



Corporate Governance

Basic Approach to Corporate Governance

The Piolax Group positions corporate governance as a management priority. We are committed to sustainable growth and development as well as fair and transparent management through compliance with laws and ethics, the execution of key corporate strategies led by the Board of Directors, and the implementation of appropriate internal control and risk management systems.

We are also committed to building relationships of trust with investors and other stakeholders through timely and appropriate information disclosure and dialogue of financial and non-financial information.

Corporate Governance System

We believe that realizing a monitoring board by strengthening the Board's audit and supervisory functions will contribute to the sustainable growth of the Group and increase its corporate value over the medium to long term. As a company with an Audit and Supervisory Committee, we are striving to reinforce our corporate governance system. Additionally, we have implemented an Executive Officer system and delegated part of the Board's executive authority to the Management Meeting to expedite decision-making.

Furthermore, we recognize that addressing sustainability is a critical management issue. We have a Sustainability Committee, chaired by the President, which meets four times a year. We also have our own Sustainability Policy. This committee, primarily composed of Directors, reviews policies, sets targets, and monitors progress related to sustainability and ESG management. Specific measures are discussed in this committee, then reviewed by the Management Meeting, and finally decided by the Board of Directors.

Sustainability Policy https://www.piolax.co.jp/resources/pdf/csr/Sustainability_Policy_EN_2024.pdf

History of Corporate Governance

2016	Piolax became a company with an Audit and Supervisory Committee
2017	A stock compensation plan for directors was introduced
2018	At least one third of the directors were independent outside directors
2019	The Nomination and Compensation Advisory Committee was established
2020	A female director was appointed
2021	Piolax responded to the Corporate Governance Code for the companies listed on the Prime Market of the Tokyo Stock Exchange
2022	The number of outside directors and female directors was increased
2023	A performance-related element was introduced in the compensation of the Board of Directors. This was also applied to the compensation of the executive officers

Board of Directors

The Board of Directors meets, in principle, once a month to make decisions on important management policies, management objectives, management strategies, and other matters. The Board is presided by the Chairman. As of June 25, 2024, it consists of nine Directors, four of whom are Outside Directors.

Audit and Supervisory Committee

This committee audits duty execution by Directors and overall management of group companies. It is chaired by the committee head. As of June 25, 2024, it consists of three Directors (One full-time Director and two part-time Outside Directors).



Corporate Governance

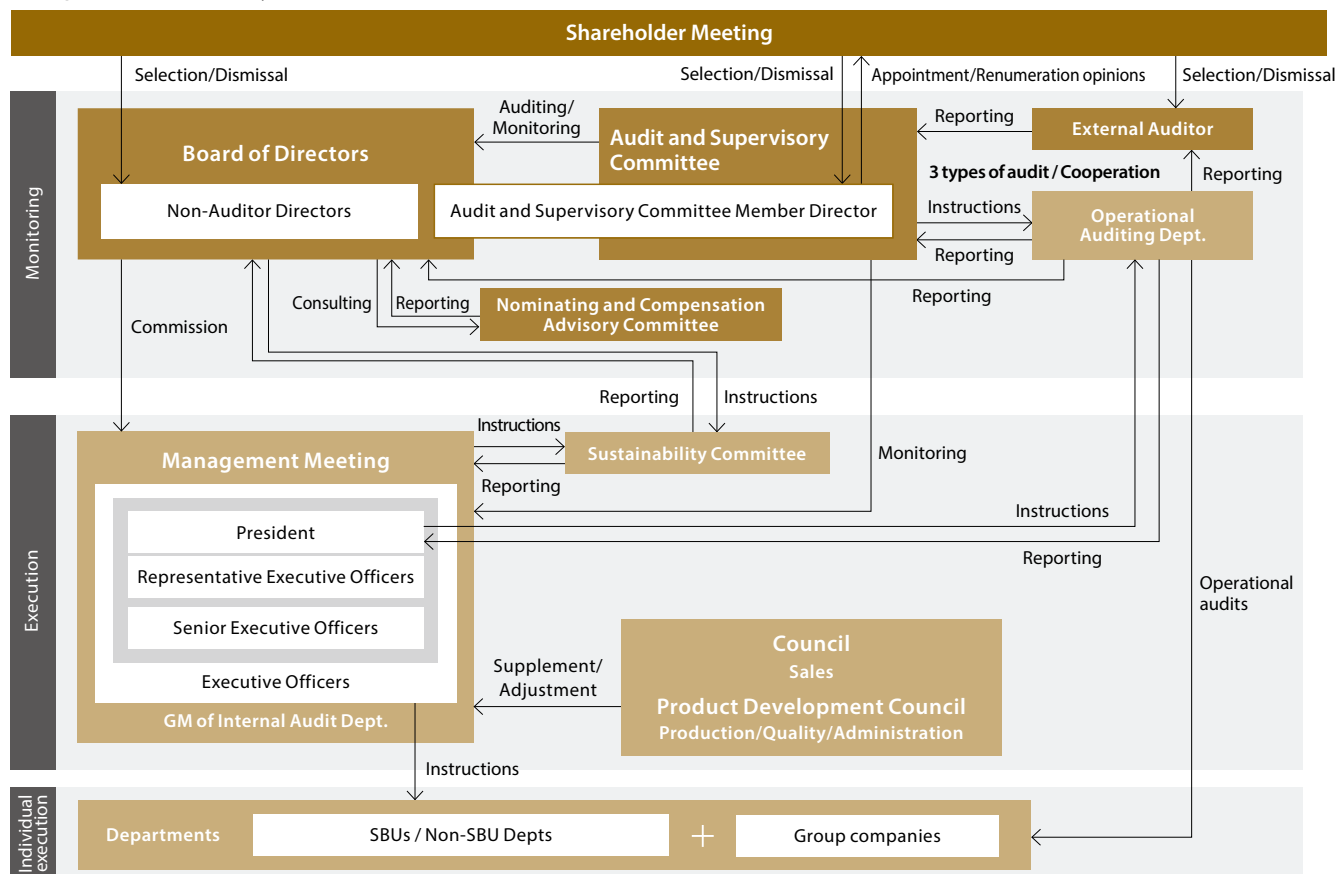
Nominating and Compensation Advisory Committee

This committee is set up as a voluntary advisory body to the Board of Directors with a view to making fair decisions on selection and dismissal of Directors and their compensation. The committee is chaired by an Independent Outside Director. As of June 25, 2024, it consists of six Directors, including four Outside Directors.

Management Meeting

This body meets on a monthly basis. It makes decisions for executing specific operations based on management policies decided at the Board of Directors. It is chaired by the President and consists of Representative Executive Officers and Senior Executive Officers.

Corporate Governance System (as of June 25, 2024)



Corporate Governance Overview (as of June 25, 2024)

Form of institutional design	Company with Audit and Supervisory Committee
Number of Directors who are not Audit and Supervisory Committee Members (Number of Independent Outside Directors)	6 people (2)
Number of Directors who are Audit and Supervisory Committee Members (Number of Independent Outside Directors)	3 people (2)
Total number of Directors (Number of Independent Outside Directors)	9 people (4)
Ratio of Independent Outside Directors	44%
Ratio of Female Directors	22%
Term of office of Directors who are not Audit and Supervisory Committee Members	1 year
Term of office of Directors who are Audit and Supervisory Committee Members	2 years
Adoption of executive officer system	Yes
Accounting Auditor	Ernst & Young ShinNihon LLC



Corporate Governance

Directors and Their Activities

Position	Name	Sex	Term of office (At the end of the GSM in June 2024)	Attendance (FY2023)		
				Board of Directors	Audit and Supervisory Committee	Nominating and Compensation Advisory Committee
Chairman / Chairman of the Board of Directors	Yukihiko Shimazu	Male	19 years	18/18	-	
President / Chairman of the Management Meeting	Satoshi Yamada	Male	Newly appointed	-	-	
Managing Director	Masaaki Kaji	Male	2 years	18/18	-	
Director	Shigeru Masuda	Male	3 years and 10 months	18/18	-	
Director / Chairman of the Nominating and Compensation Advisory Committee	Hiroyuki Ochiai Outside, Independent	Male	2 years	18/18	-	11/11
Director	Makiko Akabane Outside, Independent	Female	2 years	18/18	-	11/11
Director / Full-time Audit and Supervisory Committee Member / Chairman of the Audit and Supervisory Committee	Genichi Ishikawa	Male	2 years	18/18	12/12	11/11
Director / Audit and Supervisory Committee Member	Sakae Komiyama Outside, Independent	Female	3 years and 10 months	18/18	12/12	11/11
Director / Audit and Supervisory Committee Member	Tetsu Hirowatari Outside, Independent	Male	Newly appointed	-	-	-

* Covering the meetings of the Board of Directors, the Audit and Supervisory Committee, and the Nominating and Compensation Advisory Committee held after the inauguration on June 27, 2023.

Director Skill Matrix (as of 25 June, 2024)

Position	Name	Corporate management	Sales/Marketing	Technology/Development	Manufacture/Quality	Finance/Accounting	Legal/Risk management	Global business	ESG/Sustainability	DX/IT	Innovation/New business
Chairman	Yukihiko Shimazu	●	●					●	●		●
President	Satoshi Yamada	●		●				●		●	●
Managing Director	Masaaki Kaji	●				●		●		●	
Director	Shigeru Masuda			●	●					●	
Outside Director	Hiroyuki Ochiai	●			●			●	●		
Outside Director	Makiko Akabane	●							●		
Director / Full-time Audit and Supervisory Committee Member	Genichi Ishikawa	●				●		●			
Director / Audit and Supervisory Committee Member	Sakae Komiyama					●					
Director / Audit and Supervisory Committee Member	Tetsu Hirowatari						●				



Corporate Governance

Implementation of Corporate Governance Measures

Our Board of Directors holds regular meetings once a month to decide on basic management policies and important matters, as well as to supervise the execution of Directors' duties. The Board of Directors and Management Meetings share management information to ensure thorough implementation of operational policies and to increase sensitivity to management risks.

In terms of risk management, each department head identifies their department's risks and establishes and operates regulations and manuals accordingly.

The Internal Audit Department monitors the implementation status through internal audits.

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 engaged in the composition, operation, and agenda of the Board.


Additionally, we assess the effectiveness of the Audit and Supervisory Committee.


To enhance the objectivity of these evaluations, we seek external (third-party) advice every three years on the appropriateness of the survey questions and action plans, considering recent discussions by the Board of Directors and the Audit and Supervisory Committee, as well as revisions to the Corporate Governance Code.

Internal Control System

In accordance with our Basic Policy on Internal Control System and Basic Policy for Internal Control System concerning Financial Reporting, we continue activities that ensure the soundness, efficiency, and fairness of corporate governance, under the leadership of the President. These activities include building and operating our Group's internal control system and evaluating its effectiveness every year.

For example, our internal control systems encompass the following areas: company-wide internal control, internal control over business processes, internal control over financial reporting, and internal control over IT. For each process, we create and maintain checklists, duty segregation tables, business descriptions, business flow charts, risk control matrices, and other documents. These documents are used for evaluation.

 **Corporate Governance Report**
https://www.piolax.co.jp/en/csr/governance/corporate_governance/

 **Basic Policy on Internal Control System, Basic Policy for Internal Control System concerning Financial Reporting**
https://www.piolax.co.jp/en/csr/governance/internal_control/



Risk Management

Basic Approach to 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. The Sustainability Committee identifies various risks and opportunities, including climate change, and implements measures and monitors progress according to the assessment of materiality.

Risk Management System

Our internal regulations require each department, subsidiary, committee and council to identify risks on a daily basis and report them to the Board of Directors or the Management Meeting, depending on their significance, financial impact, and other factors.

Any event that significantly deviates from the business plan or medium-term plan of each department or subsidiary is considered a risk that could have a major financial or strategic impact. Such an event is reported to the Board of Directors or the Management Meeting, in accordance with the above-mentioned internal regulations, for deliberation to minimize the risk.

Risk Management

To manage our company's risks, each department head follows regulations and manuals to identify risks within their respective departments and implement measures to prevent and mitigate losses that these risks may cause. The implementation status is verified through internal audits conducted by the Internal Audit Department.

Principal Risks and Countermeasures

Business risks, etc.	Impact on our Group	Countermeasures
Economic and market risks	<ul style="list-style-type: none"> The impact of vehicle electrification on our sales 	<ul style="list-style-type: none"> Develop and expand sales of new products such as CASE products Explore new non-automotive business opportunities
Major catastrophe risks	<ul style="list-style-type: none"> Delays or interruptions in procurement and business activities 	<ul style="list-style-type: none"> Formulate a BCP Establish a system to prevent risks
Product quality risks	<ul style="list-style-type: none"> Increased costs due to product recalls, damages, etc. Decrease in public confidence 	<ul style="list-style-type: none"> Build a quality assurance system in line with the Quality Management System
Information security risks	<ul style="list-style-type: none"> Delays or interruptions in business activities Decrease in public confidence 	<ul style="list-style-type: none"> Improve the level of information security
Environmental risks	<ul style="list-style-type: none"> Increased costs of complying with regulations such as carbon taxes Delays or interruptions in procurement and business activities due to catastrophes Increased customer demand for GHG emission reductions 	<ul style="list-style-type: none"> Risk and opportunity analysis in line with the TCFD Reduce CO₂ emissions following the Carbon Neutral Roadmap Work with suppliers to address climate change risks

Information Security System

We vigorously protect our information assets against the risk of confidential information leaks by taking fundamental and effective measures in accordance with our Guidelines for Prevention of Confidential Information Outflow. Based on these guidelines, we are improving our information security and confidential information management system to ensure the proper management of company information.

To counter increasingly sophisticated cyber-attacks, we conduct

internal education and email attack drills globally. Additionally, to streamline our response to incidents, we have implemented an EDR (Endpoint Detection and Response) system for endpoints, such as computers and servers. By continuing to address cybersecurity risks, we will improve business continuity and reduce management risks.

Personal Information Management System

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

Business Continuity Plan (BCP)

Preparation for Disaster Risks

In the event of a large-scale disaster, Piolax 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 Response

All employees are provided with a Disaster Response Manual that outlines action guidelines for ensuring their own safety, confirming the safety of family members, and reporting their situation to the company during a disaster.

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.



Compliance

Basic Approach to Compliance

Aligned with our purpose statement, "Connect people and society with technology for an exciting future," we strive to create new value as a pioneer of elasticity in the automotive and medical fields.

Our Code of Conduct provides a foundation for each officer and employee to conduct business with high ethical standards as a conscientious employee and citizen. Based on this Code, we regularly educate and train them to enhance compliance awareness.

Piolax Code of Conduct

The Piolax Group establishes a basic code of conduct so that all directors and employees in the group perform daily operations with high ethics as sensible workers and members of society.

1. Compliance
2. Respect of human rights
3. Customer confidence
4. Fair and free competition and transparent relation
5. Proper accounting and sufficient information disclosure
6. Respect of intellectual property and information management
7. Ideal and challenging work environment
8. Environmental preservation
9. Contribution to community

Piolax Code of Conduct
https://www.piolax.co.jp/resources/pdf/en/090319code_conduct.pdf

Compliance System

The Piolax Group's Compliance Committee, chaired by the President, oversees overall compliance. This committee includes the Director in charge of administration, members of the Audit and Supervisory Committee, the General Manager of the Internal Audit Department, the General Manager of the Business Administration Department, the General Manager of the Human Resources Department, and other individuals appointed by the chair.

The committee is structured to promote compliance management in accordance with laws, regulations, the company's Articles of Incorporation, and the Group's management policies. Matters executed or resolved by the committee are reported or proposed to the Board of Directors as necessary, and the Board makes decisions on these proposals.

Internal Audits to Ensure Compliance

The Internal Audit Department, which operates independently from the business execution departments, formulates an annual internal audit plan to ensure the effectiveness of compliance-related measures and the status of internal control operations, including adherence to laws, regulations, and our Group's rules. Then, with the approval of the President, this department conducts internal audits of all business bases and departments, including group companies in Japan and overseas.

Regular internal audits involve interviews with employees, verification of evidence, review of specific operational practices, identification of issues and areas for improvement, and evaluation of the effectiveness of past measures.

The results of these audits are reported to the President on each occasion and are also presented to the Board of Directors and the Audit and Supervisory Committee on a quarterly basis.

Whistleblower System

To quickly detect and address compliance issues, we have established a multilingual whistleblower hotline. Officers and employees of the Piolax Group can anonymously report compliance-related issues to the hotline operated by a third-party. Retaliation, such as dismissal, salary reduction, or other adverse actions based on reporting, as well as the disclosure of information that could identify the reporter, is strictly prohibited.

The hotline reports the content of whistleblowing to the Compliance Committee, which verifies the facts, analyzes the causes, and implements corrective and preventive measures for recognized violations. The reporter is provided with feedback. The number of reports and the content of consultations are reported to the Board of Directors.

Overview of the Whistleblower Hotline

Category	Applicable to	Means/Languages	Issues to be handled
Third-party hotline (via attorney)	Employees and former employees of group companies	Online or by phone / 8 languages (Japanese, English, Chinese, and others)	Violation of laws, regulations, or internal rules, or misconduct • Bribery • Accounting or tax fraud • Quality-related irregularities • Information leaks • Events related to working environment, including occupational safety • Environmental pollution or chemical regulation violations • Events related to human rights violations (forced labor, child labor, discrimination, harassment, etc.)
Internal hotline	Piolax employees	By email or by phone / Japanese	Human rights violations resulting from harassment
Contact for external inquiries	Anyone, including customers and suppliers	By email / Japanese, English	General inquiries including compliance



Compliance

Prevention of Anti-Competitive Conduct

Basic Concept

To promote economic development through fair and free competition in the market, as a Group we comply with competition laws, antitrust laws, and other laws and regulations related to the protection of fair and free competition in all countries and regions where we conduct business activities.

Principal Initiatives

As a Group, we have established and are implementing the Global Declaration for Prevention of Cartels and the Global Management Rules for Cartel Prevention.

These rules aim to prevent cartel activities, enable early detection, and ensure appropriate responses upon discovery. They outline prohibitions on certain activities in the duties of our officers and employees, procedures for participation in associations and transactions with competitors, whistleblower obligations, and obligations to cooperate in investigations.

In FY2023, there were zero cases where legal action was taken for anti-competitive conduct or violations of antitrust laws within our Group.

Prevention of Corruption and Bribery

Basic Concept

To prevent bribery, we have established the Global Declaration for Prevention of Bribery and the Global Management Rules for Prevention of Bribery under our Code of Conduct. Our officers and employees comply with anti-bribery and anti-corruption laws and regulations in all countries and regions where we conduct business activities.

They do not give or accept improper entertainment, money, gifts, or other benefits, whether to public officials or private business partners.

Principal Initiatives

We have established a system to prevent corruption throughout the Group in accordance with the Global Management Rules for Prevention of Bribery. These rules specify prohibitions on certain activities in the duties of group officers and employees, procedures for gifts, hospitality, invitations, donations, and receiving from business partners, as well as whistleblower obligations and obligations to cooperate in investigations.

When officers and employees of the Group give or receive gifts, hospitality, invitations, or any other benefits, prior approval is required, and monetary thresholds are set. Compliance with these rules is subject to internal audits.

In FY2023, there were zero cases where legal action was taken for bribery or other corrupt activities within our Group.

Incompliance

Any incompliance with laws or internal regulations, including the Piolax Code of Conduct, is subject to disciplinary measures in accordance with work regulations and other rules.

In FY2023, there were zero incompliances within our Group that resulted in legal action.

Compliance Education

We conduct annual compliance training to instill a strong awareness of compliance in the Group. To deepen understanding, we administer comprehension tests and surveys after the training sessions.

Compliance Training Achievements

	Target	FY2022	FY2023
Number of participants	All group officers and employees	1,870 people	1,456 people
Total training hours	All group officers and employees	493 hours	364 hours

Details of Compliance Education (FY2023-FY2024)

	Target	Content and purpose	Number of participants (participation rate)
Compliance workshops	All group officers and employees in Japan	Anti-corruption video presentation	977
Compliance workshops	All group officers and employees in Japan	<ul style="list-style-type: none"> Anti-corruption video presentation Understanding the importance of compliance based on the Piolax Code of Conduct (including fair and free competition, and transparent relationships) Session on the Piolax Human Rights Policy and human rights violations 	999
Compliance workshops at overseas bases	Officers and employees at overseas bases	Video presentation regarding corruption spotting	457
Compliance training by external instructors	All group officers and employees in Japan, those seconded from or to other companies in Japan and overseas	General compliance including harassment	1,066
Workshops for harassment prevention	All group officers and employees in Japan	Training based on the harassment prevention handbook	709