

## 【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

Japanese version: December 2023

\* Previous version in November 2022

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#### 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.

## 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

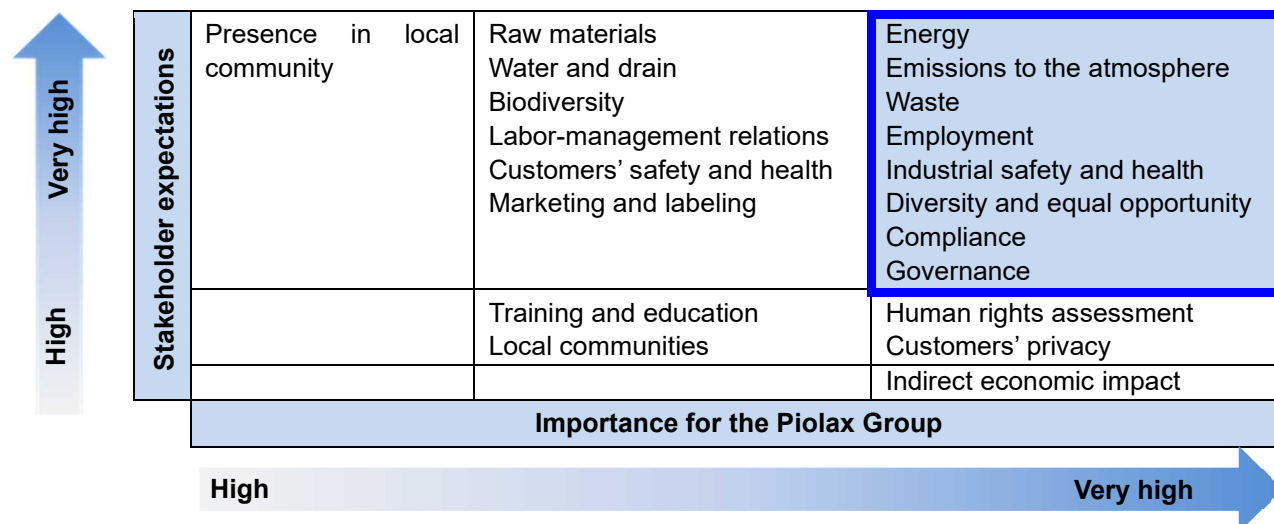
Looking ahead to our 100th anniversary and beyond, Piolax will respond to the changing times and advance various reforms. With the aim of achieving sustainable growth and contributing to the solution of social issues, all employees will work together as one and continue to take on new challenges. I would 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	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	100%	100%	○
				(Response rate of agreement on Supplier CSR Guidelines)			
				Support suppliers' ESG management promotion	Investigate activities	100%	○
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	<b>Energy Emissions to the atmosphere Waste</b>    	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	<b>Employment Occupational health &amp; safety Diversity &amp; equal opportunity</b>     	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	<b>Governance Compliance</b>  	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
<b>Customers</b>	Provide safe and reliable products through improved partnerships	<ul style="list-style-type: none"> <li>- Daily sales operations</li> <li>- Quality assurance support</li> <li>- Plant visits</li> <li>- Co-creation of technologies</li> </ul>
<b>Employees</b>	Create an environment where employees can demonstrate their abilities and individuality	<ul style="list-style-type: none"> <li>- Human assets development and personnel evaluation</li> <li>- Promotion of diversity</li> <li>- Labor-management council</li> <li>- Safety and health</li> <li>- Whistle-blowing system</li> <li>- Stress check</li> <li>- Regular transmission of messages from top management</li> <li>- Visits of production bases by top management</li> <li>- Incentives for improvements and inventions (Global Small Group Activity Competition, New Product and New Technology Report Meeting)</li> </ul>
<b>Suppliers</b>	Conduct fair and equitable transactions and build relationships of trust	<ul style="list-style-type: none"> <li>- Information exchange through visits</li> <li>- Purchase policy guidance</li> <li>- Award system</li> </ul>
<b>Shareholders and investors</b>	Increase corporate value and disclose information appropriately	<ul style="list-style-type: none"> <li>- Shareholders' meetings</li> <li>- Financial results briefings</li> <li>- Interviews</li> <li>- Website</li> <li>- Shareholder questionnaires</li> </ul>
<b>Local communities</b>	Contribute to local community development	<ul style="list-style-type: none"> <li>- Local volunteer activities</li> <li>- Plant tours for local elementary school students</li> <li>- Participation in industry associations</li> <li>- Company information sessions for students and acceptance of interns</li> </ul>

## 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 2<sup>nd</sup> 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 1<sup>st</sup> 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)

1933 Start from manufacturing metal springs

1972 Make a full-scale entry into plastic fasteners

1990s Expand business of fuel system parts

1995 Enter into medical device business

2000s Expand business of open & close mechanism parts

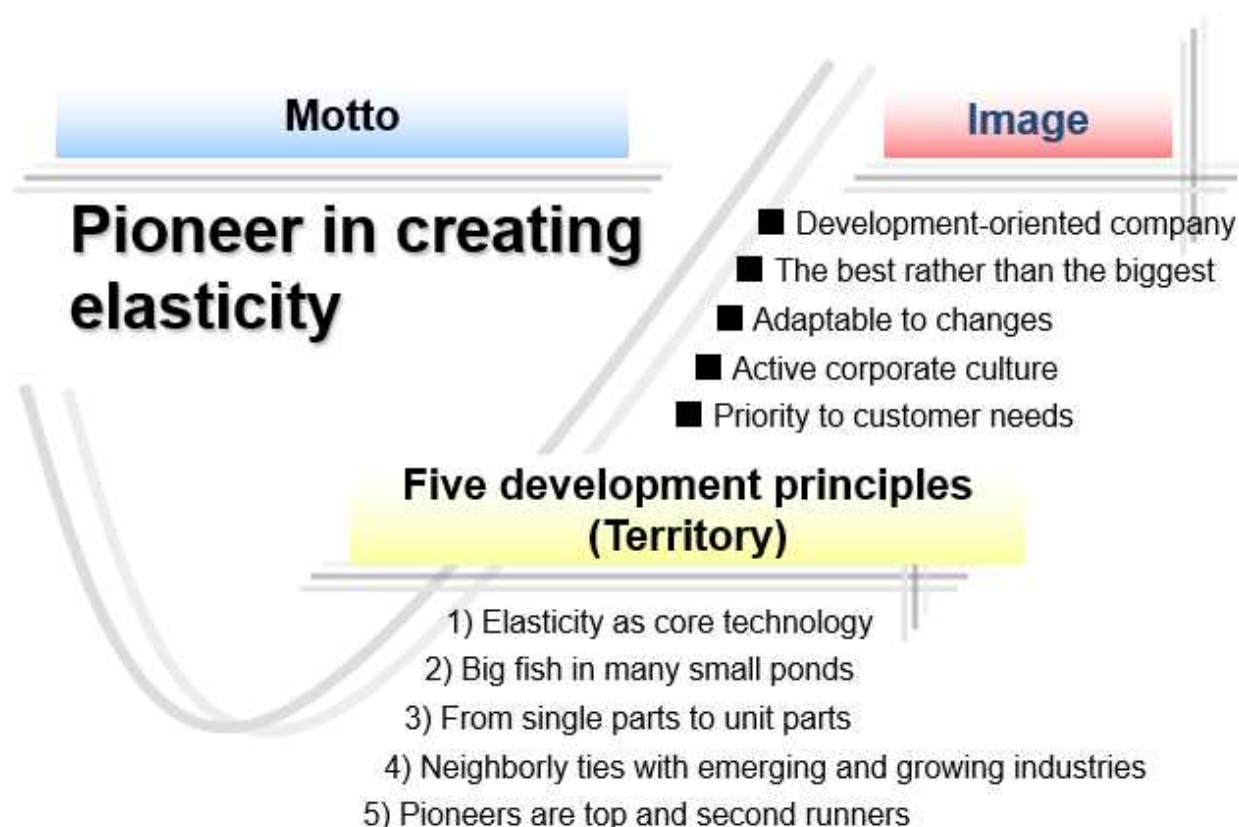
2010s Enter into EV business

# 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.