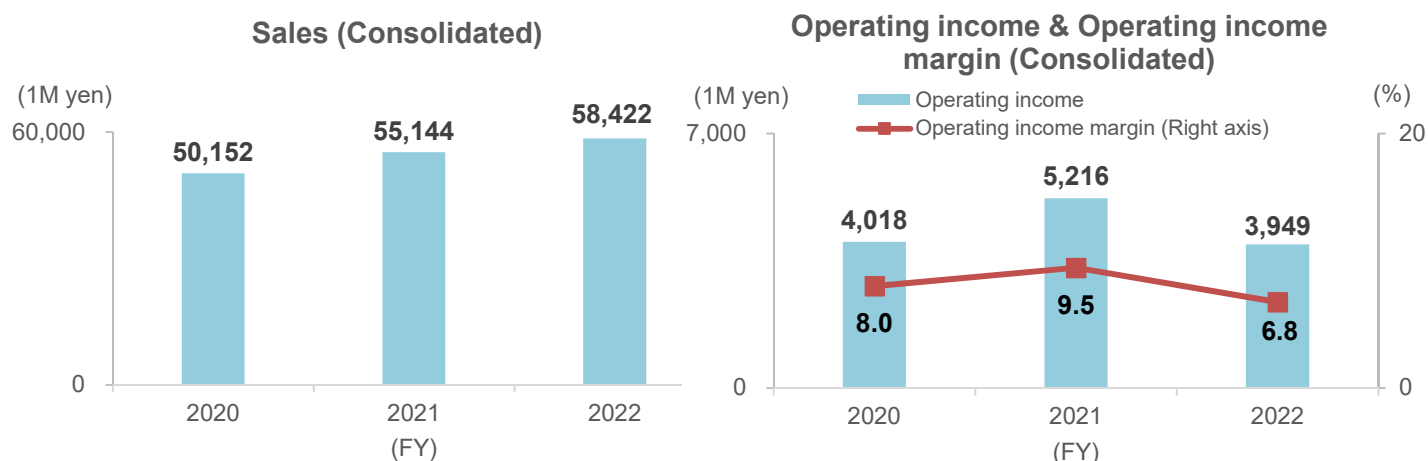
Piolax India Private Limited (India) monitors water consumption based on the amount of withdrawal and discharge.

Piolax Mexicana S.A. de C.V. (Mexico) has introduced a water recycling system in which drain water from its plant's air conditioning is stored and reused as water for daily use, saving an average of 12 m³ of water per month. As a further water-saving measure, use of rainwater is considered.



【Company Information】 (As of March 31, 2023)

Company name	PIOLAX, INC.
Establishment	September 1939
Description of business	Manufacturing and sales of coil springs, flat springs, wire forms, metal and plastic fasteners, and unit mechanism parts
Capital	2,960.97 million yen
Sales	58,422 million yen (Consolidated) (FY2022 ended in March 2023)
No. of employees	2,824 people (Consolidated)
Head office	Yokohama Hanasaki Bldg. 7F 6-145 Hanasaki-cho, Nishi-ku, Yokohama, Kanagawa 220-0022, Japan
Major customers	Nissan Motor Co., Ltd., Honda Motor Co., Ltd., Mazda Motor Corporation, Toyota Motor Corporation, Subaru Corporation, Mitsubishi Motors Corporation, Suzuki Motor Corporation, Daihatsu Motor Co., Ltd., Isuzu Motors Limited, Jatco Ltd., Yazaki Parts Co., Ltd., Nissan Shatai Co., Ltd., Hitachi Astemo, Ltd., Aichi Machine Industry Co., Ltd., Mitsubishi Fuso Bus Manufacturing Co., Ltd., UD Trucks Corporation, TOTO Ltd., General Motors Company, Ford Motor Company, Hyundai Motor Company
Member organization	Japan Auto Parts Industries Association Japan Spring Manufacturers Association
Listed exchange	Prime Market of the Tokyo Stock Exchange (Securities code: 5988)
No. of shares outstanding	38,054,100 shares
No. of shareholders	13,672 people



【Piolax Group Network】

The Piolax Group's products, technologies, and production are deployed in Asia, North America, and Europe with the global market in mind. Our worldwide network not only supports overseas local production of Japanese automakers, but also meets the needs of many non-Japanese automakers.

1. Bases in overseas countries

- ① PIOLAX CORPORATION, Sales and Design Office (Michigan, U.S.)
- ② PIOLAX CORPORATION, Head Office and Plant (Georgia, U.S.)
- ③ PIOLAX MEXICANA S.A. de C.V. (Nuevo Leon, Mexico)
- ④ PIOLAX CO., LTD. (Incheon Metropolitan City, Korea)
- ⑤ DONGGUAN PIOLAX CO., LTD. (Dongguan, China)
- ⑥ WUHAN PIOLAX CO., LTD. (Wuhan, China)
- ⑦ PIOLAX (CHINA) CO., LTD., Head Office and Shanghai Branch (Shanghai, China)
- ⑧ PIOLAX (CHINA) CO., LTD., Tianjin Sales Office (Tianjin, China)
- ⑨ PIOLAX (CHINA) CO., LTD., Wuhan Sales Office (Wuhan, China)
- ⑩ PIOLAX (CHINA) CO., LTD., Guangzhou Branch (Guangzhou, China)
- ⑪ PIOLAX (THAILAND) LTD. (Rayong, Thailand)
- ⑫ PT. PIOLAX INDONESIA (West Java, Indonesia)
- ⑬ PIOLAX LTD. (Lancashire, U.K.)
- ⑭ PIOLAX INDIA PRIVATE LTD. (Andhra Pradesh, India)
- ⑮ PIOLAX INDIA PRIVATE LTD., North India Sales Office (Haryana, India)
- ⑯ PIOLAX INDIA PRIVATE LTD., Pune Sales Office (Maharashtra, India)
- ⑰ Dusseldorf Representative Office (Dusseldorf, Germany)

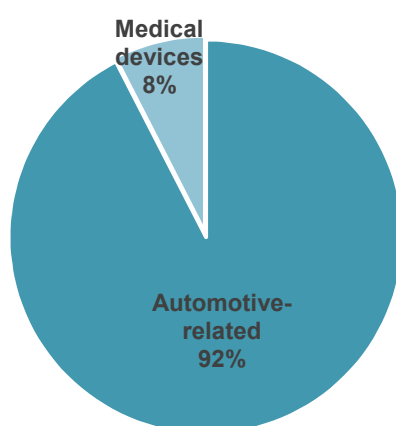
2. Bases in Japan

- ① Head Office (Yokohama, Kanagawa)
- ② Yokohama Technical Center and Yokohama Branch (Yokohama, Kanagawa)
- ③ Moka Plant and Moka Branch (Tochigi)
- ④ Fuji Plant and Fuji Branch (Shizuoka)
- ⑤ Nagoya Branch (Aichi)
- ⑥ Nishi-Nihon Branch (Hiroshima)
- ⑦ Shonan Logistics Center (Kanagawa)
- ⑧ Nishi-Nihon Logistics Center (Fukuoka)

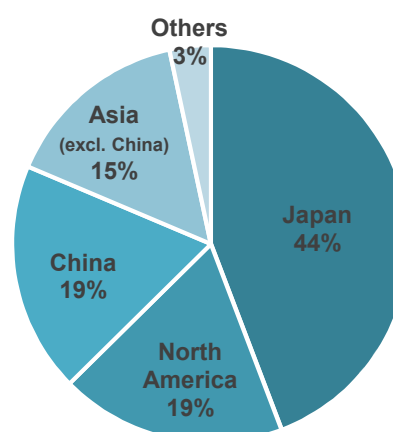
3. Subsidiaries in Japan

- ① PIOLAX H.F.S. INC. (Gunma)
- ② P.M.T. INC. (Tochigi)
- ③ P.N.S. INC. (Tochigi)
- ④ PIOLAX KYUSHU CO., LTD. (Fukuoka)
- ⑤ PIOLAX MEDICAL DEVICES, INC. (Yokohama, Kanagawa)
- ⑥ KHK SALES CO., LTD. (Yokohama, Kanagawa)
- ⑦ PIOLAX BUSINESS SERVICE CO., LTD. (Yokohama, Kanagawa)

Sales by business area (FY2022)



Sales by region (FY2022)



【Organizations Registered for International Certification】

Quality and environmental management systems (as of March 31, 2023)

1. PIOLAX, INC.

Business bases	IATF16949:2016	ISO14001:2015	<Legend> ●: Registered base ○: Applicable base —: N/A
Head Office	○	●	
Yokohama Technical Center Yokohama Branch	○	●	
Moka Plant	●	●	
Moka Branch	○	●	
Fuji Plant	●	●	
Fuji Branch	○	●	
Shonan Logistics Center	○	●	
Nishi-Nihon Logistics Center (Hiroshima)	○	●	
Nagoya Branch	○	○	
Nishi-Nihon Branch (Hiroshima)	○	○	
Higashitotsuka Office	○	○	

2. Subsidiaries in Japan

Business bases	ISO9001:2015	ISO14001:2015	ISO13485:2016
PIOLAX KYUSHU CO., LTD.	●	○	—
PIOLAX H.F.S. INC.	●	○	—
P.N.S. INC.	●	○	—
PIOLAX MEDICAL DEVICES, INC.	—	●	●

3. Subsidiaries in overseas countries

Business bases	IATF16949:2016	ISO9001:2015	ISO14001:2015
PIOLAX CORPORATION (U.S.)	●	—	●
PIOLAX LTD. (U.K.)	●	●	●
PIOLAX MEXICANA S.A. de C.V.	●	—	—
PIOLAX CO., LTD. (Korea)	●	—	●
DONGGUAN PIOLAX CO., LTD. (China)	●	●	●
WUHAN PIOLAX CO., LTD. (China)	●	●	●
PIOLAX (THAILAND) LTD.	●	●	●
PT. PIOLAX INDONESIA	●	—	●
PIOLAX INDIA PRIVATE LTD.	●	—	●

【Employee Data】

(As of March 31, 2023)

		Unit	FY2020	FY2021	FY2022
Number of employees		People	575	592	586
	Male		471	480	475
	Female		104	112	111
Average age		Age	40.9	40.9	40.9
	Male		40.7	40.7	40.7
	Female		41.7	41.9	42.0
Average length of service		Year	15.6	15.9	15.9
	Male		15.1	15.6	15.2
	Female		17.6	17.6	17.6
Retention rate (3rd year new graduates)		%	80.0	60.9	70.8
Average annual salary		1,000 yen	5,484	5,894	5,881
Employment of disabled people		%	2.00	2.24	2.37
Employees taking childcare leave		People	5	12	17
	Male	People	0	2	10
		%	0	18.2	55.0
	Female	People	5	10	7
		%	100	100	100
Employees taking maternity leave		People	3	5	0
Average overtime		h/month	6.3	12.9	13.0
Union members		People	451	462	482
Female managers		People	4	5	5
	Ratio	%	2.8	3.5	3.8
Female directors		People	1	1	2
	Ratio	%	11.1	11.1	20.0
Foreign employees		People	10	12	13
	Male		6	8	9
	Female		4	4	4
New graduate hires		People	24	22	22
	Male		16	16	17
	Female		8	6	5
Mid-career hires		People	14	8	6
	Male		11	4	5
	Female		3	4	1
Female ratio in hired employees		%	28.9	33.3	24.5
Female ratio in employees		%	18.1	18.8	19.6
Number of consolidated employees		People	2,952	2,852	2,824
	Japan		937	953	941
	Overseas		2,017	1,899	1,883

*1. Data except for the number of consolidated employees are data of PIOLAX, INC. on a non-consolidated basis.

*2. The number of employees is the number of people gainfully employed (excluding officers, advisors and loaned employees from the company to the outside and including loaned employees from the outside to the company) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

*3. Average annual salary includes bonuses and extra wages.

*4. The number of employees on a consolidated basis is the number of people gainfully employed (excluding loaned employees from the Piolax Group to the outside and including loaned employees from the outside to the Piolax Group) and does not include temporary employees (contract employees, employees on a short-term contract and part-timers).

GRI Standards Reference Table

GRI (Global Reporting Initiative) Standards Reference Table

Usage Statement	This report conforms to the GRI Standards for the period of April 1, 2022 to March 31, 2023. Some information before and after this period is also presented.
GRI 1 used	GRI 1: Foundation 2021

<GRI 2: General Disclosures 2021>

Disclosure item		Reference page no. or document
No.	Title	
1. The organization and its reporting practices		
2-1	Organizational details	61,62
2-2	Entities included in the organization's sustainability reporting	61,62, Annual Securities Report
2-3	Reporting period, frequency and contact point	2
2-4	Restatements of information	-
2-5	External assurance	9,36,38
2. Activities and workers		
2-6	Activities, value chain and other business relationships	61,62, Annual Securities Report
2-7	Employees	61,64, Annual Securities Report
2-8	Workers who are not employees	-
3. Governance		
2-9	Governance structure and composition	28-30 Corporate Governance Report Annual Securities Report
2-10	Nomination and selection of the highest governance body	28,29
2-11	Chair of the highest governance body	Corporate Governance Report Annual Securities Report
2-12	Role of the highest governance body in overseeing the management of impacts	6-9,28,29
2-13	Delegation of responsibility for managing impacts	28,29
2-14	Role of the highest governance body in sustainability reporting	6-9,28,29
2-15	Conflicts of interest	33 Corporate Governance Report Annual Securities Report
2-16	Communication of critical concerns	28-30,33
2-17	Collective knowledge of the highest governance body	29 Shareholders' Meeting Notices
2-18	Evaluation of the performance of the highest governance body	28-30 Annual Securities Report
2-19	Remuneration policies	28 Annual Securities Report
2-20	Process to determine remuneration	28 Corporate Governance Report Annual Securities Report
2-21	Annual total compensation ratio	Annual Securities Report
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	3-5
2-23	Policy commitments	34,35,38,39,
2-24	Embedding policy commitments	41,42,47,50,51
2-25	Processes to remediate negative impacts	33
2-26	Mechanisms for seeking advice and raising concerns	33
2-27	Compliance with laws and regulations	51
2-28	Membership associations	61
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	9
2-30	Collective bargaining agreements	37

<GRI 3: Material Topics 2021>

Disclosure item		Reference page no. or document
No.	Title	
3-1	Process to determine material topics	6
3-2	List of material topics	7,8
3-3	Management of material topics	28-60

<Topic-specific disclosures> ★: Materiality item

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI201: Economic performance 2016	201-1	Direct economic value generated and distributed	Annual Securities Report
	201-2	Financial implications and other risks and opportunities due to climate change	52,53 Annual Securities Report
	201-3	Defined benefit plan obligations and other retirement plans	Annual Securities Report
	201-4	Financial assistance received from government	Not applicable
GRI202: Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-
	202-2	Reporting of senior management hired from the local community	-
GRI203: Indirect economic impacts 2016	203-1	Infrastructure investments and services supported	-
	203-2	Significant indirect economic impacts	-
GRI204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	-
GRI205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	33
	205-2	Communication and training about anti-corruption policies and procedures	33,37
	205-3	Confirmed incidents of corruption and actions taken	Not applicable
GRI206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
GRI207: Tax 2019	207-1	Approach to tax	-
	207-2	Tax governance, control, and risk management	-
	207-3	Stakeholder engagement and management of concerns related to tax	-
	207-4	Country-by-country reporting	-
GRI301: Materials 2016	301-1	Materials used by weight or volume	-
	301-2	Recycled input materials used	-
	301-3	Reclaimed products and their packaging materials	15,17
GRI302: Energy 2016 ★	302-1	Energy consumption within the organization	56,57
	302-2	Energy consumption outside the organization	57
	302-3	Energy intensity	56-58
	302-4	Reduction of energy consumption	56-58
	302-5	Reduction in energy requirements of products and services	56-58
GRI303: Water and effluents 2018	303-1	Interactions with water as a shared resource	60
	303-2	Management of water discharge-related impacts	54
	303-3	Water withdrawal	60
	303-4	Water discharge	54
	303-5	Water consumption	60

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	55
	304-2	Significant impacts of activities, products, and services on biodiversity	55
	304-3	Habitats protected or restored	55
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	55
GRI305: Emissions 2016 ★	305-1	Direct (Scope 1) GHG emissions	56,57
	305-2	Indirect (Scope 2) GHG emissions	56,57
	305-3	Other indirect (Scope 3) GHG emissions	57
	305-4	GHG emissions intensity	56-58
	305-5	Reduction of GHG emissions	51,54,56-59
	305-6	Emissions of ozone-depleting substances (ODS)	-
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-
GRI306: Waste 2020 ★	306-1	Waste generation and significant waste-related impacts	58
	306-2	Management of significant waste-related impacts	50,58
	306-3	Waste generated	51,58
	306-4	Waste diverted from disposal	51,58
	306-5	Waste directed to disposal	58
GRI307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	51
GRI308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	-
	308-2	Negative environmental impacts in the supply chain and actions taken	-
GRI401: Employment 2016 ★	401-1	New employee hires and employee turnover	64
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-
	401-3	Parental leave	36,64
GRI402: Labor/Management relations 2016	402-1	Minimum notice periods regarding operational changes	37
GRI403: Occupational health and safety 2018 ★	403-1	Occupational health and safety management system	40
	403-2	Hazard identification, risk assessment, and incident investigation	40
	403-3	Occupational health services	40
	403-4	Worker participation, consultation, and communication on occupational health and safety	40
	403-5	Worker training on occupational health and safety	40
	403-6	Promotion of worker health	38-40
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	40
	403-8	Workers covered by an occupational health and safety management system	40
	403-9	Work-related injuries	40
	403-10	Work-related ill health	38-40
GRI404: Training and education 2016	404-1	Average hours of training per year per employee	7,37
	404-2	Programs for upgrading employee skills and transition assistance programs	37,43-46
	404-3	Percentage of employees receiving regular performance and career development reviews	-

Item	Disclosure item		Reference page no. or document
	No.	Title	
GRI405: Diversity and equal opportunity 2016 ★	405-1	Diversity of governance bodies and employees	35,36
	405-2	Ratio of basic salary and remuneration of women to men	35,64
GRI406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Not applicable
GRI407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
GRI408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-
GRI409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-
GRI410: Securities practices 2016	410-1	Security personnel trained in human rights policies or procedures	-
GRI411: Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	-
GRI412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	34
	412-2	Employee training on human rights policies or procedures	34
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
GRI413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	48,49
	413-2	Operations with significant actual and potential negative impacts on local communities	Not applicable
GRI414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	46,47
	414-2	Negative social impacts in the supply chain and actions taken	46
GRI415: Public policy 2016	415-1	Political contributions	Not applicable
GRI416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-
GRI417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	-
	417-2	Incidents of non-compliance concerning product and service information and labeling	-
	417-3	Incidents of non-compliance concerning marketing communications	-
GRI418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	32
GRI419: Socioeconomic compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Not applicable



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