

Sustainability Management

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Piolax Group Sustainability Policy

Based on our purpose statement, “connect people and society with technology for an exciting future,” we, the Piolax Group, have been working towards sustainable growth and the medium- to long-term enhancement of corporate value through the implementation of ESG management.

ESG management initiatives, such as addressing climate change and respecting human rights, are now critical management issues. Considering this situation, we have established a Sustainability Policy to accelerate various initiatives.

Piolax Group Sustainability Policy

We, the Piolax Group, will contribute to the realization of a sustainable society through manufacturing with flexible ideas based on our statement of purpose—“connect people and society with technology for an exciting future”—.

- 1) As a development-oriented company, we will work to solve social issues such as climate change through our business.
- 2) As a global company, we will comply with international rules, laws, and regulations and realize fair and transparent management.
- 3) We will respect the individuality and diversity of our employees and strive to create a safe and secure working environment.
- 4) We will value our relationships with stakeholders and engage in responsible dialogue to build trust.
- 5) The top management will establish an effective governance system to realize the spirit of this Policy and ensure that all group companies are fully aware of it.

Established: December 2021

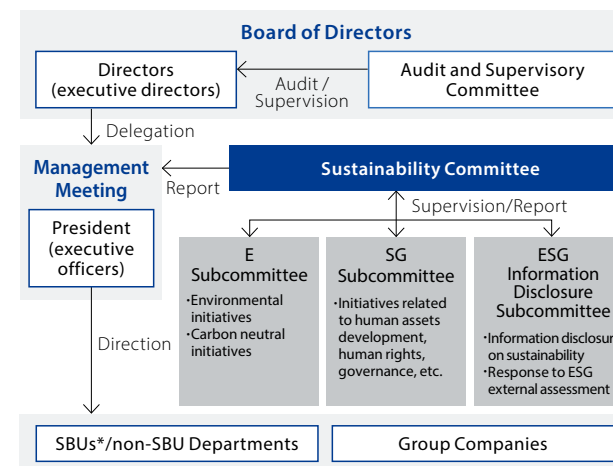
Revised: October 2024

Governance

In December 2021, we established the Sustainability Committee as a body to deliberate on sustainability issues. The Sustainability Committee is chaired by the President and its members mainly consist of Directors.

The Sustainability Committee meets four times a year and identifies potential risks and opportunities through committee and subcommittee activities, reviews materiality and portfolio, and discusses sustainable management goals. After deliberation by the Sustainability Committee, these matters were discussed at the Management Meeting to ensure alignment and consistency with the management strategy, and then approved by the Board of Directors. The President participates in the Management Meeting discussions and executes the measures decided by the Board throughout the Group.

Sustainability Promotion System



*SBU: Strategic Business Unit



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Strategy

Piolax ESG Vision 2030

To address sustainability challenges, we have established the Piolax ESG Vision 2030 with a focus on the year 2030. We have defined key strategies and set KPIs for each to ensure continuous action. ESG management is not only essential for fulfilling corporate responsibility towards achieving a sustainable society, but also a crucial strategy for our company's growth. Therefore, we will steadily implement it with a mid- to long-term perspective.

Materiality

• Identification of Materiality

With the use of the "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. We have identified the issues by the process outlined below.

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

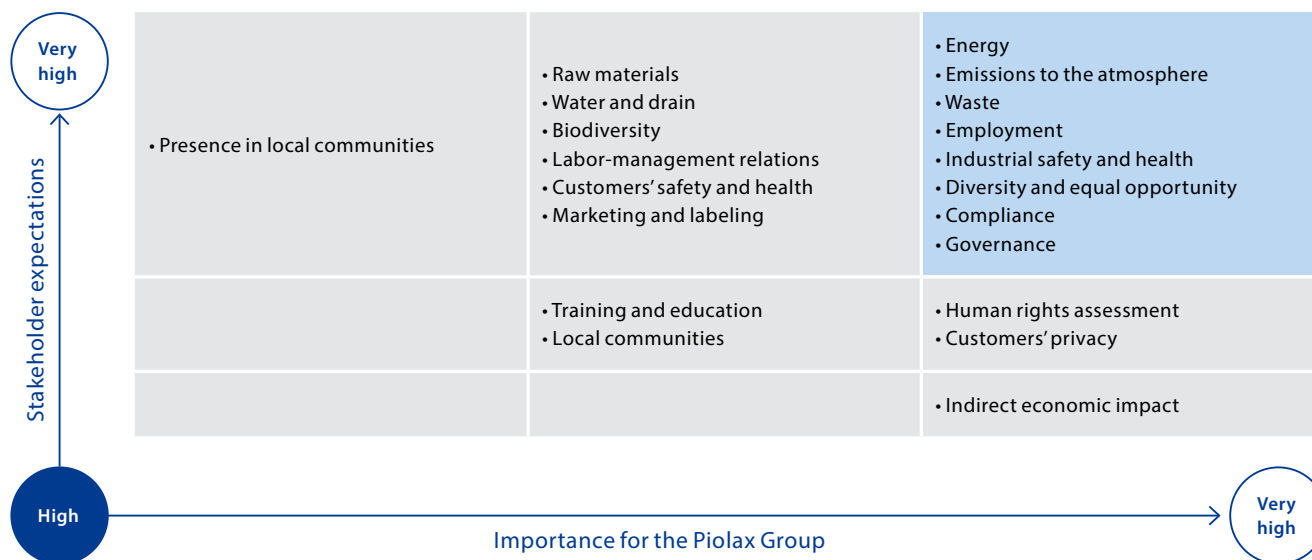
The issues identified in Step 1 were prioritized based on the following.

- (1) Three items in terms of stakeholder expectations
 - GRI Standard requirements
 - Customer requirements
 - General requirements (e.g., shareholders, employees, local communities)
- (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.

Materiality Matrix





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Materiality of the Piolax Group

	Materiality	Piolax ESG Vision 2030	Materiality (Key activities)	Reference page	Major related SDGs issues
E Environment	Energy Emissions to the atmosphere Waste	Corporate activities aimed at a decarbonized society and a recycling-oriented society	Thorough efforts to conserve energy	P. 36	
			Efforts to reduce waste	P. 37	
			Effective use of resources	P. 37	
S Society	Employment Occupational health & safety Diversity & equal opportunity	Creating a vibrant workplace where employees can work with peace of mind	Promote health management	P. 51	
			Work-life balance	P. 49	
			Diversity	P. 48	
			Human assets development	P. 45	
			Respect for human rights	P. 40	
			Enhancing fair and equitable businesses and trust relationships	P. 42	
G Governance	Governance Compliance	Stable organizational management by strengthening governance	Corporate governance	P. 62	
			Risk management	P. 66	

Risk Management

The Sustainability Committee implements comprehensive company-wide management of various risks and opportunities. It identifies risks and opportunities that could impact our Group's business activities, develops response plans based on their significance, and monitors progress.



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Indicators, Targets and Results

Piolax has established its ESG vision for FY2030 as "Piolax ESG Vision 2030." Based on this, we set targets for FY2023 and implemented activities. Items not achieved in FY2023 are reflected in the FY2024 ESG Activity Targets and the 8th Medium-Term Environmental Goals to continue our efforts.

ESG Activity Targets

Materiality	Key activities	KPIs	FY2023 targets	FY2023 results	FY2024 targets		
Energy Emissions to the atmosphere Waste	Thorough efforts to conserve energy Activities toward carbon neutrality	Indirect energy consumption (Electricity)	Greenhouse gas: reducing CO ₂ emissions	13% reduction (from FY2019)	38% reduction	○	17% reduction (from FY2019)
			Reduce energy consumption per unit of production	1% reduction (from FY2022)	3.2% reduction	○	2% reduction (from FY2022)
	Efforts to reduce waste	Reduce total waste emissions per unit of production		2% reduction (from FY2022)	0.3% increase	×	4% reduction (from FY2022)
	Effective use of resources	Improve recycling rate		80% (from FY22)	81%	○	80% (from FY22)
Employment Occupational health & safety Diversity & equal opportunity	Promote health management	Score employee engagement		Consider scoring	Implementation of condition survey	○	Selection of indicators
	Work-life balance	Reduce overtime work		10% reduction (from FY2022)	17% increase	×	10% reduction (from FY2023)
		Increase rate of paid holidays taken		60%	71%	○	More than FY2023 result
		Rate of female employees taking childcare leave		100%	100%	○	100%
		Rate of male employees taking childcare leave		More than FY2022 result	60%	○	More than FY2023 result
	Diversity	Number of industrial accidents		0 accident	0 accident	○	0 accident
		Rate of female managers		5% or more	5.2%	○	More than FY2023 result
		Rate of female new graduate hires		30% or more	22.7%	×	More than FY2023 result
Number of foreign employee hires		2 or more people	1 person	×	More than FY2023 result		
	Rate of employees with disabilities		2.3% or more	2.34%	○	More than legal requirement (2.50%)	

Entity to work on: CO₂ emissions reduction is addressed by the Piolax Group; reduction of the energy consumption per unit of production, reduction of the total waste emissions per unit of production, and improvement of recycling rate are tackled by Piolax and its group companies in Japan; the other targets are for Piolax alone.



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Materiality	Key activities	KPIs	FY2023 targets	FY2023 results		FY2024 targets
Employment Occupational health & safety Diversity & equal opportunity	Human assets development	Improve human assets development	Develop training system Improve training quality	Enhance job level-based training	○	Steady implementation
	Respect for human rights	Education on the Piolax Human Rights Policy	Implementation	Implementation	○	Implementation
		Education on harassment prevention	Implementation	85%	○	Implementation
	Improve CSR procurement	Confirm suppliers' CSR compliance status (Response rate of agreement on the Supplier CSR Guidelines)	100%	100%	○	100%
		Support suppliers' ESG management promotion	Investigate activities	100%	○	Investigate activities
		Respond to conflict mineral problems (Survey response rate)	95% or more	90%	×	95% or more
Governance Compliance	Corporate governance	Comply with the Corporate Governance Code	Enhance compliance with the Corporate Governance Code	Continued compliance with all principles	○	Enhance compliance with the Corporate Governance Code
		Increase stakeholder engagement	Timely disclosure	Implementation	○	Timely disclosure
		Enhance compliance system	In-house training	Implementation 1,456 people attended for a total of 364 hours	○	In-house training
	Risk management	Strengthen information security	Email training Expand usage of EDR system	Implementation	○	Email training Expand usage of EDR system
		Set up a system for disaster measures	Maintenance of manuals	Implementation	○	Maintenance of manuals

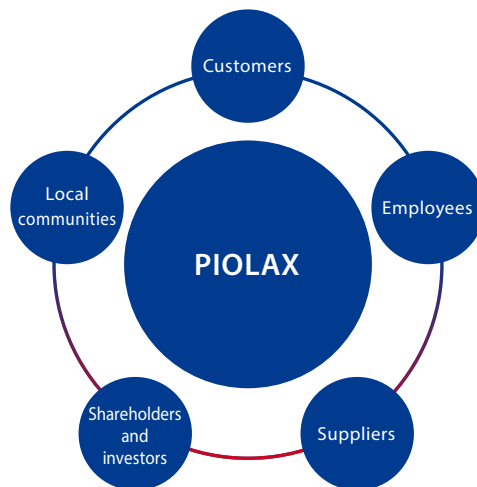
Entity to work on: Enhancing the compliance system is addressed by the Piolax Group; all other targets are for Piolax alone.



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Stakeholder Engagement

We prioritize dialogue with stakeholders to meet the diverse demands and expectations of various stakeholders, aiming to build trust. We strive to enhance our corporate value by addressing issues identified through stakeholder engagement and incorporating them into our goal-setting and activities.



Stakeholders	Our responsibilities and challenges	Main communication measures	
Customers	Provide safe, secure, and reliable products through improved partnerships	<ul style="list-style-type: none"> Daily sales operations Quality assurance support 	<ul style="list-style-type: none"> 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 Incentives for improvements and inventions (Global Small Group Activity Competition, New Product and New Technology Report Meeting) 	<ul style="list-style-type: none"> Whistle-blowing system Stress check Regular transmission of messages from top management Visits of production bases by top management
Suppliers	Build fair and equitable transactions and relationships of trust	<ul style="list-style-type: none"> Information exchange through visits Purchase policy guidance 	<ul style="list-style-type: none"> Award system
Shareholders/Investors	Increase corporate value and disclose information appropriately	<ul style="list-style-type: none"> Shareholders' meetings Financial results briefings Interviews 	<ul style="list-style-type: none"> Website Shareholder questionnaires
Local communities	Contribute to local community development	<ul style="list-style-type: none"> Voluntary community service Plant tours for local elementary school students 	<ul style="list-style-type: none"> Participation in industry associations Company information sessions for students and acceptance of interns

External Evaluation

CDP Evaluation

In the 2023 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.



CDP <https://japan.cdp.net/>

Continued Selection for ESG Investment Index

Piolax has been selected for the FTSE Blossom Japan Sector Relative Index for three consecutive years. This index was constructed by the global index provider FTSE Russell.



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index <https://www.lseg.com/ja/ftse-russell/indices/blossom-japan>

Certified as a 2023 Certified KIH Outstanding Organization

Piolax has been certified as a 2023 Certified KENKO Investment for Health (KIH) Outstanding Organization in the large enterprise category of the 2023 Certified KIH Outstanding Organizations Recognition Program, co-sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. This certification recognizes that Piolax is a corporation that strategically addresses employee health management from a managerial perspective.

