



# YAMASHIN-FILTER GROUP SUSTAINABILITY REPORT 2023

## YAMASHIN-FILTER CORP.

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## Corporate Principles



### About our Corporate Philosophy

Masahiko Yamazaki, the founder of our company, incorporated his determination and sense of social responsibility in the term "仕濾過事" (Rokajinitsukafuru) or "Contribute to society through filtration business." Today, over half a century later, we carry forward this term in our corporate philosophy and have retained our founder's commitment to filtration.

"Society" in our commitment refers to our customers and to all stakeholders who support us. Filters for construction machinery, our core products, go unseen in people's daily lives, yet are a powerful and indispensable support to the development of society behind the scenes. We ourselves want to be a presence like this. While we may not be a large company, we are a specialized manufacturer that is expanding into the world with technological capabilities that delve into niche areas. This is YAMASHIN-FILTER.

### Editorial Policy

#### Purpose of This Report

We have issued the Sustainability Report since 2021 with the aim of helping all stakeholders, including investors and customers, to better understand the group's sustainability initiatives. The report explains our specific efforts to solve social issues through our filter business based on our corporate philosophy of "仕濾過事" (Rokajinitsukafuru) or "Contribute to society through filtration business," in order to strengthen corporate sustainability.

#### Period Covered

This report covers FY2022 (April 1, 2022 to March 31, 2023).  
Note: Some information reflects activities in years other than FY2022.

#### Scope of Organizations

YAMASHIN-FILTER CORP. and group companies  
Note: Some information only relates to YAMASHIN-FILTER on a non-consolidated basis.

#### Published

November 2023  
Note: last issued in November 2022; scheduled to be issued in October 2024

#### Reference Guidelines

- GRI Sustainability Reporting Standards 2016/2018/2019/2020/2021
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- "Environmental Reporting Guidelines (2018 Edition)," Ministry of the Environment
- ISO26000

#### Independent Assurance Statement

Data for which an Independent Assurance Statement has been obtained is marked with the symbol. For more details, please see the Independent Assurance Statement.

#### Contact Information Regarding This Report

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URL: <http://www.yamashin-filter.co.jp/eng/index.html>



### Sustainable Development Goals (SDGs) for YAMASHIN-FILTER

The three themes of environment, air quality, and health that we tackle through our filter business are closely related to the goals of the SDGs. In order for our company to contribute to achieving the SDGs, we believe that it is important to take action as a company on social issues by reviewing and evaluating the strengths and foundation of our business model.

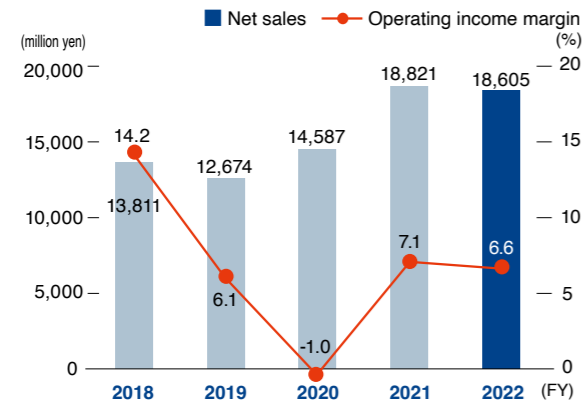
By adhering to our corporate philosophy of "仕濾過事" (Rokajinitsukafuru) or "Contribute to society through filtration business," advancing into new business areas, growing into a truly comprehensive filter manufacturer, and contributing to solving social issues, we seek to achieve a sustainable world.

# Financial and Non-financial Highlights

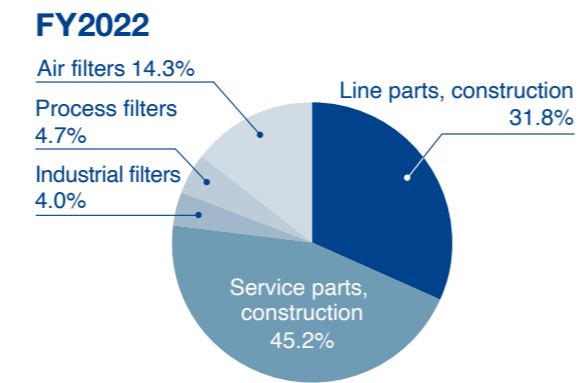


## Financial (consolidated)

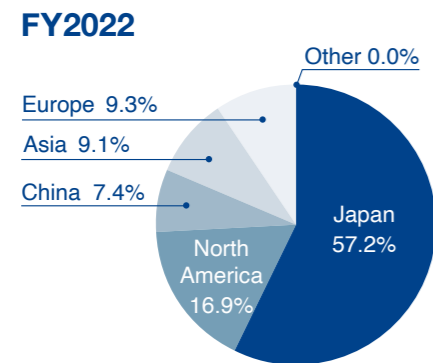
### Net sales, Operating income



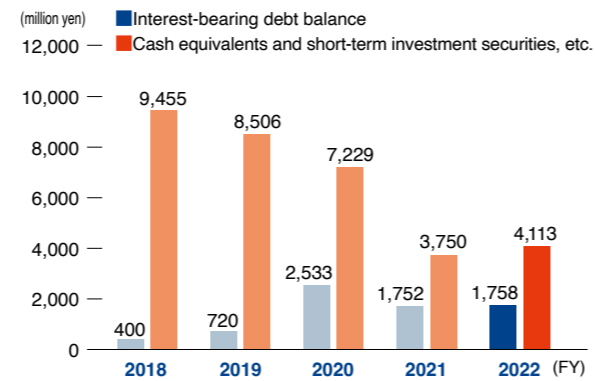
### Sales breakdown by product category



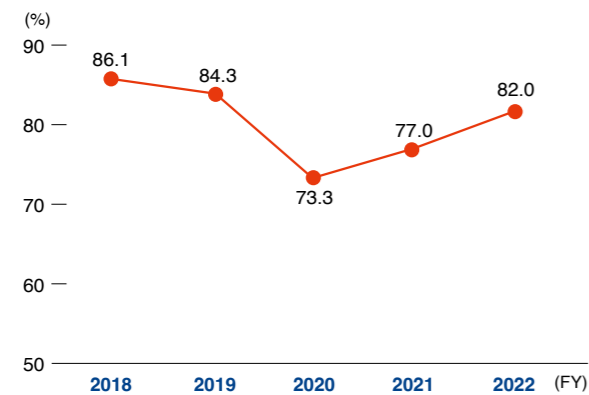
### Sales breakdown by region



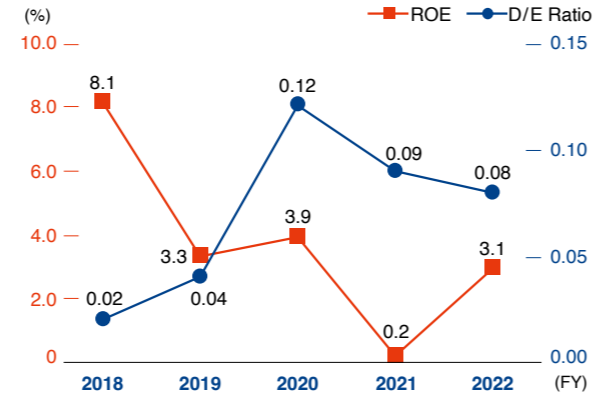
### Interest-bearing debt, Cash equivalents, Short-term securities, etc.



### Shareholders' equity ratio

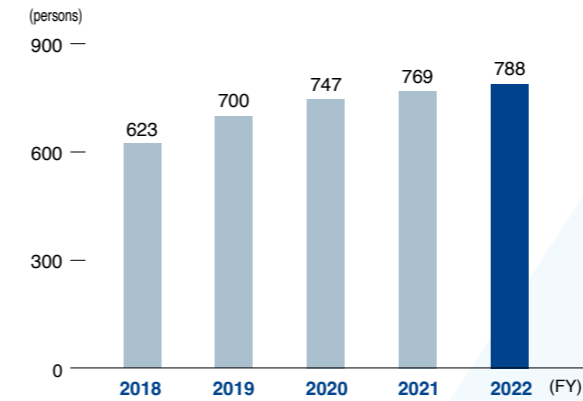


### ROE, D/E ratio

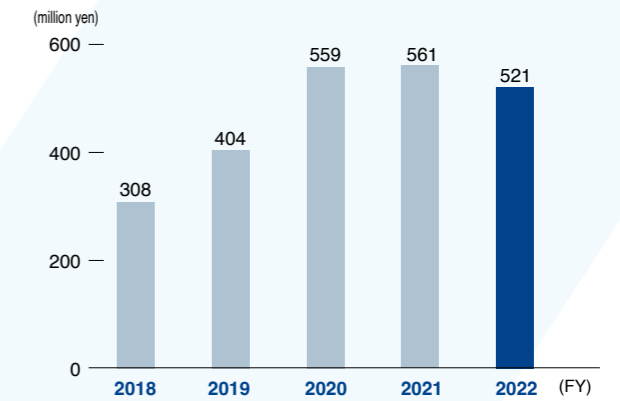


## Non-financial

### Number of employees (consolidated)

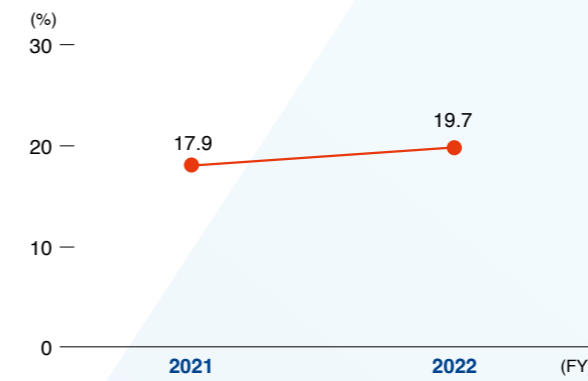


### R&D expenses (consolidated)



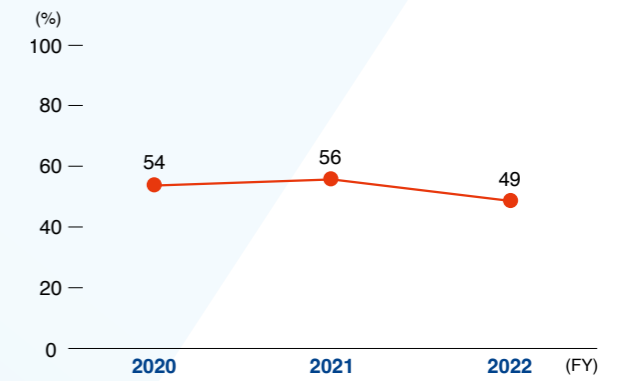
### Ratio of female managers (consolidated)

Note: As of March 31 of each fiscal year

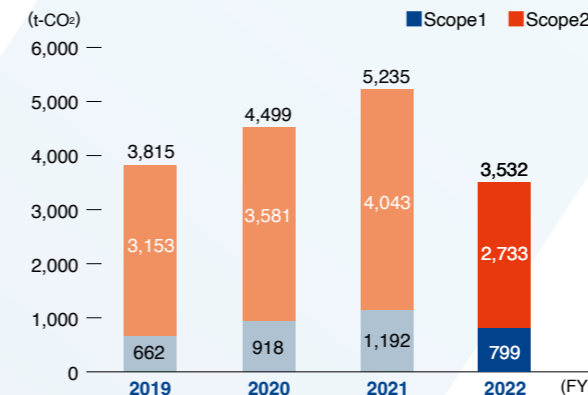


### Teleworking implementation rate

Note: limited to the Yokohama region where the company's offices are located



### CO<sub>2</sub> emissions (consolidated)

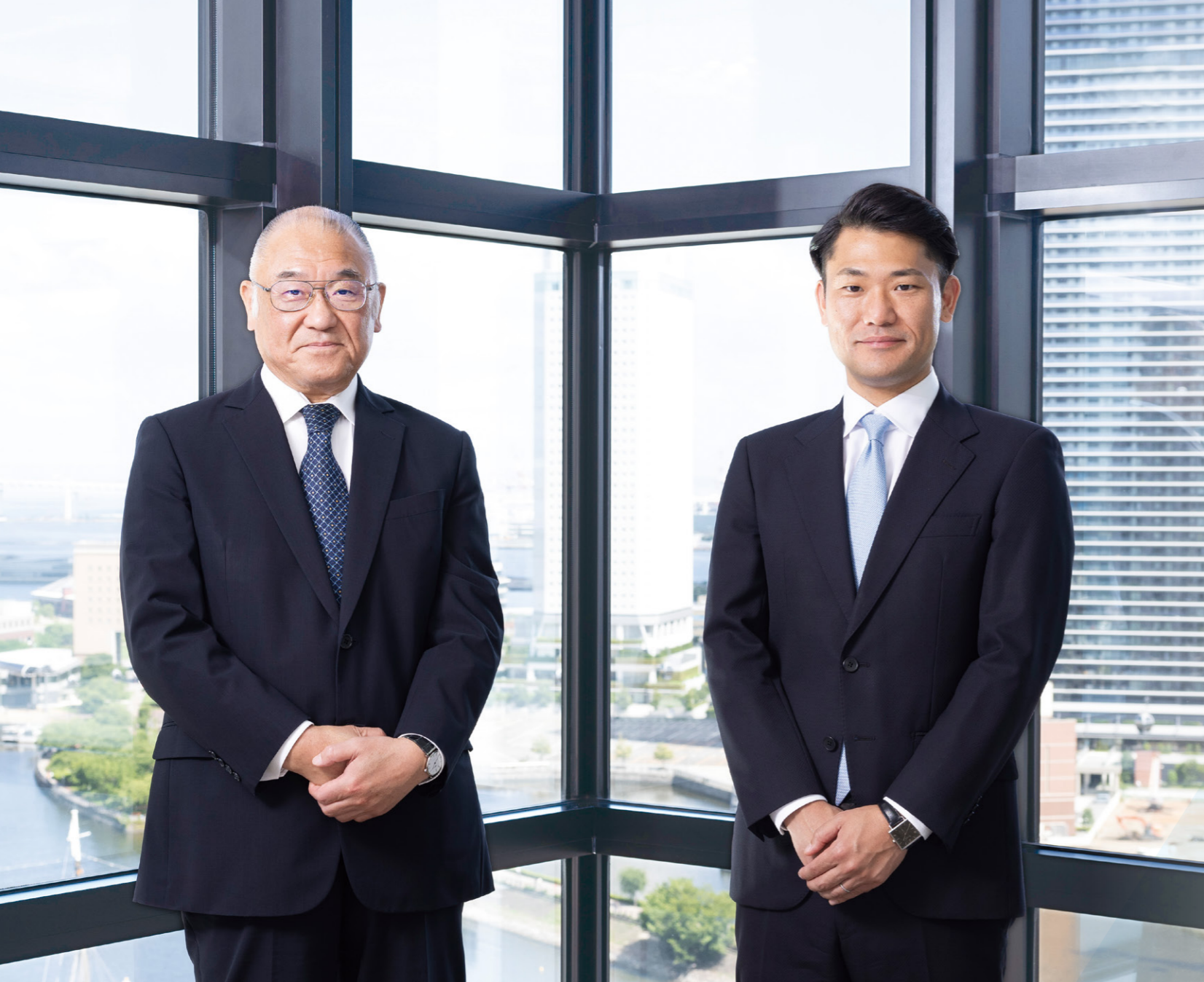


### Amount donated for social development\*1

**FY2022 Total Approx.**  
**10 million yen\*2**

\*1 The scope of donors includes the Head Office, production and R&D sites in Japan and overseas (excluding sales offices in the United States, Belgium, and Thailand)

\*2 The figure includes the value of in-kind donations (masks, etc.).



Message from the Top Management

# Adhering to the spirit of “仕瀆過事” (Rokajinitsukafuru), we continue to blaze the trail to a new era

Ever since our company was established in order to contribute to society through the filtration business, this aspiration has remained unchanged, and continues even today. As social issues become more serious and complex, solving them will clearly be more difficult than ever before. At the YAMASHIN-FILTER Group, we all pull together, working as one as we face up to these challenges to create a sustainable future.

Representative Director and President

Atsuhiko Yamazaki

Director, Senior Executive Vice President

Hiroaki Yamazaki

## The source of sustainability: “仕瀆過事” (Rokajinitsukafuru), our corporate philosophy

**President** ▶ Our company has adhered to the corporate philosophy of “仕瀆過事” (Rokajinitsukafuru) ever since our founding, and we have been a driving force in the filter business for more than half a century. When my thoughts turn to the beginning of the period of high economic growth in which this philosophy emerged, I can't help but pay my respects to the efforts made by those who came before us. They took on numerous vexing challenges, foregoing food and sleep as they dedicated themselves to overcoming the stumbling block of developing hydraulic filters for construction machinery that could withstand the bitter cold of Siberia, where pipeline construction was undertaken. Composed during our efforts to overcome daunting difficulties, this credo expresses our intense eagerness to engage with and contribute to society by producing filters. It

is the very spirit of sustainability, as expressed in our motto, “Contribute to society through filtration business.”

**Vice President** ▶ This philosophy also resonates with today's heightened expectations for businesses to contribute something to the world around them. In today's era of stakeholder diversity, encompassing customers, shareholders, employees and the environment, we will remain unwavering in our orientation toward serving all stakeholders through our products.

**President** ▶ We took on air filter company AQC Corporation as a wholly-owned subsidiary in order to expand the possibilities of our mainstay product, hydraulic filters for construction machinery, and out of a desire to make the most of our technological capabilities in increasing the breadth of our contribution to society. Atmospheric pollution caused by pollutants such as PM2.5 particulates has grown increasingly severe in emerging countries and throughout the world in recent years. Air filters purify the air in hospitals, schools, and

other buildings to help the people who live and work there stay healthy. As we act out our philosophy, we will work to improve product performance through the unique strengths of YAMASHIN in the development and manufacture of filters from filtration media.

## Our corporate stance on manifold environmental issues

**Vice President** ▶ Climate change, atmospheric pollution and other environmental problems have now become issues that confront all of humanity. The degree of their severity is such that we cannot avoid feeling them even in our day-to-day lives, with the frequent occurrence of serious disasters due to torrential rains and other events. This is an issue that will impact the future of the planet, so we must confront it in earnest in our capacity as global citizens. The first essential

task that we face as a company is to make our products more sustainable. The second is to make our customers' businesses sustainable through our products. And the third is to make our supply chain sustainable. Companies that do not adapt in this way will become obsolete. Our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations of May 2022 demonstrates our determination to help achieve carbon neutrality.

**President** ▶ Spent filters become waste that is incinerated in a process that emits CO<sub>2</sub>. In the 1990s, we therefore converted our filtration media from conventional paper materials to glass fiber, which features finer pores and lower flow resistance. While improving filtration performance, this also helps with more compact designs and extended product life cycles. The result has been a reduction in waste volume by a factor of four, and a major reduction in CO<sub>2</sub> emissions from incineration. More than 30 years since then, YAMASHIN-FILTER has now developed YAMASHIN NANO



FILTER<sup>®</sup>, a high-performance environmentally friendly next-generation nanofiber filtration medium that enables us to further suppress CO<sub>2</sub> emissions.

In the manufacturing process, one development has been the achievement in FY2023 of a 100% recycling rate of water used in the paper manufacturing line at the Saga Branch Office. Beginning in FY2024 they plan to change to use of a fast-curing solvent that does not require heat, which will help prevent temperatures in the plant from spiking, conserve electric power for air conditioning, and thereby reduce CO<sub>2</sub> emissions.

Not only does this new solvent help reduce CO<sub>2</sub> emissions, it also offers the advantage of major work environment improvements at plants in countries in southern latitudes with high year-round temperatures, where work has had to be performed amid even higher temperatures.

This demonstrates how we focus effort not just on our company's products themselves, but also on improving on-site work environments so that we can reduce environmental impact while keeping costs down. While the tendency is to consider cost and environmental concerns to be in conflict with each other, it is possible to achieve balance between the two.

In addition to improving performance, we will continue our pursuit of products and manufacturing methods that are cleaner, have longer service lives, and are friendly to the environment.

### Collaborating with suppliers to build a sustainable supply chain

**Vice President** ▶ To achieve stable continuity with these kinds of business activities, it is essential that we build a sustainable supply chain. As our company deploys business operations globally, we are also taking great care to contribute to the local communities in which we operate, conscientiously giving back to our communities through local production for local consumption.

**President** ▶ A representative example of this is the plant newly constructed with a BCP emphasis in Hanoi, Vietnam in 2021. There, we promote local procurement together with improvements in product quality. Hanoi is home to numerous parts manufacturers, enabling most procurement to be handled locally, thus helping to boost local employment.

**Vice President** ▶ Vietnam was originally characterized by its numerous highly competitive suppliers. I understand that in other countries, and in emerging nations in particular, human rights risks involving work environments and child labor have been relatively high. But Vietnam has achieved growth in recent years, and I think that human rights risks there have, in fact, decreased. Strict oversight is, to be sure, a must, but there are a great many cases in which problems can be resolved through discussions. Instead of shying away from doing business with suppliers because of anticipated risk, we will adhere to our policy of striving to build relationships of trust with our highly competitive suppliers who excel. We will work together with them, orienting ourselves toward mutually beneficial aspirations and resolutions to issues. While making use of the partners' meetings we hold on an annual basis, we will do our utmost to elevate the level of the whole supply chain, working with them to foster awareness of human rights and to strengthen related initiatives.



### Providing a workplace environment for improved overall corporate capabilities

**President** ▶ As part of our efforts to improve our overall corporate capabilities, we also focus effort on the workplace environment we provide. The COVID-19 pandemic provided the opportunity for staggered work hours and remote work to become well established at our company, and we now maintain an attendance rate of 50% at our Head Office. These systems enable employees to balance work with childcare and nursing care, while helping to address the important issue of creating a workplace where employees can continue to be actively engaged and advance. At the same time, however, 100% remote work can give rise to obstacles that hinder teamwork formation, and since there are ideas that emerge from face-to-face communication, we intend to continue with our system that provides days on which entire departments work together in person, while also allowing for individual circumstances.

From the standpoint of diversity, it has been noted that the ratio of female managers at business workplaces in Japan is low. Recognizing the need for measures to address the current state of underrepresentation of women in the domestic workforce, we appointed our first female External Director in June 2023. Our aim is for this initial step to lead to further stimulation of active engagement and advancement

by women, progress on work-style reforms considerate of the wellbeing of employees, and establishment of a more diverse and robust corporate foundation.

**Vice President** ▶ Now that we have transitioned into the post-COVID-19 era, we are again able to visit business partners and production plants for face-to-face dialogue as we did before, so that we can absorb and take ownership of issues. Actually practicing this on-site approach that we value as a manufacturing company enables us to put our five senses to maximum possible use in getting a realistic, immediate handle on the current situation and its problems, and to translate this into improved business activities as members of management. It will also enable us to help realize a sustainable future for the whole supply chain, including our customers.

**President** ▶ I have a real sense that the emphasis of recent years on the ESG perspective provides a favorable wind for the filter business, which contributes to the realization of a better world. However, we cannot expect to develop sustainably as a company if we give in to complacency. Taking as our point of departure the “仕濃過事” (Rokajinitsukafuru) philosophy, which remains the cornerstone of our company, we will continue to strive to be a company that benefits society, and a pioneering presence for a new era.



# YAMASHIN-FILTER's ESG-driven Management

In line with our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business,” we will reinforce our ESG management toward realizing a sustainable society and helping to solve diverse social issues.

## Sustainability-focused Management

### Formulating our Sustainability Policy

Since our company was first founded over half a century ago, we have remained committed to taking our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business” as the company's sustainability strategy. Going forward, while taking into account the positive and negative impacts that the YAMASHIN-FILTER Group's business activities have on society and on the environment, we will promote ESG-driven management that reflects the expectations and concerns of our many different categories of stakeholders.

Sustainability Policy

**“仕濾過事” (Rokajinitsukafuru) – “Contribute to society through filtration business”**

In line with our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business,” and with the aim of helping to realize a sustainable society, YAMASHIN-FILTER is contributing toward solving society's problems relating to Environment, Air quality and Health, by making effective use of the strengths that we have cultivated in our filter business.

### Sustainability Promotion System

We established the Yamashin Sustainable Solutions (YSS) Committee as an advisory body for the President in FY2021. The committee is chaired by the head of the Management Planning Office, who also serves as an executive officer, and has a total membership of around 20 people, including all of the company's executive officers.

The YSS Committee meets once a month to discuss initiatives relating to promotion of the United Nations Sustainable Development Goals (SDGs) and ESG. The content of their discussions is reported to the Board of Directors and the Management Conference. The committee has most recently been discussing medium- and long-term environmental targets.

**Main Topics Addressed by the YSS Committee in FY2022**

- Risks and opportunities, and calculation of financial impact
- Collation of Scope 1, 2, and 3 data
- Collation of disclosure of information in keeping with TCFD recommendations
- Human rights due diligence, policy development, etc.



### External Feedback

YAMASHIN-FILTER CORP. was selected for the first time as a component stock included in the FTSE Blossom Japan Sector Relative Index, created by FTSE Russell to reflect the performance of Japanese companies that excel in terms of ESG responsiveness in their sectors.

Note: FTSE Russell confirms that YAMASHIN-FILTER CORP. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



## YAMASHIN-FILTER Group Materiality

### Materiality Identification

Following the process outlined in the GRI sustainability reporting standards, in line with our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business,” and with YAMASHIN-FILTER's approach to value creation, we have identified materiality (key issues) for the group. To determine these materiality items, the YSS Committee took a wide-ranging look at social and environmental issues, followed by a six-month period of discussion of the company's relationship and approach to these items, after which the materiality items were approved by the Management Conference.

#### Identification Process

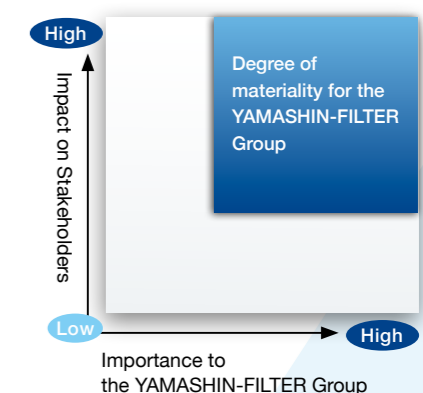
**STEP1** Collation of issues

- Candidate materiality items were identified with reference to the items included in relevant guidelines and frameworks, considering their relevance to the YAMASHIN-FILTER Group's business areas and key initiatives.
- Candidate materiality items were collated by theme from the two perspectives of the company's ability to contribute to social development (positive impacts) and the fundamental social responsibility that the company bears (negative impacts).
- Study sessions for executive officers were held to deepen understanding of these candidate items.

Referenced guidelines, frameworks, etc.:  
GRI Standards, ISO 26000, SDGs, ESG evaluation items from FTSE and MSCI

**STEP2** Assessment of importance and formulation of draft proposals

- The importance of the candidate materiality items collated in Step 1 was assessed based on two criteria: impact on stakeholders, and importance to the YAMASHIN-FILTER Group. Weighting was attached to each materiality item based on a survey of executive managers.
- A draft version of the materiality and commitments was drawn up.



**STEP3** Confirming appropriateness and obtaining organizational approval

- When formulating and discussing the draft materiality and commitments, meetings at which the YSS Committee exchanged views with external experts and internal discussion meetings were held over a period of more than six months.
- The identified materiality items and the associated draft commitments were reported to and approved by the Management Conference.

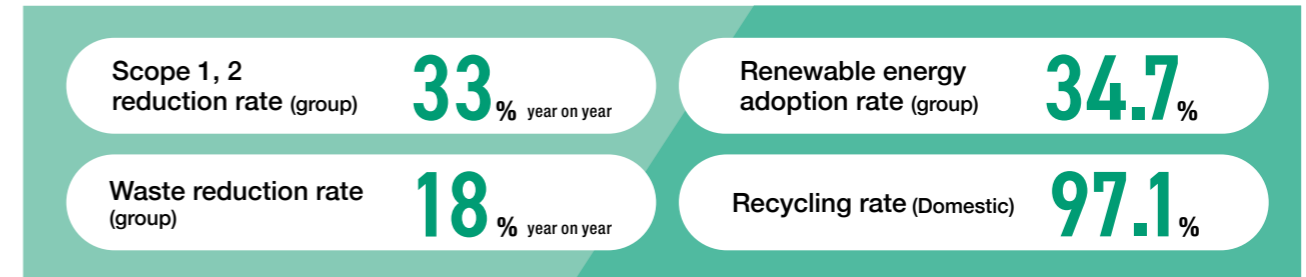
# Environmental Management

## Materialities identified, and mid- to long-term objectives

Based on the materiality that we have identified, going forward we will be formulating the strategies that need to be implemented, and putting in place the required management system, including the setting of key performance indicators (KPIs) for each materiality item, the assignment of managerial responsibilities and determination of management methods, etc. We will also be implementing a Plan – Do – Check – Act (PDCA) cycle, making revisions as necessary in line with stakeholders' expectations and requests regarding materiality, and with social trends, changes in the business environment, and the progress made in relevant initiatives.

Materiality	Commitments	Indicator	Medium- to Long-term target	Relevant page	
Environment	Measures in response to climate change	<ul style="list-style-type: none"> <li>Reducing CO<sub>2</sub> emissions with a view to achieving carbon neutrality by FY2050</li> <li>Expanding the use of electric power derived from renewable energy sources</li> </ul>		P.15	
	Designing value-added products	<ul style="list-style-type: none"> <li>Creation of environmentally friendly products</li> </ul>		P.15	
	Resource circulation and environmental burden reduction initiatives	<p><b>Using filter technology to contribute toward reducing the burden on the environment and toward the realization of a resource-circulating society</b></p> <ul style="list-style-type: none"> <li>Realization of a business model that achieves both high economic efficiency and high environmental efficiency throughout the value chain, with a focus on resource circulation and reducing the burden on the environment</li> </ul>	<ul style="list-style-type: none"> <li>Reducing the amount of waste generated</li> <li>Reducing water usage</li> </ul>	<ul style="list-style-type: none"> <li>By FY2032, reduce group water withdrawal volume by 25% from FY2022</li> <li>Reduce water withdrawal intensity per unit of production</li> <li>By FY2032, reduce group waste emissions by 20% from FY2022</li> <li>Achieve a recycling rate of 95% or higher</li> </ul>	P.17-18
Air and Health	<p><b>Preventing harm to health caused by environmental pollution - Contributing to enabling people to live with safety and peace of mind</b></p> <ul style="list-style-type: none"> <li>Using filter technology to protect people from harm to health caused by environmental pollution and particulate matter (PM2.5).</li> <li>Using filter technology to further enhance indoor air quality</li> <li>Using high-level, high-functionality filter technology to protect people from infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>Providing products that reduce health risks</li> </ul>		P.19-20	
People and work	Contributing to filter technology innovation and to addressing society's problems	<p><b>Refinement and application of technology - Striving to provide the filter technology needed by society</b></p> <ul style="list-style-type: none"> <li>Applying our unique technology to generate new value</li> <li>Refining our unique technology to create unprecedented new types of filters</li> </ul>	<ul style="list-style-type: none"> <li>Developing new products</li> <li>Number of new patents secured</li> <li>Implementing communication and exchange with customers to address society's problems</li> <li>Participation in training</li> </ul>	P.19-20	
	Creating high-motivation workplaces	<p><b>Motivated, engaged human talent - Realizing "仕濾過事" (Rokajinitsukafuru) or "Contribute to society through filtration business"</b></p> <ul style="list-style-type: none"> <li>Undertaking work with high motivation and with gratitude to and from customers, colleagues and family members</li> </ul>	<ul style="list-style-type: none"> <li>Instilling our corporate philosophy of "仕濾過事" (Rokajinitsukafuru) or "Contribute to society through filtration business" in our employees</li> <li>Teleworking implementation rate</li> <li>Diversity and inclusion data</li> <li>Hours of training per employee</li> <li>Zero serious occupational accidents</li> </ul>	<ul style="list-style-type: none"> <li>By 2028, on a non-consolidated basis, achieve a 35% ratio of female employees, and on a consolidated basis, maintain the ratios of female employees and managers at or above the levels of March 31, 2023</li> <li>By 2033, set each ratio for the above five-year targets at or above their current levels</li> <li>Increase the ratio of female directors to at least 30% by 2030.</li> </ul>	P.23-26
	Creating workplaces in which diverse human talent can fulfill their potential	<ul style="list-style-type: none"> <li>Building workplaces that give due consideration to work-life balance, diversity, talent cultivation and labor safety, with the aim of enabling diverse human talent to fulfill their potential</li> </ul>			
	Promoting human rights awareness management	<p><b>Promoting human rights due diligence - Aiming to be a company that is trusted by society</b></p> <ul style="list-style-type: none"> <li>Demonstrating respect for human rights throughout the value chain, and fulfilling our corporate responsibility</li> <li>Promoting human rights due diligence throughout the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Putting in place the systems needed to ensure respect for human rights</li> <li>Key suppliers survey implementation rate with regard to ESG issues, including human rights</li> </ul>	<ul style="list-style-type: none"> <li>Continue to conduct ESG surveys of 100% of suppliers</li> </ul>	P.22

## Performance vis a vis materialities / KPIs (FY2022)



YAMASHIN-FILTER CORP. has set forth an environmental policy in order to put into practice our environmental vision: "Contribute to the creation of an abundant and sustainable society by taking responsibility for the natural environment of tomorrow." Based on this policy, we have put in place the necessary internal management systems, and we conduct our business activities throughout the group in such a way as to minimize the negative impact on the global environment.

### Environmental Policy

We will contribute to the conservation of the global environment based on our corporate principle of "仕濾過事" (Rokajinitsukafuru), or "Contribute to society through filtration business."

As a manufacturer of filters, we recognize that environmental issues are critical challenges for the future. We will therefore conduct the following activities:

- Set environmental objectives and targets; then continuously work to improve on those areas, revising the targets as necessary.
- Comply with all environmental laws, regulations, and other requirements and work to prevent environmental pollution.
- Focus on the following areas regarding the environmental impact of our company's business activities:
  - reduce the amount of natural resources and energy consumed;
  - improve the management of environmentally harmful substances and encourage their replacement with less hazardous versions;
  - reduce the amount of waste produced and promote technologies for recycling products; and
  - prevent environmental pollution and promote environmental conservation in surrounding areas.
- Ensure that all employees and others working at our company are fully aware of this environmental policy and seek the understanding and cooperation of our business partners.

## Environmental Management System

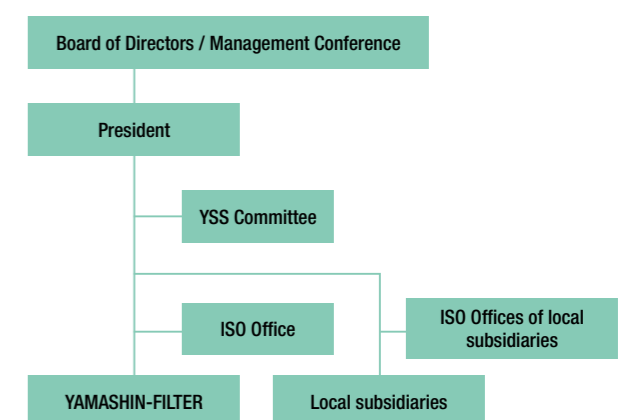
We established the Yamashin Sustainable Solutions (YSS) Committee as an advisory body for the President in FY2021. The YSS Committee meets once a month to set group policies and targets with respect to SDG promotion and ESG, while also overseeing and monitoring targets and implementation measures. Moreover, as we implement environmental measures, we have obtained ISO 14001:2015 certification for our manufacturing plants in Japan and overseas, including our Cebu Plant in the Philippines and our development site in Suzhou, China (for a certification coverage rate of 82% under this standard). The YSS Committee and the ISO Office collaborate as needed to make progress on reducing environmental impact, including reduction in the large quantities of energy consumed in product manufacturing.

We also provide regular training for ISO managers, responsible personnel at each site, and new employees, helping them improve their knowledge of environmental

management and conservation.

As a result of these efforts, in FY2022, our company had no violations of environment-related laws or regulations, and was not required to pay any fines in relation to such violations.

### Environmental Management System



# Climate Change Initiatives

As a global company, we recognize climate change to be one of the issues that confront us on a global scale, and that it presents us with major risks as well as major opportunities. We will realize a business model that contributes to climate change response strategies from the perspective of both products and production, with the aim of helping to realize carbon neutrality.

## Responding to the TCFD Recommendations

We have been proactively moving forward with disclosure of information in line with the Task Force on Climate-related Financial Disclosure (TCFD)\* Recommendations since we announced our endorsement of them in May 2022.

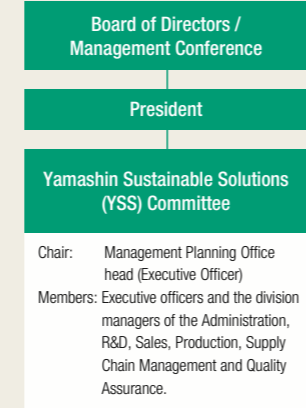


\*The Financial Stability Board (FSB) was established in 2015 on behalf of the G20. The Task Force recommends that companies evaluate any financial impact that climate change risks and opportunities might pose for their business operations, and disclose their governance, strategy, risk management, and metrics and targets.

### Governance

YAMASHIN-FILTER CORP. has established a system of governance centering on the YSS Committee, a body designed to discuss sustainability issues including climate change. The YSS committee is chaired by the head of the Management Planning Office, who also serves as an executive officer, and has a total membership consisting of all executive officers (approximately 20 members in total, including the Representative Director/President, the Director/Senior Managing Executive Officers, as well as the Director/Managing Executive Officers.) The committee, which meets monthly, is tasked with holding discussions of risks and opportunities, formulating responsive policies and setting KPIs, as well as monitoring KPIs and each of the related measures. It reports the content of its discussions to the Management Conference and Board of Directors. The responsive policies that the committee thus deliberates are reflected in decisions made by the Board of Directors and the Management Conference. They are also put into practice in business operations through the executive officer representing each department, thereby integrating them into corporate management.

### Sustainability Promotion System



### Risk Management

Through the YAMASHIN-FILTER CORP. risk management process, we classified the items according to the categories compiled by the TCFD, including transition risk, physical risk, and opportunity. In assessing the risks and opportunities, we carried out a quantitative assessment based on a total of six criteria: frequency of occurrence, duration of impact, extent of impact, impact on core business, likelihood of manifestation, and the time period of manifestation. In light of the results of these steps, we deliberate and confirm the value of financial impact considering net sales.

We then consider countermeasures for the risks we identify, in keeping with climate change-related strategy policies, and carry out risk avoidance, mitigation and management. These countermeasures are put forward by the YSS Committee, whereupon the Board of Directors and Management Conference deliberate and decide on those that require organizational decisions. Countermeasures that can be put into operation immediately are implemented by the executive officer representing each department in order to incorporate them into business operations.

### Strategy

In line with the TCFD categories, we specified climate change-related risks and opportunities facing the YAMASHIN-FILTER Group, and carried out a scenario analysis according to the 4°C Scenario\*1 from the Intergovernmental Panel on Climate Change (IPCC) and the 1.5°C to 2°C Scenario\*2 of the International Energy Agency (IEA).

\*1 4°C scenario: IPCC RCP8.5, IEA STEPS  
\*2 1.5°C/2°C scenario: IPCC RCP1.9/RCP2.6, IEA SDS/NZE2050

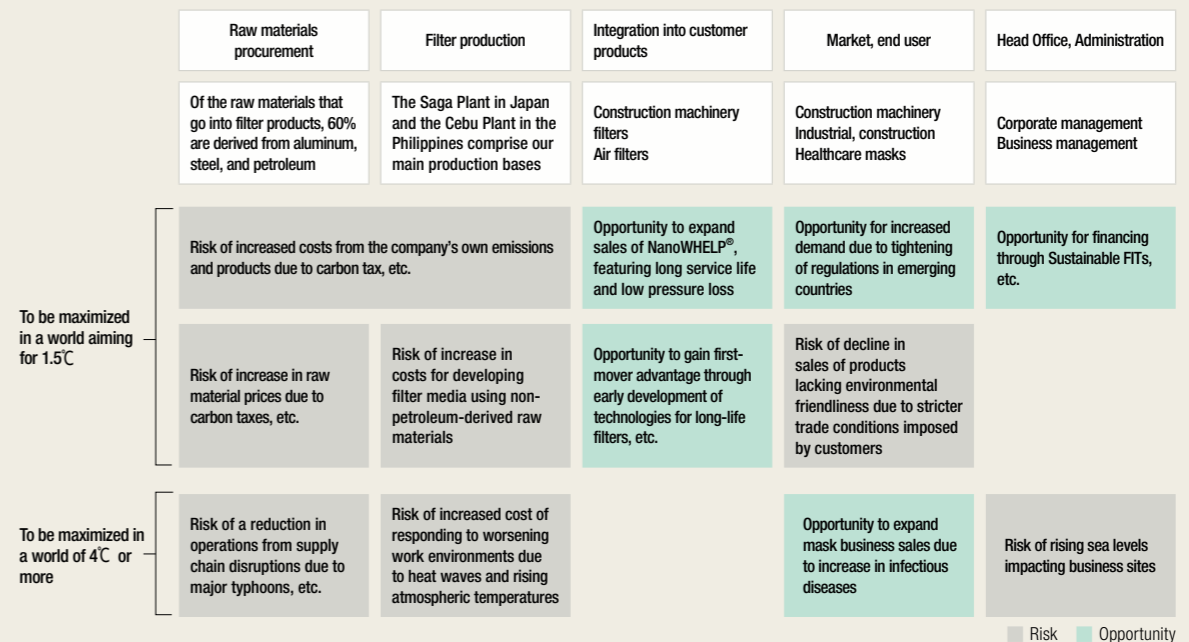
## Climate-related Risks and Opportunities

Short term: 0-3 years Medium term: 3-10 years Long term: 10+ years

Category	Risk, opportunity description	Time axis	Impact on business		
			1.5°C	4°C	
Transition risk	Policy and regulation	Increased response costs resulting from taxation of the company's own emissions due to introduction of a carbon tax	Long-term	Small	Small
	Technology	Increase in costs relating to the imposition of an EU Carbon Border Tax in Europe targeting filter products whose main raw materials are aluminum and steel responsible for the highest share of greenhouse gas emissions	Medium-term	Small	Small
	Market	An increase in raw materials costs resulting from the conversion of existing raw materials for filtration media (from petroleum-derived plastics to non-petroleum-derived materials)	Long-term	Medium	Small
	Assessment	The automotive industry's accelerating shift to EVs as a measure against climate change could result in drastic increases in the price of aluminum, a key raw material in filter products	Long-term	Medium	Medium
Physical risk	Acute (typhoon, etc.)	Stricter trade conditions imposed by customers such as mining-related companies could reduce demand for products that lack evident potential to reduce CO <sub>2</sub> emissions	Long-term	—	—
	Chronic (climate change, increase in average temperatures, sea level rise)	Supply chain disruptions or shutdowns resulting from cyclones, typhoons, etc., could reduce production capacity	Short-term	Small	Small
Opportunity	Products and services	Supply chain disruptions or shutdowns resulting from cyclones, typhoons, etc., could reduce production capacity	Long-term	Small	Small
		A rise in atmospheric temperatures could increase the costs of coping with the resulting worsening of factory work environments and the impact on the supply chain	Long-term	Small	Small
		Expanded opportunities to manufacture and sell long-life filters for construction machinery	Long-term	Large	Large
	Assessment	Expanded opportunities for NanoWHELP® manufacturing and sales	Medium-term	Large	Large
Expanded opportunities in business related to masks to counter the spread of infectious disease accompanying rising atmospheric temperatures		Long-term	Medium	Medium	
Assessment	Expanded opportunities to manufacture and sell high-performance filter products for construction machinery for compliance with exhaust gas regulations	Short-term	Large	Large	
	Increased investment in plant and equipment resulting from expanded financing opportunities through Sustainable FITs, etc.	Long-term	—	—	

In order to avoid risks, it is incumbent upon us to do our part in helping to keep the increase in the average global temperature to within 1.5°C. This effort includes developing and supplying products that apply our technological capabilities to meeting decarbonization and environmental conservation needs so that we can exert a major social impact, giving rise to growth and profit opportunities for our company, which is our medium- to long-term strategic policy.

## Risk and Opportunity Mapping





### Metrics and Targets

In FY2022, our group's total emissions from Scope 1 (direct emissions from in-house sources), Scope 2 (indirect emissions from electric power use, etc.), and Scope 3 (emissions occurring throughout the value chain) were 78,087 t-CO<sub>2</sub>. Scope 1 and 2 emissions amounted to 3,532 t-CO<sub>2</sub>, down by approximately 33% from FY2021.

The YAMASHIN-FILTER Group will formulate medium- to long-term targets for CO<sub>2</sub> emission reduction as we continue to proactively reduce overall Scope 1, 2, and 3 emissions toward obtaining SBT certification.

#### In-house initiatives to reduce CO<sub>2</sub> emissions

Each of our plants is considering the formulation of medium- to long-term reduction targets as they take steps to reduce CO<sub>2</sub> emissions further.

In FY2022, we used 2,285MWh of electric power derived from renewable energy sources, and our group-wide implementation rate was approximately 34.7%. The Saga Branch Office, which began operating in October 2021, has been designed to enable all electric power used in the plant to be supplied from renewable energy sources. Moreover, we have added visibility to the site's electric power use by installing an electric power monitoring system to oversee the status of power use by each individual line. To advance energy conservation still further, we reuse exhaust heat from the nanofiber production area during winter to heat the warehouse. The Yokosuka Innovation Center and AQC Corporation began using electricity from renewable energy sources in FY2022. Each of these initiatives is to be implemented at domestic and overseas sites.

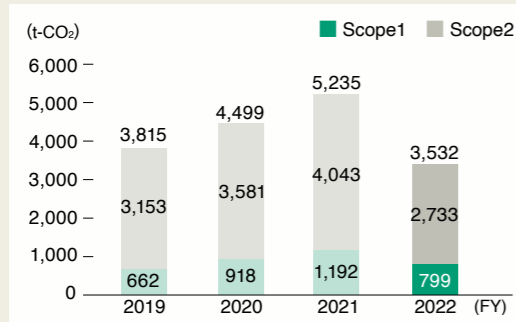
#### Making a contribution through our products

Every day, we make progress in addressing climate change through our filter products, an effort centering on nanofiber technologies with little environmental impact.

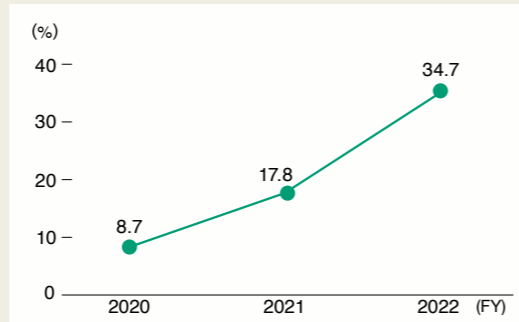
Products, etc.	Summary
Large construction machinery return filters and line filters	Major improvement in long-life products helps control CO <sub>2</sub> emissions by reducing waste
Air filter product "NanoWHELP®"	Received high marks for making it possible to reduce CO <sub>2</sub> emissions by 23% per year compared to our conventional products
Mask products	Developing products that can be reused helps conserve resources and reduce waste
Transmission filters	Changes in materials used for parts has enabled weight reduction, helping reduce CO <sub>2</sub> emissions that occur during transportation of raw materials and products
Filtration media materials	Advancement of research on reducing waste emissions throughout the life cycle by using biomass materials as filtration media

### Results

#### Scope 1 and 2 emissions\*1



#### Renewable energy adoption rate \*2



#### Energy consumption \*1 \*3

(Unit: kl)

Scope	FY2019	FY2020	FY2021	FY2022
Group	1,797	2,252	2,550	2,034
Overseas	1,027	1,225	1,621	1,174
Domestic	770	1,028	929	859

#### Scope 1 and 2 emissions\*1 breakdown/intensity

	Unit	Scope	FY2019	FY2020	FY2021	FY2022
Scope 1, 2 total	t-CO <sub>2</sub>	Group	3,815	4,499	5,235	3,532
		Overseas	2,601	3,096	4,098	3,051
		Domestic	1,214	1,404	1,137	481
CO <sub>2</sub> emission intensity per sales	t-CO <sub>2</sub> / millions of yen	Group	0.301	0.308	0.278	0.190

#### Scope 3 emissions\*2

Item	FY2022 (t-CO <sub>2</sub> )	Composition ratio (%)
Scope 3 Total	74,555	100
Cat.1 Products, services purchased	50,507	67.7
Cat.2 Capital goods	2,380	3.2
Cat.3 Fuel and energy activities not included in Scope 1 and 2	662	0.9
Cat.4 Transportation, delivery (upstream)	4,047	5.4
Cat.5 Waste from business operations	991	1.3
Cat.6 Business travel	51	0.1
Cat.7 Employee commuting	501	0.7
Cat.8 Leased assets (upstream)	Included in Scope 1 and 2 calculations	—
Cat.9 Transportation, delivery (downstream)	Not included in calculation	—
Cat.10 Processing of products sold	Not included in calculation	—
Cat.11 Use of products sold	Not included in calculation	—
Cat.12 Disposal of products sold	15,416	20.7
Cat.13 Leased assets (downstream)	Not included in calculation	—
Cat.14 Franchise	Not included in calculation	—
Cat.15 Investment	Not included in calculation	—

Note: Data marked with an asterisk have third-party assurance

\*1 Scope of data: Consolidated group, including greenhouse gases not derived from energy

\*2 Scope of data: Consolidated group

\*3 Crude oil equivalent

\*4 Overseas sales offices (Belgium, United States, and Thailand) are excluded from the total due to their small percentage of total CO<sub>2</sub> emissions.

# Environmental Burden Reduction Initiatives

## Water Resource Initiatives

### Management of water withdrawal and wastewater discharge

YAMASHIN-FILTER CORP. works actively to reduce our water usage, and sets forth targets for the volume of water used at each of our business sites in line with our belief in the importance of conservation issues and effective use of limited water resources. We have therefore established the following two medium- to long-term targets.

- By FY2032, reduce group water withdrawals by 25% from the FY2022 level.
- Decrease the intensity of water withdrawal volume

In terms of water quality control, our Saga Plant treats its wastewater with microorganisms before filtering (physical treatment) and pH adjustment (chemical treatment), thus discharging it outside the plant only after confirming that it poses no problems with respect to water quality standards. Inspections are conducted by external organizations on a regular basis to keep wastewater quality constantly within the standard parameters. In FY2022, we installed a new wastewater treatment facility to promote increased water recycling rates at our paper manufacturing line. Having fluctuated at around 50% until then, the wastewater recycling rate rose to 100% once the system was adopted.

### Water intake volume (by intake source) (Unit: m<sup>3</sup>)

Water withdrawal source	Scope	FY2019	FY2020	FY2021	FY2022
Water supply	Domestic	8,788	15,786	14,270	14,461
	Overseas	—	10,453	15,833	9,312
Industrial water	Domestic	0	0	0	0
	Overseas	—	0	312	5,764
Other (Underground water, river water, rainwater)	Domestic	0	0	0	0
	Overseas	—	0	0	0
<b>Group</b>		<b>8,788</b>	<b>26,239</b>	<b>30,415</b>	<b>29,537</b>
<b>Intensity (m<sup>3</sup> / millions of yen)</b>		<b>0.69</b>	<b>1.80</b>	<b>1.62</b>	<b>1.59</b>

### Wastewater discharge volume (by discharge destination) (Unit: m<sup>3</sup>)

Wastewater destination	Scope	FY2019	FY2020	FY2021	FY2022
Sewage	Domestic	5,158	10,951	8,315	7,163
	Overseas	—	10,453	16,145	15,076
Wastewater treatment facility*	Domestic	3,630	4,835	5,955	7,298
	Overseas	—	0	0	0
Other (River, ocean)	Domestic	0	0	0	0
	Overseas	—	0	0	0
<b>Group</b>		<b>8,788</b>	<b>26,239</b>	<b>30,415</b>	<b>29,537</b>

\* Wastewater treatment facility within the Saga Branch Office

Scope of data

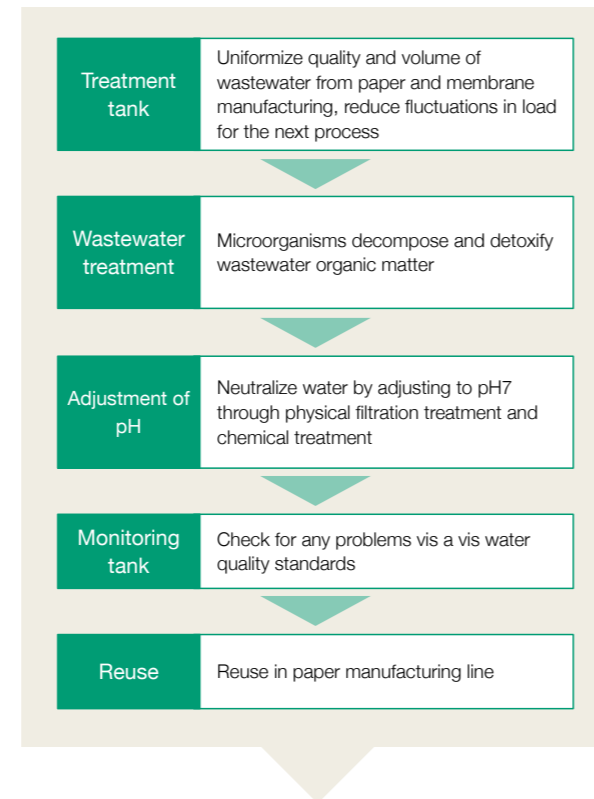
\*FY2019: Yokohama Development Center, Yokosuka Media Lab, Saga Branch Office

\*FY2020: Yokohama Development Center, Yokosuka Media Lab, Saga Branch Office, Suzhou Research Institute, Cebu Plant

\*FY2021: Yokohama Development Center, Yokosuka Media Lab, Saga Branch Office, Suzhou Research Institute, Cebu Plant, Vietnam Plant

\*FY2022: Yokosuka Innovation Center, Saga Branch Office, AQC Corporation, Suzhou Research Institute, Cebu Plant, Vietnam Plant

### Saga Plant Wastewater Treatment Flow



A water recycling rate of **100%** achieved

### Water Risk Assessment

We carried out a water risk assessment in order to understand and properly address various water risks, including those associated with production plant water supply and flooding. Using the Aqueduct global standards tool from the World Resources Institute (WRI), we conducted primary assessments at all four of our domestic and overseas sites. Since these tools are strictly for reference values, we plan to carry out a second round of risk assessments in FY2023, including secondary assessments (checking hazard maps, etc.) and interviews intended to evaluate water risk more accurately.

### WRI Aqueduct Evaluation Results

Production site	Water stress level
Saga Branch Office	Low (1-2)
AQC Corporation	Low (1-2)
Cebu Plant	Very high (4-5)
Vietnam Plant	Very high (4-5)

Note: Five water stress levels: very low [0-1], low [1-2], medium [2-3], high [3-4], very high [4-5]

## Waste Reduction Initiatives

### In-house Initiatives

In working to reduce the environmental impact of day-to-day operations, YAMASHIN-FILTER CORP. sets environmental targets for individual items such as waste separation at production and business sites. We have therefore established the following new medium- to long-term waste reduction targets.

- By FY2032, reduce group waste emissions by 20% from the FY2022 level.
- A waste recycling rate of 95% or more

In FY2022, the group as a whole, including our overseas production sites, took in 5,572 tons of raw materials and discharged 795 tons of waste externally. At our domestic sites, we achieved a recycling rate of 97.1%.

### Primary raw material inputs (Unit: t)

Raw materials	FY2021	FY2022
Aluminum	1,456	1,022
Steel	2,920	2,205
Stainless steel	288	259
Synthetic fiber	539	335
Cardboards, paper products	435	394
Other	2,272	1,357
<b>Total</b>	<b>7,910</b>	<b>5,572</b>

### Waste emissions and hazardous waste volume (Unit: t)

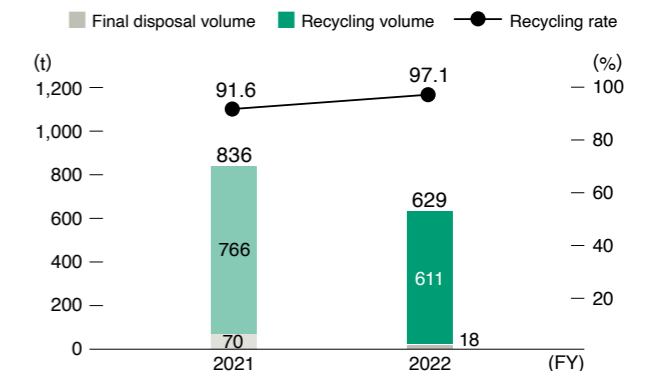
Classification	Scope	FY2021	FY2022
Sludge	Domestic	132.8	127.3
	Overseas	31.5	0
Waste oil	Domestic	60.5	26.6
	Overseas	21.5	47.0
Scrap metal	Domestic	125.8	97.8
	Overseas	0	2.8
Waste plastic	Domestic	474.1	339.0
	Overseas	0	0.6
Other	Domestic	84.2	82.5
	Overseas	39.8	71.5
<b>Group</b>		<b>970</b>	<b>795</b>
<b>Of which, hazardous waste</b>		<b>142</b>	<b>131</b>

Scope of data

\*FY2021: Yokohama Development Center, Yokosuka Innovation Center, Saga Branch Office, AQC Corporation, Suzhou Research Institute, Cebu Plant

\*FY2022: Yokosuka Innovation Center, Saga Branch Office, AQC Corporation, Suzhou Research Institute, Cebu Plant, Vietnam Plant

### Final Disposal Volume, Recycling Volume, Rate (Domestic)



## Initiatives for Management of Hazardous Chemicals and Waste

In order to ensure that chemical substances are properly managed at our company, we use safety data sheets (SDS) and task procedures to keep our employees informed of the importance of handling methods and protective equipment, including in the disposal of chemical substances. A manager in charge of chemical materials is assigned to each plant and works to ensure proper management and disposal of hazardous waste through tasks such as comprehensive management of data on hazardous waste volumes.

## Making a Contribution Through Our Products

YAMASHIN-FILTER CORP. develops environmentally friendly products based on analysis of the product life cycle from raw material selection to disposal. We sell long-life filters featuring extended service life, air filter products with lower CO<sub>2</sub> emissions, and high-performance masks suitable for repeated use (see p. 20). By offering environmentally friendly products, we help conserve energy and resources as we continue to study the potential for recycling systems for products made with nano-fibers.

# Research and Development

## Performance Against Materialities / KPIs (FY2022)

Creating and providing environmentally friendly products, and products that reduce health risks

New Product Development

Secured **172** patent (domestic and overseas / as of end-August 2023)

Implementing communication and exchange with customers to address society's problems

Training participation (once a year)

### Research and Development Policy

Having identified "environment, air and health" as a societal issue that we must help solve, we have positioned construction machinery filters, air filters, and healthcare as the three domains at the core of our research and development efforts aimed at creating high-value-added products as a comprehensive filter manufacturer.

### Research and Development System

As a manufacturer specializing in filters, we keep speedy research and development in mind as we reflect customers' requests and society's needs in our product development. In accordance with research and development regulations, we consolidate planning and development proposals in the Research & Development Division, where they are converted into projects. The feasibility of moving forward with a project is determined through design reviews and conferences with the participation of top management.

We have approximately 90 employees involved in research and development work, making this an exceptionally large department relative to the size of the company. In the Yokosuka Innovation Center, which started operation in February 2022, we consolidated units that had been spread out among the Yokohama (Sugita) Development Center and Yokosuka Media Lab. Some staff have also been allocated to the Saga Branch Office and the Suzhou Development Center in China.

The research and development site comprises a division that provides core support for the group, with responsibility for development from a medium-term perspective (new product development) in which the Development Design Department and the Research & Development Department envision product lines one to five years in the future, as well as (basic) research from a long-term perspective to cultivate technologies that are essential to us as a manufacturer. Since FY2023, in order to reinforce trend-conscious development work, we have strengthened our system for elemental technologies in the Research &

Development Department, including new exploration. In the Development Design Department as well, we carried out a restructuring within the organization, including strengthening of the system to improve cost, and the quality it produces.

### Setting Research and Development Goals

For our FY2022 research and development targets, we adopted the theme of next-generation model filters, and we worked to produce results in this area.

**Major FY2022 Development Themes**

- Development of filters for the next generation of product models (Aeration measures, etc.)
- ICT filter development (contamination level sensors, differential pressure sensors, etc.)
- Filters for agricultural machinery
- Long-life filters for construction machinery
- Development of products utilizing nano-fibers, etc.

### Interaction with Customers

Our Research & Development Division and Sales Division work together to communicate promptly with customers every day so that we can reflect customer requests in our products. After the COVID-19 pandemic, we resumed in-person visits in FY2022, and have conducted training sessions on filters at our sales office in Thailand in efforts to deepen interaction with customers.

### Collaboration with Research Institutes

We are conducting joint work with the New Energy and Industrial Technology Development Organization (NEDO) to research and develop innovative sensing devices that could overcome the difficulties current IoT technologies are having in detecting ultra-fine dust, and enable operation and measurement in extreme environments characterized by drastic temperature distributions and flow intensity.

## TOPICS Environmentally Friendly YAMASHIN-FILTER Products

**Use Disposal**

### Extending Long-life Filter Service Life Even Further

Return filters and line filters for large-scale construction machinery that use nano-fibers help reduce waste because of their major extensions of service life. While the replacement time for return filters is 1,000 hours\*, those made with glass and nano-fiber have replacement times of 2,500 hours, and with line filters as well, this effect of nano-fibers also enables a long service life of 2,000 hours with the same excavator.

\*Filter products using glass fiber only

**Raw material procurement and manufacturing**

### Using Filtration Media with Low Environmental Impact Materials

Aiming to put in place circular materials that help reduce CO<sub>2</sub> emissions and dependence on fossil resources, we are moving away from conventional petroleum-derived PET resins, and toward the development of filtration media made using biomass PET. The use of biomass PET for filtration media and recycled PET for support material enables us to reduce CO<sub>2</sub> emissions by approximately 30% per filter (according to in-house calculations).

**Filter Product Life Cycles**

**Use Disposal**

### NanoWHELP® Air Filters Contribute to CO<sub>2</sub> Emissions Reduction

Incorporating nano-fibers, NanoWHELP® has earned a strong reputation for filter performance and environmental friendliness (approved under U.S. MERV14 standards). Used in data centers, hospitals and public facilities, NanoWHELP95 can reduce CO<sub>2</sub> emissions by 23% per year\* compared to our company's other products. In FY2022, NanoWHELP® sales volume was six times greater than in its first year, and we will continue to expand its adoption as a product that protects health in all kinds of settings.

\*Third-party assurance obtained

**Transport**

### Lightweight Transmission Filters

By switching the material of our element replacement parts to resin as a substitute for our steel cartridge type transmission filters, we have succeeded in reducing the weight by about half, which reduces CO<sub>2</sub> emissions in the manufacturing process as well as in product transportation.

BEFORE

1.7kg

1/2

Weight reduction

AFTER

0.9kg

**Filter media composition**

**Use Disposal**

### Reusable Mask Products

Our mask products such as Zexeed®, the ultimate YAMASHIN filter mask, incorporate nano-fibers that are even finer than the micro level in a three-dimensional porous structure that prevents exposure to virus droplets, pollen, and PM2.5 particulates. These are high-performance masks offering strong collection capabilities and negligible degradation in performance even after prolonged use. They can be washed and reused repeatedly, which helps conserve resources and reduce waste.

**Replacement Times**

# Quality

## Quality Policy

We have established a quality policy to continuously create products that meet our customers' expectations.

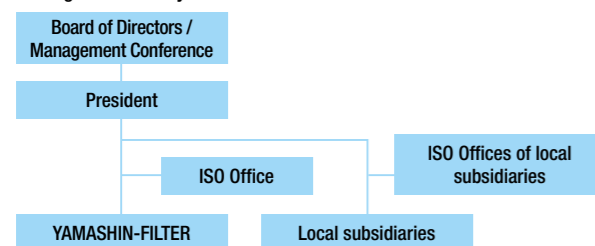
**Quality Policy**  
[https://www.yamashin-filter.co.jp/eng/sustainability/social/main/01/teaserItems1/01/linkList/0/link/QualityPolicy\\_en.pdf](https://www.yamashin-filter.co.jp/eng/sustainability/social/main/01/teaserItems1/01/linkList/0/link/QualityPolicy_en.pdf)

## Structure for Quality Control

We have been certified under ISO9001:2015, the international standard for quality management systems (with a certification coverage rate of 82%). Under our in-house ISO Office, we run PDCA cycles by implementing quality control based on the relevant rules and regulations.

To improve quality, we set numerical targets for process defect rates, and monitor and manage these as metrics. The Quality Assurance Division assesses the state of monthly defect rates at the Saga Branch Office, the Cebu Plant and the Vietnam Plant. Corrective and preventive measures are implemented according to the state of progress toward achievement of targets. Reports on defect rates and any major defect cases are presented at our monthly Management Conference for deliberation on the causes and on the appropriateness of countermeasures.

### Diagram of Quality Control Structure



## Initiatives Concerning Quality Control

### Actions to Correct and Prevent Defects

To assure quality, it is necessary to take into consideration the future quality service life of the product at the customer's location when determining the lifetimes of the materials, parts, and products to be used, then to move ahead with development and design, processing and assembly. In our quality management, we make use of diverse tools such as Pareto diagrams for quantitative and qualitative analysis of defects so that their causes can be brought to light in the early stages. As a general rule, our system initiates an investigation on the very day that we receive an inquiry or a defective product from a customer.

### Improvement Activities

At our production sites, we conduct improvement activities with a focus on reducing overcapacity (in terms of process

flow, workload, and machine capacity), wastefulness, and inconsistency. At the Saga Plant, all employees submit at least one proposal per month concerning safety, quality, and process improvements. As part of our DX advancement effort, robots have been introduced to the production line, and at our Vietnam Plant, which began operation in April 2022, we are implementing thorough quality management, not only through on-site guidance but also remote guidance.

Improvement activities at our production sites are constantly ongoing, and change is always taking place. We proactively make continual improvements, however small, to achieve customer satisfaction by improving quality.

### Human Resources Development for Quality Improvement

With respect to all workers, we go beyond simple communication of the content of tasks, conducting education to enhance understanding of work from the essentials, including the significance of tasks and the principles and technology of equipment. We work to cultivate human talent that can address problems, not only by putting forward proposals for improvement, but also by implementing management until those improvements are completed. In addition to encouraging employee growth, we are also promoting the development of multi-skilled workers (training employees to be capable of performing various tasks) so that customers will not be inconvenienced by delays in production, quality, or delivery dates in the event of a sudden shortage of personnel.

### Advanced Standardization Using ICT

Using tablet devices installed on production lines, workers are able to view standardized work procedure documents that have been digitized and stored on servers. This has enabled significant reductions in inconsistency among individual workers, the prevention of decreased work efficiency due to changes of personnel, and other improvements in efficiency and consistency. We have also achieved the visualization of assembly methods, by moving away from a system based on paper documentation toward the use of videos that can be shared with our overseas plants.



A worker checks work standard documentation at a terminal within the process

# Supply Chain Management

## Performance Against Materialities / KPIs (FY2022)

Implementing an ESG survey of key suppliers, including human rights issues (non-consolidated) **100%**

## Approach to Supply Chain Management

We promote responsible procurement in light of our recognition that contributing to solving social issues with our high-quality products necessitates working throughout the supply chain to ensure consideration for the environment, human rights, and compliance with laws and regulations.

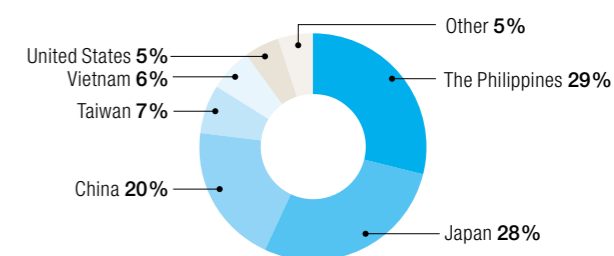
## Responsible Procurement and Contribution

As of August 2023, our suppliers number more than 200, about half of which are overseas companies in the Philippines, China, and Vietnam, where production plants and research facilities are located. This is based on our policy of conducting procurement locally whenever possible in order to help create local jobs and revitalize local economies, and we only use items that satisfy our standards of quality. When selecting a new supplier, we carry out on-site audits, including of criteria for sustainability. When a supplier fails to measure up to the specified standard, they are excluded from our business dealings. We have achieved an on-site audit implementation rate of 100% among raw material suppliers.

### Supplier Selection flow



### Procurement and Purchasing Ratios by Region



## Supplier Evaluations

We identify as key suppliers (1) those providing materials susceptible to quality impacts, (2) those with large-scale procurement values, and (3) those that would be difficult to replace. In FY2021, we conducted a CSR procurement survey on about 30 companies, and reached our goal of a 100% implementation rate for surveys on ESG issues, including human rights, among key suppliers. The average score among the 22 responding suppliers was nearly 90 points, from which we learned that many of them are implementing high-level sustainability measures.

In addition to this, we perform periodic site visits to audit our ongoing suppliers from the perspectives of quality, cost, delivery, legal compliance, state of management, safety, and environmental management. Since April 2023, we have incorporated action on sustainability and human rights protections into the items checked during these audits. We have, for example, determined that human rights risks are particularly high at companies that accept foreign nationals. We therefore check on whether foreign workers are present, and whether there are any evident discrepancies in ratios, compensation or other aspects of employee treatment. Based on these audit results, no suppliers have at present been identified as posing high human rights risks.

## Procurement Personnel Training

Primarily through on-the-job training, we provide our procurement personnel with education on supplier selection criteria, including sustainability items, so that they can appropriately judge the state of compliance with those criteria and appropriately select suppliers.

**Collaboration with Partner Suppliers**

Before the COVID-19 pandemic, we made it a practice to visit and hold regular conferences with 30-40 suppliers each year, and since the pandemic, we have managed to prevent supply from being impacted by persistently holding weekly meetings to enable communication, particularly with key suppliers. In addition, we hold Partners Meetings and Business Liaison Committee meetings online twice a year to provide a forum in which to exchange opinions. In June 2023, approximately 30 companies from all over the world participated in these conferences, in which we shared information including on our sustainability initiatives.

**BCP in the Supply Chain**

Frequent disruptions of supply chains during the COVID-19 pandemic brought the risks of relying on a limited number of suppliers to the fore. We took this as an opportunity to take steps toward multipolar procurement, separating multiple procurement regions as a basis for our work on risk reduction. We are also encouraging our existing suppliers to move ahead with multipolar procurement.

**Addressing Conflict Minerals and Chemicals**

YAMASHIN-FILTER Group uses no conflict minerals whatsoever, and confirms that suppliers are not using them either. We manage chemical substances appropriately in keeping with the standards of each country.

**Human Resource Development**

Diversification of business operations and further global expansion presents us with a crucial management issue, the systematic development of next-generation leadership, including potential candidates for executive posts. As a company that keeps our functions from development to production and sales in-house, we face the challenge of passing on our development methods, production technologies, etc. Acknowledging this, our human resources and business divisions work together under the leadership of top management to move forward with human resource recruitment and development.

**Human Resource Development Initiatives for the Next Generation**

We are implementing executive (and executive candidate) talent management, motivation-boosting measures, the appropriate matching of personnel to assignments based on evaluations of potential, elimination of the seniority system through appropriate personnel evaluation, introduction of a global matrix for overseas group managerial personnel evaluations and personnel system optimization, job rotation, and regularly scheduled rank-based training.

**Training for directors and executive officers**

Within one to two years after taking up an executive officer position, participation in external training to gain capabilities for the creation of management metrics, etc.

**Managerial position training**

Training on compliance and harassment prevention, and labor management training that forms the basis for taking on managerial positions, as well as hands-on training for division managers, including discussions based on lectures from management.

**Morning sessions**

Hands-on training on business skills such as how to effectively show documents and give presentations.

**New employee training**

Business etiquette and other basic training for professional development, product and technology training to gain a deeper understanding of our company, and manufacturing training at plants, etc., conducted over the course of one and a half months.

**Human Resource Development Initiatives for Generational Technology Transfer**

**Training Results (Non-consolidated)**

	Unit	FY2021	FY2022
Total training hours	Hours	2,310	2,688
Hours of training per employee (average hours)	Hours	12.2	14.0
Days of training per employee (average number of days)	Days	5.4	6.1

**Fair Personnel Assessment and Compensation**

We have adopted the Management by Objectives (MBO) system in order to assess employee abilities appropriately and link the results to their compensation. We conduct these evaluations twice a year, and division managers report the results to senior management to ensure the fairness of the evaluations.

**Globalization and Localization of Human Talent**

At the Cebu Plant, our largest plant, we have Philippine nationals among our directors, general managers and managers, as our localization efforts move forward, including the localization of senior management. We regularly arrange information-exchange opportunities to bring managers of overseas subsidiaries to Japan, which deepens personal interaction with the Head Office staff and provides support for the further growth of overseas managers. In November of FY2022, we held a YAMASHIN Global Summit as the first international conference in the group in about three years. Approximately 40 participants attended, including managers from the Head Office and from overseas subsidiaries, all of whom joined in active discussions of initiatives on climate change, respect for human rights, and other sustainability-related efforts.



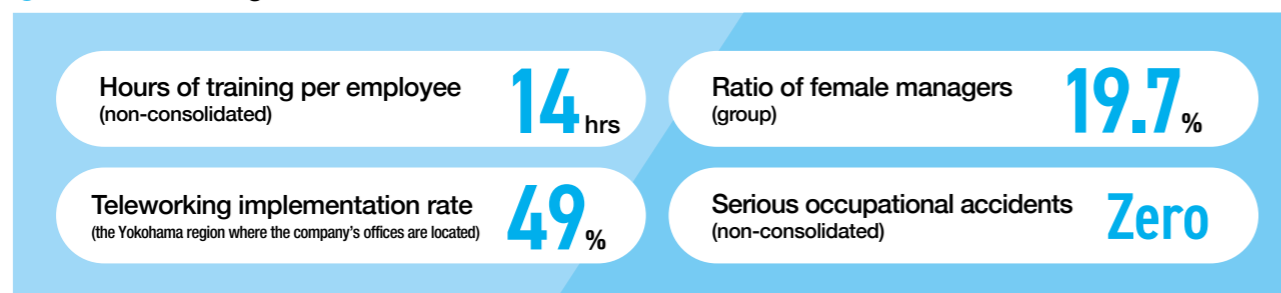
The scene at the Summit

**Number of Locally-hired Managers at Overseas Locations (persons)**

	FY2019	FY2020	FY2021	FY2022
Number of locally-hired managers at overseas locations	20	22	29	45

# Human Capital and Respect for Basic Human Rights

**Performance Against Materialities / KPIs (FY2022)**



At YAMASHIN-FILTER, we focus effort on the human resource hiring and training that are at the core of achieving our strategy of worldwide expansion and business diversification. In conjunction with this work, we make diversity a fundamental part of our efforts to secure human resources, and execute management with respect for the human rights of all people.

**Approach to Securing Human Resources**

- Development of the next generation of leaders through selection of high-potential personnel and 360-degree assessment
- Systematic training of future management candidate personnel
- Building a system for recruitment and development of junior human resources aimed at optimal human resource allocation
- Consider outsourcing as a means of compensating for human resource shortages

### Consideration of Human Resource Diversification

As a company that acts globally, we engage in hiring, assignment, and education that seeks to place the right people in the right positions, regardless of factors such as age, gender, nationality, race, or religion. We also recognize that blending in with local communities and respecting local customs, such as Christmas-related religious services and parties at the Cebu Plant, are an important part of diversity initiatives to be carried out in line with globalization. In December 2022, we resumed the Christmas Mass and party at the Cebu Plant that had been held before the COVID-19 pandemic, and it was enjoyed by many employees. The party included the presentation of awards to employees with extremely good attendance records, honoring a total of nine employees. Some of the awardees have received the honors for several years in a row in recognition of their support for the Cebu Plant, our mass production facility. In FY2022, the rate of childcare leave use by male employees was 100% for both our company and subsidiary AQC Corporation.

We also recognize that promoting women's active participation and advancement is an important issue for our company. Starting from FY2022, we have been working to strengthen our promotional systems in this area and have initiated the formulation of an Action Plan for the Promotion of Women's Advancement, for which the General Affairs Department is responsible, and for which we have set medium- to long-term goals. The female employee ratio is 31.6% on a non-consolidated basis and 51.7% consolidated, while the non-consolidated female manager ratio is 5.2%, with a consolidated ratio of 19.7%. Thus, the figures on a consolidated basis have reached substantial levels. Our challenge will be to raise the female employee and manager ratios further.

Regarding elder employment, we continue to offer employment extensions to 100% of those who wish to remain employed up to age 65, while also extending employment contracts beyond age 65 to those who request it.



Christmas Mass and party for Cebu plant employees



### Medium- and Long-term Targets for Women's Participation and Advancement

We are strengthening our efforts by laying out five-year targets through 2028 and 10-year targets through 2033.

**Five-year targets** On a non-consolidated basis, achieve a 35% ratio of female employees by 2028, and on a consolidated basis, maintain the ratios of female employees and managers at or above the levels of March 31, 2023.

**Ten-year targets** By 2033, set each 10-year target ratio to the above-mentioned five-year target levels or more. Increase the ratio of female directors to at least 30% by 2030.

### Data relating to diversity & inclusion (%)

	Scope	FY2021	FY2022
Ratio of females	Group	—	51.7
	Non-consolidated	23.3	31.6
	AQC Corporation	—	37.6
Ratio of female officers	Non-consolidated	0	10
Ratio of female managers	Group	17.9	19.7
	Non-consolidated	2.3	5.2
Rate of male childcare leave	Non-consolidated	—	100
	AQC Corporation	—	100
Pay differential between men and women	Non-consolidated	75.2	73.4
	AQC Corporation	—	69.5
Employment rate for people with disabilities	Non-consolidated	1.59	1.61

Note: As of March 31 of each fiscal year

### Work-life Balance

In 2015, we took a business recession as a positive opportunity to launch work style reforms. Among these, we are promoting greater work efficiency with the aim of realizing zero overtime in principle. At the end of work, top managers take the lead in patrolling the workplace to encourage remaining employees to head home. When overtime is unavoidable, managers recommend early arrival at work and give instructions for no one to remain at work after the scheduled time. We have also been promoting working remotely, and in FY2022 we set a numerical target of 60% for teleworking implementation when the pandemic was spreading. The average working-from-home rate was 49% in the Yokohama region where the company's offices are located.

To enable employees to realize a workstyle suited to their current life stage, we have put in place a system that provides support for balancing work with childcare. In FY2022, the percentage of employees returning to work after taking childcare leave was also 100%.

### Data Relating to Work-life Balance (non-consolidated)

	Unit	FY2019	FY2020	FY2021	FY2022
Teleworking implementation rate*	%	—	54	56	49
Overtime hours (monthly average hours)	Hours	4.08	7.77	14.77	14.25
Rate of return to work after childcare leave	%	100	100	100	100
Rate of taking paid leave	%	61.4	47.2	65.1	62.8

\*Limited to the Yokohama region where the company's offices are located

### Health Promotion and Occupational Health and Safety

We conduct monthly health consultations by industrial physicians along with yearly stress checks for employees as we strive for early detection of any deterioration in physical condition. When new projects are initiated, the Production Control Department guards against overwork by adjusting line plans to prevent excessive workloads, including employee work hours.

In the area of occupational health and safety, we have established a basic policy regarding the creation of better work environments, and we carry out detailed guidance at plants. Every month, we convene Health Committee meetings at the Head Office and at the Yokosuka Innovation Center, as well as Occupational Health and Safety Committee meetings at the Saga Plant. At these meetings, we identify occupational health and safety risks, share information and make reports on the status of current efforts, and we then connect these actions to improvements in working environments. Safety- and health-related training conducted in FY2022 included training for site management and improvement initiatives with three site supervisors participating, and training on general occupational health and safety for approximately 80 participants. We also conduct regular safety patrols at our plants to detect any repairs that are needed from a safety standpoint, and to check on safety rule compliance status as part of our efforts to prevent accidents. In FY2022, there were fewer occupational accidents than in the previous year. No fatal or other serious occupational accidents occurred. Going forward, we will continue striving to prevent the occurrence of occupational accidents through continued, thorough implementation of safety measures.

### Occupational Accidents (non-consolidated) (incidents)

	FY2019	FY2020	FY2021	FY2022
Number of occupational accidents	3	6	3	2
Serious accidents among these	0	0	0	0

### Respect for Human Rights

As a global enterprise, we recognize our responsibility for ensuring that human rights are respected throughout the value chain, and have accordingly established a Human Rights Policy in compliance with international standards including the United Nations Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

#### Human Rights Policy

[https://www.yamashin-filter.co.jp/eng/sustainability/social/main/01/teaserItems1/05/linkList/00/link/GroupHumanRightsPolicy\\_English.pdf](https://www.yamashin-filter.co.jp/eng/sustainability/social/main/01/teaserItems1/05/linkList/00/link/GroupHumanRightsPolicy_English.pdf)

In order to create an employee-friendly in-house working environment in which human rights are respected, we have put in place both internal and external consultation hotlines so that employees and business partners can anonymously report any harassment or other human rights violations that they are affected by or become aware of (see p. 31). The General Affairs Department is the point of contact for consultation regarding any type of harassment, and two consultations were handled during FY2022. Investigation findings revealed that an incident of suspected power-based harassment had occurred, and we responded by providing guidance to the parties involved, with consideration given to the wishes of the consulting party. Besides seeking to enhance awareness by implementing periodic training in relation to harassment prevention, we also strive to ensure that requests for consultation are handled properly, by providing lectures for managers on the proper handling of consultations and their content. We have also held study sessions on human rights issues and initiatives for managers of overseas subsidiaries as part of our practice of global human rights due diligence. Based on these efforts, we have conducted training on human rights risks faced by YAMASHIN-FILTER employees, and have also administered a questionnaire survey to investigate possible human rights risks for our group. We will apply the findings to our future assessments of human rights risks.

#### Questionnaire Results

Human rights risks that may become salient in our business environment	<ul style="list-style-type: none"> <li>Inhumane treatment (various types of harassment)</li> <li>Prolonged work hours, poor wages and treatment</li> <li>Discrimination</li> <li>Forced labor</li> <li>Poor work environments</li> </ul>
Stakeholders for whom the above human rights risks should be addressed in particular	<ul style="list-style-type: none"> <li>Employees</li> <li>Suppliers and other business partners</li> <li>Clients</li> </ul>

Note: Primary human rights risks: discrimination, forced labor, child labor, inhumane treatment, prolonged work hours or poor wages and treatment, poor working conditions, violation of freedom of association and the right to collective bargaining, violation of privacy, violation of consumer safety and the right to know, violation of the rights of indigenous and local peoples, violation of intellectual property rights, forms of bribery and corruption

# Contribution to Social Development

As a corporate citizen engaged in business around the world, we hold to our spirit of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business,” and we contribute to solving social issues and to social development through our filter products and our human resources.

## Community Contribution Through Filters

Amid the mask shortage caused by the COVID-19 pandemic, we rapidly moved to begin manufacturing masks with the idea that masks are another type of filter, and that a moment had arrived for us to be of service to society as a manufacturer specializing in filters. Sales of masks to general consumers began in May 2020. When developing the masks, we focused on three key aspects of performance: filter performance, sealing performance and breathability. As a next-generation, highly functional mask that not only captures almost all particles but is also easy to breathe through, our masks have been much appreciated by many people. We outsourced the production of some types of masks to a facility in Nanae, Hokkaido, which supported the creation of local employment.

Reflecting our company’s stance of wishing to contribute to people’s health, we donated a total of around 700,000 units of our YAMASHIN Filter Mask® to Kanagawa Prefecture, to the town of Kamimine in Saga Prefecture and to Yokosuka City, where our company’s production and R&D facilities are located, and to public high schools that many of our Saga Branch Office employees attended. In recognition of these efforts, we were awarded a Medal of Honor for the donations, and also received the Blue Ribbon Award from Kanagawa Prefecture. The Ultimate YAMASHIN Filter Mask® 5-pack product that we donated incorporates patented YAMASHIN NANO FILTER®, a proprietary nano-fiber filter technology also used in medical masks. The donated masks were used at facilities for residential treatment and social welfare in Kanagawa Prefecture.



The Blue Ribbon Award certificate

## Provision of Heavy Oil Absorption Filters

In Saga Prefecture, heavy rains in August 2019 resulted in the serious problems of large-scale flood damage as well as heavy oil spills from local companies. To recover this oil, we provided a high-performance oil absorption nano-filters. Taking this as a further opportunity, we developed an oil-absorbent product that we commercialized in June 2021.

## Contributing to Local Communities at Plants and Laboratories

At the Saga Branch Office, we invited about 40 students from a local technical high school for a plant tour. In addition to the plant tour, we deepened our interaction with them by providing advice on job hunting. On Cebu Island in the Philippines, the site of one of our production plants, prior to the COVID-19 pandemic we planted mangrove trees every year to help reduce CO<sub>2</sub>. We also participated in drainage ditch-clearing and coastal cleanup events in collaboration with local NGOs and with Lapu-Lapu City on Cebu Island, where our plant is located. And in FY2022, the Cebu Plant again collaborated on cleanup activities and a Christmas charity event hosted by Cebu City.

In Japan, our group made donations worth approximately 10 million yen (including mask donations) to local organizations, high schools, and events.

The Yokosuka Innovation Center made a donation to a local NPO of approximately 2,000 collected PET bottle caps. The NPO sells collected PET bottle caps to a recycling company, and all of the resulting proceeds are used for vaccine support for children worldwide. The donation made it possible to provide enough vaccines for approximately 3.9 children. With repeated small efforts, we will continue to contribute to our local communities and to society overall in the spirit of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business.”

Collected PET bottle caps  
Approx. **2,000**

Child vaccine donations  
Doses for approx. **3.9** children

# Corporate Governance

To further strengthen our corporate governance and the supervisory functions of the Board of Directors, our company has adopted a company structure with an Audit and Supervisory Committee. Under this institutional design, the Audit and Supervisory Committee, of which external directors make up a majority of the members, is responsible for auditing and overseeing the legality and validity of business execution to achieve more transparent management. By delegating the authority for the Board of Directors’ business execution decisions to the Directors, this structure seeks to expedite management decision-making and decision execution.

## A Structure That Supports Management

Our company’s primary convening management bodies are the Board of Directors, the Management Conference, and the Audit and Supervisory Committee.

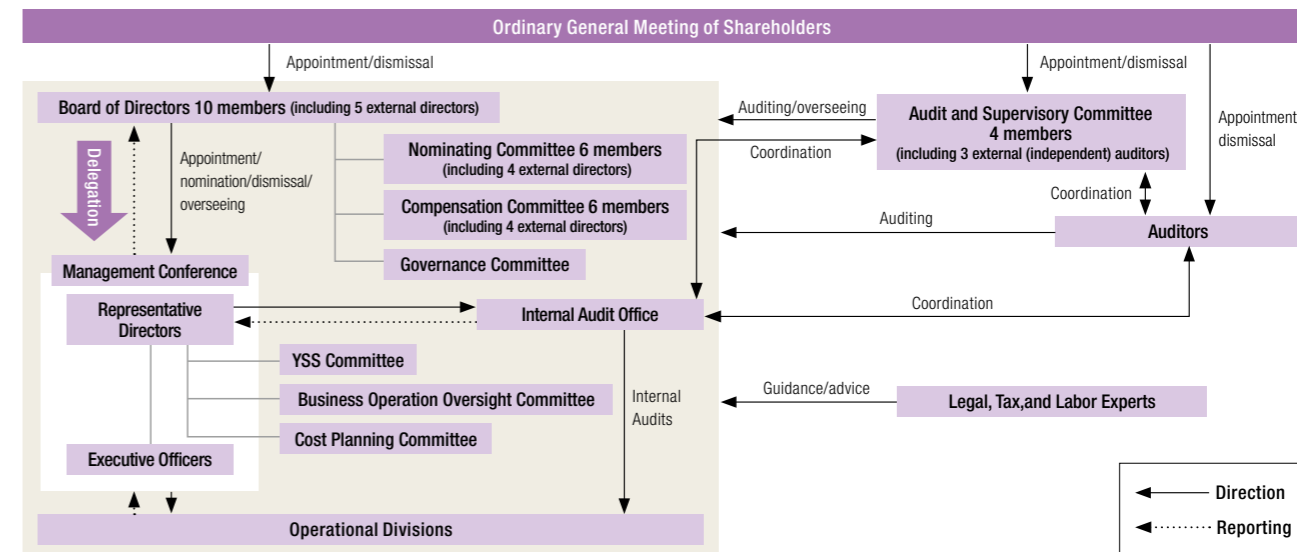
The Board of Directors, a decision-making body specified by law and by the Articles of Incorporation, oversees and performs guidance related to business execution. In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as needed. Membership of the Board of Directors is composed with consideration given to diversity (of genders, international experience, work experience, ages, etc.). In June 2023, we welcomed our first female external director.

The Management Conference, the deliberative body for the company’s management system, is a venue for discussing and resolving key administrative matters. Consisting of directors and executive officers, it aims to ensure clarity and transparency in the decision-making process by deliberating on financial statements, business execution, and other matters for the Board of Directors.

The Audit and Supervisory Committee performs overseeing and auditing of management decision-making and business execution. Our external directors include persons who have experience in corporate management with considerable knowledge of corporate management strategies and business planning, attorneys, and persons who have considerable knowledge and expertise in the field of compliance.

In FY2021, as well as the Business Operation Oversight Committee which was established with the aim of monitoring and putting a brake on risks relating to the business execution by group companies, and of supporting assessment operations when internal audits are conducted, we launched the Yamashin Sustainable Solutions (YSS) project for promoting the achievement of the SDGs, to realize management from a sustainability perspective, tasking the YSS Committee with driving this process. In FY2023, we established a new Governance Committee and Cost Planning Committee. The objective of the Governance Committee is to continually enhance corporate governance by evaluating effectiveness of the oversight function of the Board of Directors, advising the Board of Directors and proposing improvements. The Cost Planning Committee was newly established to advise the Director/President on ways of reinforcing the system of profit management for the entire group. It monitors the performance of existing products, promotes action to reduce costs, and carries out cost planning, value analysis (VA) and value engineering (VE) to realize the quality and functionality that customers demand at the minimum possible cost, starting from the new product development stage. We are striving to further strengthen group governance, with these committees at the core of the effort.

## Corporate Governance System (as of June 29, 2023)



### Enhancing Transparency: Nominating Committee and Compensation Committee

To ensure transparency and objectivity in the appointment and treatment of directors, and to enhance our corporate governance, we have established a Nominating Committee and a Compensation Committee to examine director candidates and matters such as compensation. Each of these committees has external directors as the majority of its members.

Compensation for directors (excluding those who are Audit and Supervisory Committee members) is determined by the Board of Directors on the basis of reports by the Compensation Committee, within the limit approved at the Ordinary General Meeting of Shareholders. To enhance directors' motivation for continuous improvement of performance to meet the expectations of shareholders, the compensation system consists of basic compensation fixed in accordance with the role of each director, performance-linked compensation as a short-term incentive, and restricted stock compensation as a medium- to long-term incentive.

#### FY2022 Board of Directors, Nominating Committee, and Compensation Committee performance (%)

Name	Board of Directors (Met 17 times)	Nominating Committee (Met five times)	Compensation Committee (Met two times)	Attendance rate		
Atsuhiko Yamazaki	100	100	100			
Hiroaki Yamazaki	100	—	—			
Chikahisa Ioka	100	100	100			
Hideaki Morita	100	100	100			
Kazuhiro Okoshi	100	—	—			
Shinya Fukuzaki	100	100	100			
Hiroshi Itano	100	100	100			
Naruhiko Takatsuji	100	—	—			

#### Skills Matrix (as of June 29, 2023)

Name	Position within the company	External	Corporate management	Sustainability, ESG	Technology development, engineering	Production	Sales	Global	Finance, accounting	Human resources, labor	Legal, compliance
Atsuhiko Yamazaki	Male Representative Director and President		◎	◎	○	○	○	○			○
Hiroaki Yamazaki	Male Director / Senior Executive Vice President		○	○	◎	○	◎	○			○
Chikahisa Ioka	Male Director / Senior Managing Executive Officer		○	○			○	○	◎	◎	○
Takaaki Yamazaki	Male Director / Executive Officer					◎					
Hideaki Morita	Male Director	External independent	◎	○			○				○
Miyoko Yoshikawa	Female Director	External independent	○	◎						○	◎
Kazuhiro Okoshi	Male Director / Audit and Supervisory Committee Member		○	○	○	○	○	○			○
Shinya Fukuzaki	Male Director / Audit and Supervisory Committee Member	External independent		○						○	◎
Hiroshi Itano	Male Director / Audit and Supervisory Committee Member	External independent	◎	○			○	○		○	○
Naruhiko Takatsuji	Male Director / Audit and Supervisory Committee Member	External independent	○	○				○	○		○

Note: For each director, areas of expertise derived from experience are marked "○", and of these areas, those in which the director is expected to demonstrate particular ability, such as by providing executive departments with useful advice, are marked "◎".

### Evaluation of the Effectiveness of Directors

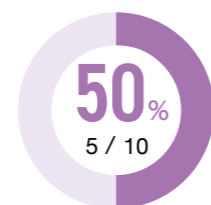
Every year, our company performs analysis and evaluation of the effectiveness of the Board of Directors based on directors' self-evaluations, and shares the results with all directors. In FY2022, we once again conducted a questionnaire of all directors, including those who are Audit and Supervisory Committee members, and verified the results through the Board of Directors Secretariat and the Audit and Supervisory Committee to evaluate the effectiveness of the Board of Directors while ensuring objectivity.

The process returned the evaluation that effectiveness of the Board of Directors is ensured in terms of its composition and operational methods, the role of external directors on the board, and other aspects. We will continue to strengthen the expertise and diversity of directors with regard to business execution, and we will strive to improve the effectiveness of the Board of Directors in all aspects through means such as further sharing of information at early stages.

#### FY2022 Management Conference performance

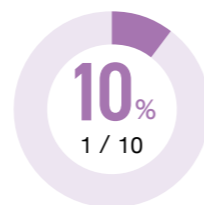
Number of conferences held	12
Attendance rate	100%

#### Ratio of independent external directors to all directors



(as of June 29, 2023)

#### Ratio of female directors to all directors



(as of June 29, 2023)

### TOPICS

## Interview With an External Director



At YAMASHIN-FILTER CORP., we have always placed importance on the diversity of our Board of Directors, and in June 2023, we appointed our first female director. By bringing new values and perspectives into the core of our management, we will further increase our corporate value.

### External Director **Miyoko Yoshikawa**

In 1977, Ms. Yoshikawa joined the TBS Holdings Inc. (present company name) as an announcer and anchor, and served concurrently as director of the TBS Voice announcing school. Upon retiring in 2014, she became a visiting professor in the Faculty of Contemporary Society of Kyoto Sangyo University.

#### — Give us your candid impression of YAMASHIN-FILTER and your expectations for the company.

I am very disappointed that, although YAMASHIN-FILTER possesses world-class technologies like "YAMASHIN NANO FILTER®," we have yet to establish name recognition commensurate with our technology.

This is a company that has something to contribute to society, and that can engage in environmental conservation with the high level of technology we have cultivated. What's left is the question of whether we can publicize it broadly throughout society. This is probably going to be the key to further increasing our corporate value.

#### — As a company, what sort of governance should we exercise?

Since I was only appointed as an External Director of YAMASHIN-FILTER two months ago, my thoughts on governance for any organizations not specific to YAMASHIN-FILTER, but in recent years, whenever problems crop up in a company or organization, we immediately hear people blaming it on dysfunctional governance. Both the involved organization and its critics use "governance" as though it's a magic word that solves the problem. However, an organization is a venue in which people gather, think, make decisions, and take action. Unless every individual employee is acting in the interest of the whole organization, its shareholders, and in the public interest, the problem will not be solved through management's emphasis on "strengthening governance." I think that governance begins with a clarification of the divisions between roles and responsibilities within the company, and elimination of ambiguity.

#### — Tell us your thoughts about the role required of you as External Director.

Through my work in broadcasting, in training the next generation at an announcing school, and from my current experience teaching at a university, I perceive a serious deterioration in communication skills among people, both young and old. While I will naturally be offering new perspectives on gender, compliance, governance, and other aspects, I want at the same time to convey the fact that communication skills are the foundation of everything having to do with our relationships with others.

#### — What are your thoughts on the current social trends involving active participation and advancement by women, and the current state of affairs at YAMASHIN-FILTER?

To achieve true equality, we should be using individuals' capabilities and aptitudes as our evaluation standards, regardless of their gender. I get the sense, however, that active participation and advancement by women is being interpreted as an equality of outcome defined as numbers and percentages. The real necessity is for an equality of opportunity enabling individuals to fully demonstrate their abilities and aptitudes. I do not think it is true women's active participation and advancement to put women with inadequate abilities in managerial positions because organizations or companies feel social pressure to do so and to make up the numbers.

One aspect of our company is that since we have originally been a company with a low ratio of female employees, it is inevitable that we now have few women in management positions. So I think what we need to do is to increase our number of female employees, to consider measures to eliminate turnover, and provide regular opportunities to listen to the opinions of female employees.



# Compliance

Our company has established Compliance Guidelines to serve as a set of guidelines for the practice of an outstanding level of corporate ethics. Through actions based on this policy, we are deepening awareness of compliance within our company and are working to enforce information security.

## Compliance Guidelines and Internal Dissemination

Our Compliance Guidelines establish Corporate Standards of Conduct and a Code of Behavior that apply to all directors and employees. The Standards of Conduct form our basic approach to maintaining a higher level of compliance awareness and behaving at our best as a company trusted by society, based on our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to Society through filtration business.” According to the Standards of Conduct, the Code of Behavior sets forth behaviors that all directors and employees should maintain awareness of in everyday work.

Since establishing our Compliance Guidelines in FY2011, we have conducted twice-yearly training for directors and employees, ensured that such training is undertaken upon entering the company, and we also make the content available at all times through our intranet to ensure awareness of the policy. To enact measures against forms of harassment, in addition to the Code of Behavior, we also work to further ensure awareness of measures by incorporating them into our work regulations. In the future, we aim to instill even higher-level compliance awareness in our company through the introduction of training that utilizes e-learning and position-specific training.

### Compliance-related training in FY2022 (primarily non-consolidated)

Training theme	Eligible trainees	Number of sessions
Overall Compliance	Head Office employees (including temporary employees, etc.)	2
Intellectual property protection	Employees of Sales Division, SCM Division (at that time), Production Division, etc.	2
Study Group on Human Rights Risks	Employees (including temporary employees, etc.) of the Head Office, Saga Branch Office and Yokosuka Innovation Center, and managers in Japan and overseas	4

### Compliance Guidelines

[https://www.yamashin-filter.co.jp/eng/sustainability/governance/main/01/teaserItems1/05/linkList/0/link/InformationSecurityBasicPolicy\\_en.pdf](https://www.yamashin-filter.co.jp/eng/sustainability/governance/main/01/teaserItems1/05/linkList/0/link/InformationSecurityBasicPolicy_en.pdf)

## Management Structure

Acting on the basis of our Compliance Guidelines, our Board of Directors conducts decision-making on important matters involving compliance, following which our Compliance Committee makes decisions on implementation plans. The Compliance Committee is composed of the president, division managers, and managers from the Internal Audit Office, and it convenes twice a year. In addition, in FY2021 we established the Business Operation Oversight Committee as an advisory body to the Director/President. The committee is tasked with monitoring and putting a brake on risks associated with business execution of group companies, and with facilitating assessment when internal audits are conducted. The committee strengthens our support system by revising subsidiary regulations and standardizing key group regulations in light of differences among countries and regions in order to ensure that group companies can maintain legal compliance and conduct management in an appropriate manner.

## Whistleblowing System

We have introduced and are operating a whistleblowing system to promptly collect information on violations of compliance and to prevent problems and implement countermeasures. In addition to compliance violations, we also subject any corporate ethics violations by employees to reporting, and have set up an internal point of contact for this purpose on the company intranet, as well as an external contact point at an outside law firm. Our Internal Reporting Management Rules include provisions protecting whistleblowers and prohibiting acts of retaliation against whistleblowers. The reporting can be made under anonymity. We have also adopted measures to prevent any disadvantageous treatment of whistleblowers for having made such reports.

When a report is made, we gather the essential information from the informant, including the specifics of any violations, and carry out an investigation. We have mechanisms in place by which to check with the parties involved with reference to the investigation results, and then to handle the matter internally by taking corrective measures or imposing discipline according to our Rules on Administrative Authority. We also conduct monitoring in order to prevent recurrence. In FY2022, no whistleblowing incidents occurred, and there have been no reports leading to significant impact on company management.

### Number of Internal Whistleblowing Incidents (non-consolidated)

	FY2019	FY2020	FY2021	FY2022
Number of Internal Whistleblowing Incidents (cases)	0	2	0	0

## Initiatives for the Prevention of Corruption

Our Compliance Guidelines clearly prohibit corruption and bribery, which seriously undermine trust in a company, and deviate from accepted business practices. We comply with relevant laws and regulations in each of the countries and regions in which we operate. We ensure that entertainment and gifts that exceed moderation are neither given nor accepted in the course of our business dealings through internal procedures such as mandatory requests for approval and expense reimbursement, which are consistently checked

by superiors.

We also conduct education and training to ensure that corporate officers and other employees (including temporary workers) are made aware of these practices.

During FY2022, we made no expenditures for responses to corrupt practices, or for political contributions. To date, no employees have been disciplined or dismissed as a result of acts of corruption.

# Risk Management

## Development of the Crisis Response Structure

We have developed a Crisis Management Manual that covers crisis scenarios such as earthquakes, fires, storms, floods, harmful substance leaks, and accidents, and we regularly conduct emergency contact drills in accordance with the manual. Directors at all levels, including the president, also take part in the training, continually verifying the effectiveness of the manual and working to strengthen it. Moreover, we hold annual disaster drills for employees at the Head Office, in which approximately 90 employees participated in FY2022.

In the event of an emergency, we set up a Management Crisis Task Force within the Administration Division. This task force provides direction under its leader until we are able to transition to our normal situation.

## Cybersecurity and Information Security Promotion System

Stable operation of systems and the ensuring of data security are among the most important issues faced by companies today. The group has formulated the Information Security Basic Policy, and implements thorough security measures to protect the hardware and software comprising our systems from major disasters and malicious attacks such as phishing e-mails. We have also formulated policies concerning the protection of personal information.

## ERP Systems That Enable Seamless Operation

Our enterprise resource planning (ERP) systems, which play central roles in our business, are designed for seamlessly connecting our sites worldwide and for future expansion, creating a system that achieves aggregation of management information at the company-wide level and enables swift management decisions.

Through this, we are able to achieve stress-free operation that includes coordination of data among sites in the US, the Philippines, Thailand, Belgium, and other locations, as well as increased visibility of management information and more sophisticated cost control and analysis of metrics.

## Promotion of Digital Transformation (DX)

Our Digital Transformation (DX) Committee, which meets every other week, was established in FY2021 to strengthen related initiatives, with the aim of ensuring the effective integration of management and operational methods across projects.

# Independent Assurance Statement



## Independent Assurance Statement

November 16, 2023

Mr. Atsuhiko Yamazaki  
Representative Director / President  
YAMASHIN-FILTER CORP.

### 1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by YAMASHIN-FILTER CORP. ("the Company") to provide limited assurance on the Company's (consolidated group) following data during the fiscal year 2022, 2.03 million  $\text{t}$  of energy consumption (crude oil equivalent), 0.799kt-CO<sub>2</sub> (Scope 1), 2.73kt-CO<sub>2</sub> (Scope 2, market-based) and 74.6kt-CO<sub>2</sub> (Scope 3, Category 1,2,3,4,5,6,7,12). The purpose of this process is to express our conclusion on whether the CO<sub>2</sub> emissions was calculated in accordance with Company's standards. The Company's management is responsible for calculating the CO<sub>2</sub> emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

### 2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and International Standard on Assurance Engagement 3410 (ISAE 3410). The key procedures we carried out include:

- Interviewing the Company's responsible personnel to understand and reviewing the Company's standards
- Performing cross-checks on a sample basis and performing recalculation to determine whether the CO<sub>2</sub> emissions was made in accordance with the Company's standards.

### 3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the CO<sub>2</sub> emissions have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.

Takashi Fukushima  
Representative Director  
Sustainability Accounting Co., Ltd.

# Company Profile (as of March 31, 2023)

## Corporate Profile

Corporate name	YAMASHIN-FILTER CORP. (former name: Yamashin Filter Manufacturing Corporation)
Address	〒231-0062 16th Floor, Nisseki-Yokohama Bldg., 1-1-8 Sakuragi-cho, Naka-ku, Yokohama 231-0062, Japan
Established	April 5, 1956
Description of business	Manufacturing and sales of filters for construction machinery, industrial and process filters, and related parts. Manufacturing, development and sales of nano-fiber filter products.
Capital	6,499 million yen
Representative	Atsuhiko Yamazaki
FY end	March 31 <sup>st</sup>

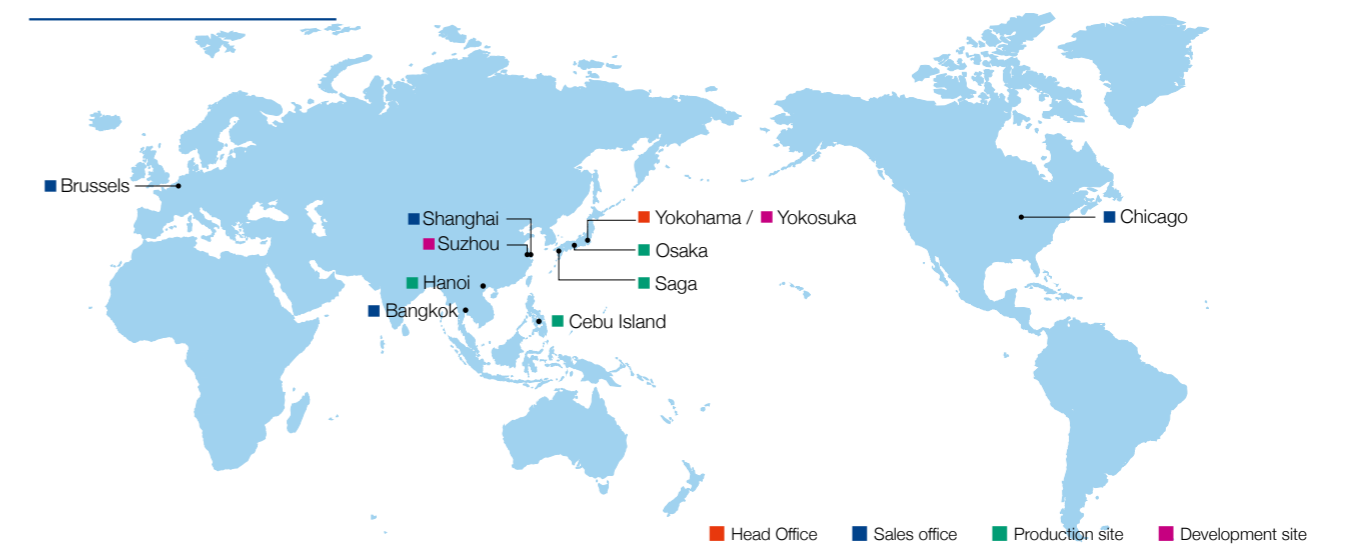
## Offices

- Head Office
- Saga Branch Office
- Yokosuka Innovation Center

## Group Companies

- YAMASHIN CEBU FILTER MANUFACTURING CORP.
- YAMASHIN AMERICA INC.
- YAMASHIN EUROPE BRUSSELS BV.
- YAMASHIN THAI Ltd.
- YAMASHIN FILTER (SIP) TECHNOLOGY INC. (R&D Section)
- YAMASHIN FILTER (SIP) TECHNOLOGY INC. (Sales Section)
- AQC Corporation
- YAMASHIN VIETNAM CO., LTD

## Global Network



## Cooperate Organization (as of July 1, 2023)

