

YAMASHIN-FILTER CORPORATION

Sustainability Report

2022



Corporate Philosophy



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.

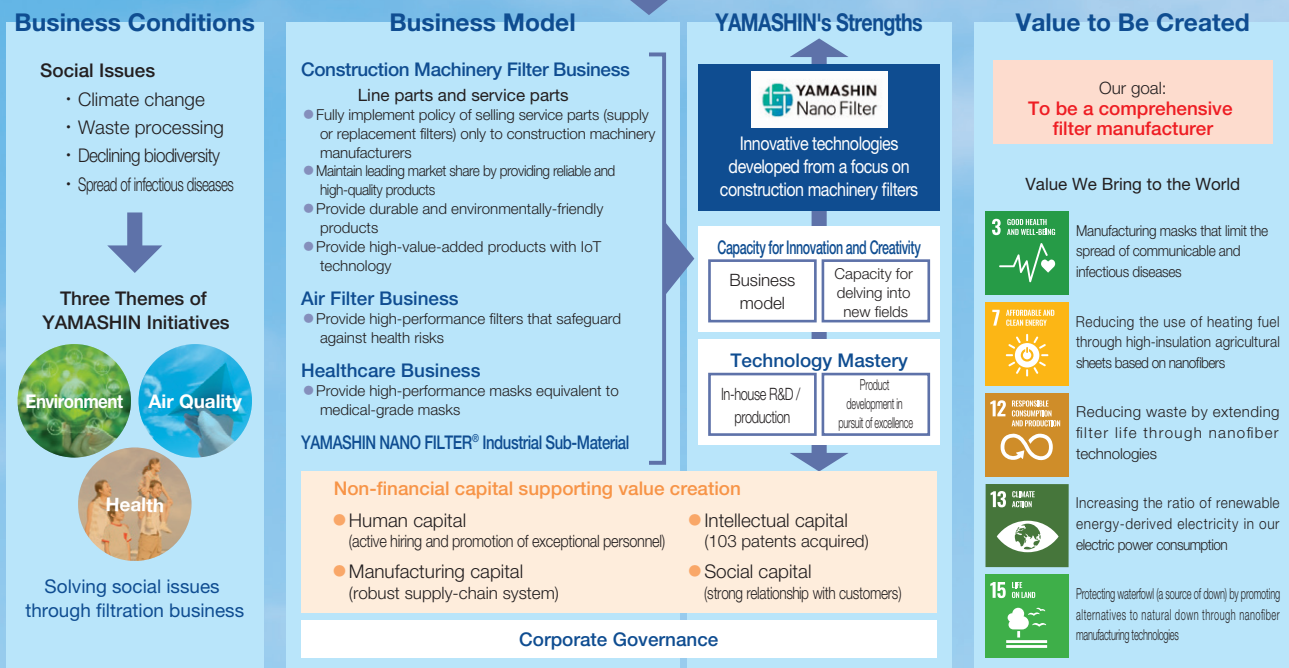
“Society” in our commitment refers to our customers and to all stakeholders who support us. Filters for construction machinery, our core products, go unseen in people’s daily lives, yet are a powerful and indispensable support to the development of society behind the scenes. We ourselves want to be a 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.

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Creating Value at YAMASHIN (ESG Initiatives)

Realizing Our Corporate Philosophy: “仕濾過事” (Contribute to Society through filtration business)



YAMASHIN-FILTER Sustainable Development Goals (SDGs)

As the follow-up to the Millennium Development Goals (MDGs) formulated in 2001, the Sustainable Development Goals (SDGs) are international goals for the years 2016 to 2030, described in the 2030 Agenda for Sustainable Development adopted at the United Nations Sustainable Development Summit in September 2015. The SDGs consist of 17 goals and 169 targets aimed at achieving a sustainable world.

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.



Editorial Policy

Purpose of This Report

We have issued the Sustainability Report since last year 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 the FY2021 (April 1, 2021 to March 31, 2022).

* Some information reflects activities in years other than FY2021.

Scope of Organizations

YAMASHIN-FILTER Corporation and group companies

* Some information only relates to non-consolidated YAMASHIN-FILTER Corp.

Published

November 2022 (last issued in October 2021; scheduled to be issued in October 2023)

Reference Guidelines

- GRI Sustainability Reporting Standards 2016 / 2018 / 2019 / 2020
- Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

Independent Assurance Statement

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

Contact Information

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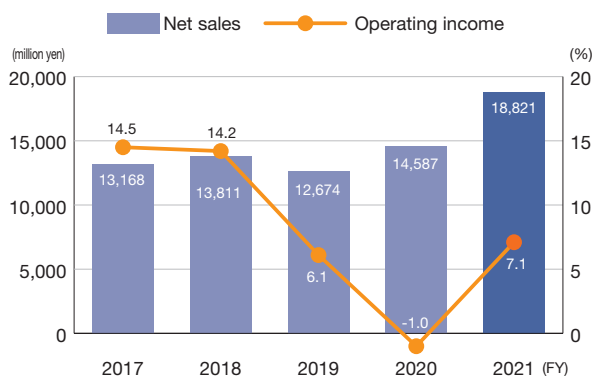
Tel: +81-45-680-1671

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

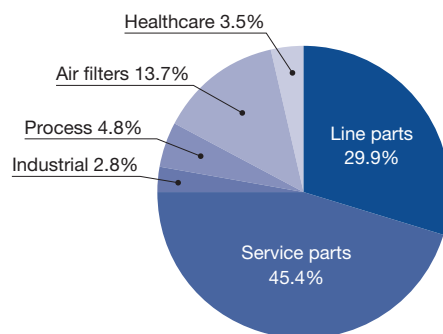
Financial and Non-financial Highlights

Financial (Consolidated)

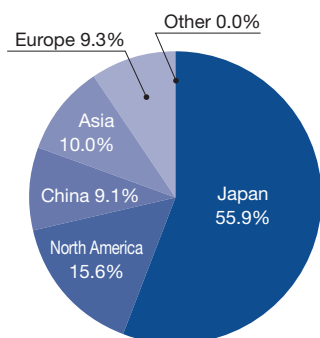
Net sales and operating income



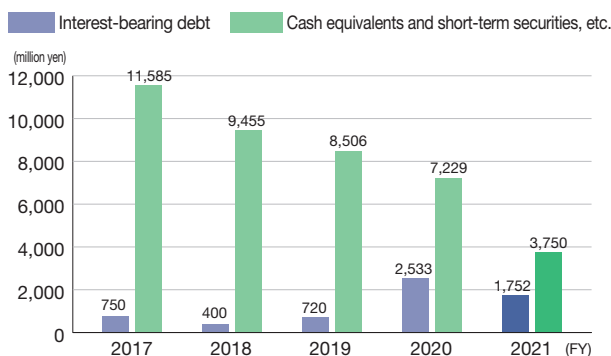
Sales breakdown by product category in FY2021



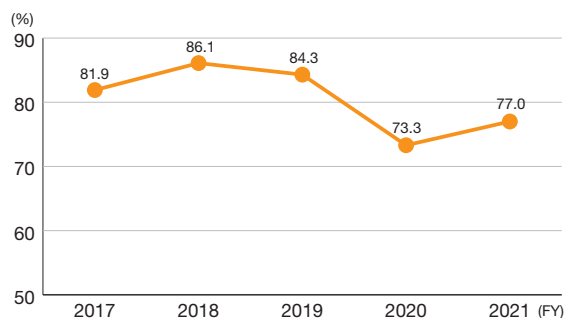
Sales breakdown by region in FY2021



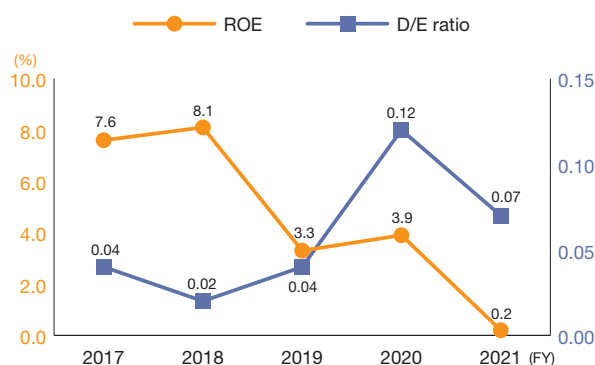
Interest-bearing debt, Cash equivalents, Short-term securities, etc.



Shareholders' equity ratio

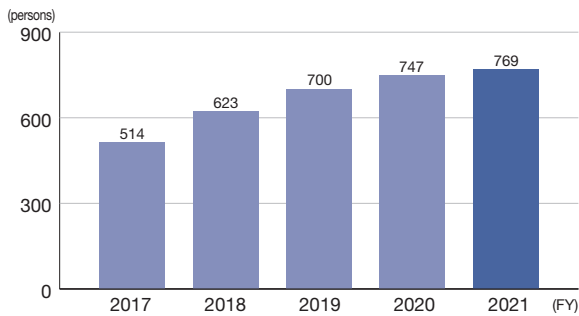


ROE and D/E ratio

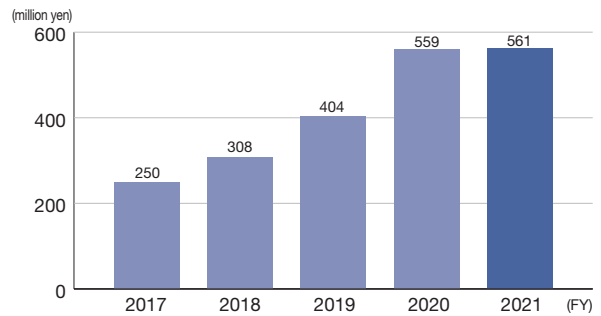


Non-financial

No. of employees (consolidated)



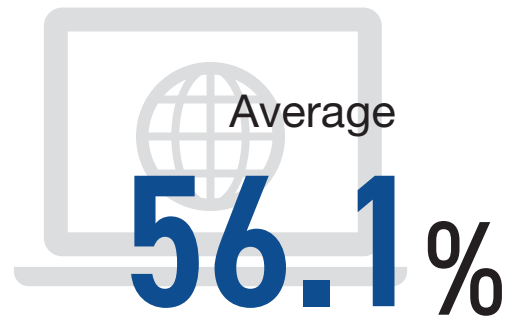
R&D expenses (consolidated)



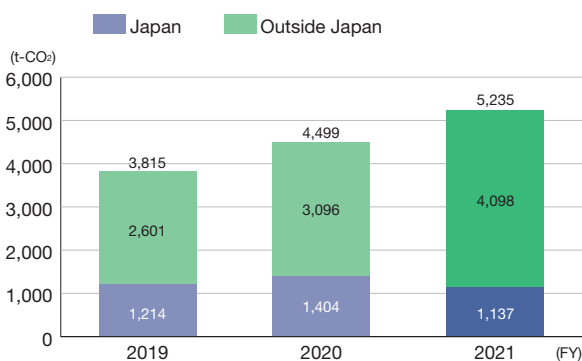
Share of female managers in FY2021



Teleworking implementation ratio in FY2021 (limited to the Yokohama region where the company's offices are located)



CO₂ emissions (consolidated)



No. of our YAMASHIN Filter Mask[®] that have been donated





仕濾過事 Contribute to society through filtration business

Atsuhiko Yamazaki,

Representative Director / President

Ever since our company was first established, we have focused on the filter business, in line with our corporate philosophy of “仕濾過事” (*Rokajinitsukafuru*) or “Contribute to society through filtration business.” Our main product lines include hydraulic filters for use in construction machinery, and air filters for use in structures such as high-rise buildings. For many years now, we have contributed toward the development of society and worked to support comfortable lifestyles for all. Currently, YAMASHIN-FILTER holds the highest market share in the field of hydraulic filters for construction machinery both in Japan and overseas (70% in Japan, 50% overseas*). Going forward, besides striving to further enhance the performance of our products and ensure stable supply, we will also strive to make a positive contribution to the global environment and to people’s health.

* Domestic: Survey by Yano Research Institute, Ltd.

Overseas: Estimated based on our internal data

A World Leader in the Development of Filter Media

The most important part of a filter is the filter media. In the past, filter paper, made from cellulose fiber, was used in hydraulic filters. Subsequently, however, with the trend toward utilizing high oil pressure in hydraulic systems in construction machinery, there was a need to capture even finer dust, in larger quantities, with lower resistance to fluid passage. In response, our company undertook R&D that led to us becoming the first company in the world to successfully commercialize filters that use glass fibers that are around one-tenth the size of cellulose fibers (around 3 – 10 μm). Our company’s hydraulic filter media for construction machinery are now in use throughout the world.

Following the Oil Shock of 1973, manufacturers of construction machinery further increased the hydraulic pressure in their machines, with the aim of making them more efficient, resulting in

a dramatic increase in the adoption of our company’s filters. This also contributed to a substantial decrease in the amount of waste being generated, since filters made from glass fiber had twice the lifespan of traditional filters, and were only about half the size.

In 2017, we successfully completed development of the YAMASHIN NANO FILTER®, a new material made from nanofibers that are less than one-tenth the size of glass fibers (at 0.2 – 0.8 μm and began volume production. This new product further reduces the impact on the environment by realizing a three-fold increase in both the amount of dust trapped and product lifespan.

Filter Products that Make a Positive Contribution to the Environment and to Human Health

We have proceeded with the development of new filter media that further reduce the impact on the environment, commercializing return filters and line filters for use in large-sized construction machinery. In comparison with the lifespan of a conventional glass-fiber filter, which was around 1,000 hours, we have achieved a lifespan of 2,500 hours for our return filters and 2,000 hours for our new line filters, which are made from nanofiber. These new products are contributing to a reduction in the burden placed on the environment by realizing effective utilization of resources (through the reduction in the number of filters that require disposal) and by reducing CO₂ emissions from associated waste disposal.

To achieve a further increase in product lifespan, we are making effective use of information and communications technology (ICT) to commercialize new technology that uses sensors to monitor filter status, and that can predict filter lifespan and determine when filters will need replacing.

Our filters make a positive contribution not only to protecting the environment, but also to safeguarding human health. The NanoWHELP®, which is made from YAMASHIN Nano Filter,

is the only medium- to high-performance air filter produced by a Japanese manufacturer that has achieved a Minimum Efficiency Reporting Value (MERV) rating of 14*, the highest level for building air-conditioning units. With the growing concern about indoor air quality that has emerged as a result of the COVID-19 pandemic, our NanoWHELP® has been adopted for use in a wide variety of public buildings, including office buildings, factories and universities.

In late January 2020, when a shortage of masks was becoming a concern in the face of the COVID-19 pandemic, YAMASHIN-FILTER decided that “At a time like this, when many people are in difficulties, given that we already have superb nanofilter materials on hand, we cannot justify not making masks.” So we set to work developing masks for consumer use and began selling them in May 2020.

Our high-performance masks, which were developed with strict attention to filter performance, sealing performance and breathability, have been much appreciated. Reflecting our company’s wish to contribute to people’s health, we donated a total of around 700,000 masks to the town of Kamimine in Saga Prefecture and to Yokosuka City, where the production and R&D facilities were located.

* Based on our company’s survey

Promotion of Measures to Realize Carbon Neutrality

The Yamashin Sustainable Solutions (YSS) Committee was established in January 2022. The committee meets once a month, with executive officers representing all departments – including production, R&D, sales and administration – participating in lively strategy discussions aimed at improving the reduction of CO₂ emissions, covering not only production processes but also inter-departmental areas. In addition, in May 2022 the company expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations. Going forward, we will be intensifying relevant initiatives in line with the TCFD Recommendations.

As regards concrete initiatives, we are proceeding steadily with the adoption of renewable energy, for example by adopting the use of electricity derived from renewable energy, or having renewable energy account for all energy usage, at the Yokosuka Media Laboratory and the Saga Branch Office, the Saga Branch Office, our domestic production facility. At Yamashin Cebu Filter Manufacturing Corp. and at the new overseas production facilities that have been established in Vietnam and in the US, we also are implementing rigorous environmental management to reduce the impact on the environment from waste, waste water and CO₂ emissions. Prior to the COVID-19 pandemic, Cebu Plant was involved in environmental protection activities such as the replanting of mangrove forests; during the COVID-19 pandemic, it has been actively implementing clean-up activities.

At the same time, regarding the raw material pellets used in manufacturing YAMASHIN NANO FILTER®, we are considering a gradual shift away from using virgin material derived from petroleum, such as polyester and polyethylene, towards using recycled material derived from PET bottles. We are also undertaking R&D work on the use of plant-derived plastic, and we will be contributing to the realization of a carbon-neutral and resource-circulating society.

ESG Initiatives

As a company that takes its responsibility to society we are working earnestly to promote environmental, social and corporate governance (ESG). Respect for human rights is at the heart of our corporate activities, and we refuse to engage in behavior that infringes people’s human rights, such as the use of child labor or forced labor. Our operations are global in scale, including production activities in Southeast Asia, and we are taking thorough steps to build a sustainable supply chain, with a major emphasis on human rights, for example by implementing a Sustainable/CSR procurement self-assessment questionnaire to our suppliers in May 2022 to ensure that human rights are respected at our overseas production sites as well as by their suppliers.

As a measure that will help to ensure stable employment, comfortable lifestyles and enhanced motivation for our employees, at our production facility in Cebu in the Philippines, which has more employees than any other site, we are working to ensure that at least 70 – 80% have the status of regular employees, which is not a normal practice in this region.

Adopting a perspective that emphasizes the need for diversity in human talent, as a global enterprise we proactively appoint foreign nationals to management positions at our overseas sites, with half of our overseas subsidiaries headed by a local manager.

As a result of demonstrating respect for diversity in terms of the gender, nationality and age of our employees, as of the end of FY2021, the percentage of all managers (including overseas sites) who are female was 17.9% for consolidated. For non-consolidated, the corresponding percentage was 2.3%, and 2.3% of managerial positions were held by foreign nationals.

Nevertheless, following the market reforms that have been implemented by the Tokyo Stock Exchange (TSE), as a company that has selected the TSE’s Prime market, YAMASHIN-FILTER must strive for further enhancement of the overall level of corporate governance. Particularly regarding the composition of the board of directors, although the company currently has one executive director of US nationality, there are no female directors on the board, and this is an issue that we will need to address going forward. We will also be taking thorough steps to realize a continued strengthening of our corporate systems for compliance and risk management.

Going forward, we will continue to wholeheartedly promote measures aimed at realizing sustainability. I hope that this report will help to give all our stakeholders a more in-depth understanding of our company’s activities, and I look forward to receiving your continued guidance and support in the future.

End



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,” and with the aim of helping to realize a sustainable society, YAMASHIN-FILTER is contributing toward solving social issues relating to Environment, Air and Health, by making effective use of the strengths that we have cultivated in our filter business.

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

● 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 director, 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. Recently, the committee has been undertaking discussion regarding initiatives in response to the TCFD Recommendations.

Main Topics Addressed by the YSS Committee in FY2021

- Materiality commitment content
- Determining KPIs for each materiality theme
- Collating content relating to the TCFD Recommendations
- Risks and opportunities, and collation of Scope 1, 2 and 3 data, etc.



Implementing Identification of Materiality

Materiality Identification

Following the process outlined in the GRI sustainability reporting standards, and 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



Collation of issues

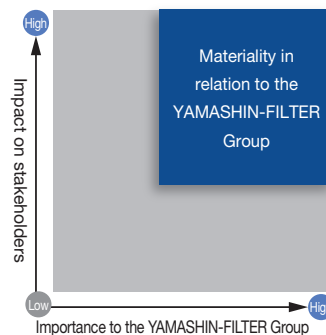
- Candidate materiality items were identified with reference to the items included in relevant guidelines and frameworks, considering their relevance to the YAMASHIN-FILTER Group’s business areas and key initiatives.
- Candidate materiality items were collated by theme from the two perspectives of the 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, ISO 26000, SDGs, ESG evaluation items from FTSE and MSCI

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.



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.
- Eight materiality items and the associated draft commitments were reported to and approved by the Management Conference.



The YAMASHIN-FILTER Group's Materiality and Commitments

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	Corresponding page	
Environment	Measures in response to climate change	<p>Climate change response measures and contribution to the realization of the post-carbon society</p> <ul style="list-style-type: none"> Realization of 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, demand for which is growing throughout the world 	<ul style="list-style-type: none"> Promotion of relevant initiatives through implementing the TCFD Recommendations Expanding the use of electric power derived from renewable energy sources 	10~14
	Designing value-added products	<p>Using filter technology to contribute toward reducing the burden on the environment and toward the realization of a resource-circulating society</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Creation of environmentally friendly products 	16
	Resource circulation and environmental burden reduction initiatives		<ul style="list-style-type: none"> Reducing the amount of waste generated Reducing water usage 	14
Air and Health	Contributing to people's healthy and safe lifestyles	<p>Preventing harm to health caused by environmental pollution – Contributing to enabling people to live with safety and peace of mind</p> <ul style="list-style-type: none"> Using filter technology to protect people from harm to health caused by environmental pollution and particulate matter (PM2.5). Using filter technology to further enhance indoor air quality Using high-level, high-functionality filter technology to protect people from infectious diseases 	<ul style="list-style-type: none"> Providing products that reduce health risks 	16
People and work	Contributing to filter technology innovation and to addressing society's problems	<p>Refinement and application of technology – Striving to provide the filter technology needed by society</p> <ul style="list-style-type: none"> Applying our unique technology to generate new value Refining our unique technology to create unprecedented new types of filters 	<ul style="list-style-type: none"> Developing new products No. of new patents secured Implementing communication and exchange with customers to address society's problems Participation in training 	15~16
	Creating high-motivation workplaces	<p>Motivated, engaged human talent – Realizing “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business”</p> <ul style="list-style-type: none"> Undertaking work with high motivation and with gratitude to and from customers, colleagues and family members 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 	<ul style="list-style-type: none"> Instilling our corporate philosophy of “仕濾過事” (Rokajinitsukafuru) or “Contribute to society through filtration business” in our employees Teleworking implementation rate Female manager ratio Hours of training per employee Zero serious occupational accidents 	19~21
	Creating workplaces in which diverse human talent can fulfill their potential			
	Promoting human rights awareness management	<p>Promoting human rights due diligence – Aiming to be a company that is trusted by society</p> <ul style="list-style-type: none"> Demonstrating respect for human rights throughout the value chain, and fulfilling our corporate responsibility Promoting human rights due diligence throughout the value chain 	<ul style="list-style-type: none"> Putting in place the systems needed to ensure respect for human rights Key suppliers survey implementation rate with regard to ESG issues, including human rights 	18, 21, 25

Our company has established an environmental vision: “Contribute to the creation of an abundant and sustainable society by taking responsibility for the natural environment of tomorrow.” To protect the global environment, we are constantly striving to develop new environmentally-friendly products and technologies while working to not only reduce the burden of our own business activities on the environment but also to continuously preserve the environment and prevent pollution.

Environmental Management

Materiality / KPIs

Measures in response to climate change

- Promotion of relevant initiatives through implementing the TCFD Recommendations
- Expanding the use of electric power derived from renewable energy sources

Initiatives aimed at promoting resource circulation and reducing the environmental burden

- Reducing the amount of waste generated
- Reducing water usage

To realize our company’s environmental philosophy, we have formulated an Environmental Policy. Based on this policy, we have put in place the necessary internal management systems, and we conduct our business activities in such a way as to minimize the negative impact on the global environment.

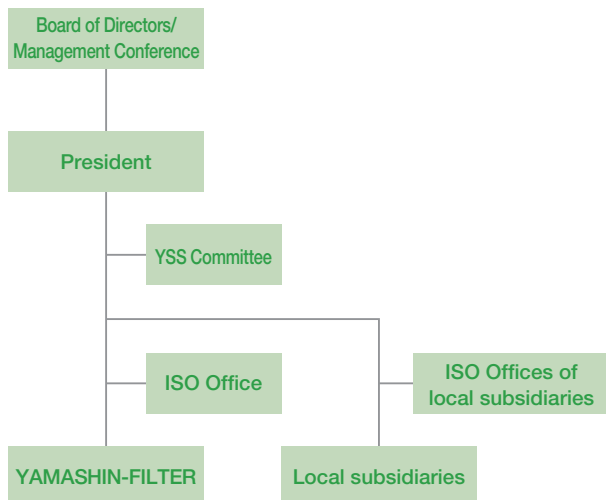
Environmental Policy

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:

1. Set environmental objectives and targets; then continuously work to improve on those areas, revising the targets as necessary.
2. Comply with all environmental laws, regulations, and other requirements and work to prevent environmental pollution.
3. Focus on the following areas regarding the environmental impact of our company’s business activities:
 - (1) reduce the amount of natural resources and energy consumed;
 - (2) improve the management of environmentally harmful substances and encourage their replacement with less hazardous versions;
 - (3) reduce the amount of waste produced and promote technologies for recycling products; and
 - (4) prevent environmental pollution and promote environmental conservation in surrounding areas.
4. 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 discuss company-wide initiatives relating to promotion of the SDGs and ESG. In addition, with support from the ISO Office (falling under the Quality Assurance Division and directly supervised by the President), not only our sites in Japan but also our factory in Cebu in the Philippines and our R&D facility in Suzhou, China, have secured ISO 14001:2015 certification, and are implementing environmental measures. YAMASHIN-FILTER is a manufacturing firm that uses large amounts of energy when manufacturing products, so the YSS Committee and ISO Office work together as needed to promote measures to reduce the burden on the environment.

It should be noted that, in FY2021, our company had no violations of environment-related laws or regulations, and was not required to pay any fines in relation to such violations.

Initiatives for Climate Change

As a global enterprise, we recognize that climate change, an issue that is global in scope, presents serious risks to management but also significant opportunities. With the aim of achieving carbon neutrality, we are working to realize a business model that contributes to climate change response strategies in terms of both products and production.

Our Response to the TCFD Recommendations

In May 2022, YAMASHIN-FILTER CORP. expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD)* Recommendations. Going forward, we will be working proactively to implement information disclosure in line with the TCFD Recommendations.



* Responding to a decision reached by the Group of 20 (G20), the TCFD was established by the Financial Stability Board (FSB) in 2015. The TCFD encourages business enterprises to evaluate the financial impact that the risks and opportunities associated with climate change will have on their business, and recommends disclosure in the areas of governance, strategy, risk management, and metrics and targets.

Governance

YAMASHIN-FILTER CORP. has put in place a governance structure in which the YSS Committee, which deliberates on climate change and other sustainability issues, plays a central role. The YSS Committee is chaired by the head of the Management Planning Office, who also serves as an executive director, and its membership comprises all of the company's executive directors (a total of about 20, including the President, the Senior Managing Executive Officer, and the Managing Executive Officer; see p. 7). The committee meets on a monthly basis and plays an important role in deliberating on risks and opportunities, formulating response strategies and KPIs, and monitoring KPIs and measures. The content of the committee's deliberations is reported to the Management Conference and to the Board of Directors. In this way, the response strategies discussed by the committee are reflected in the decision-making of the Board of Directors and Management Committee, and in the business management undertaken by the executive officers who represent each division within the company, and are integrated into overall corporate management.

Risk Management

In our company's risk management process, the relevant items are identified in line with the classification of transition risks, physical risks and opportunities prepared by the TCFD. When evaluating risks and opportunities, we performed quantitative assessment based on six items: frequency of occurrence, period of impact, extent of impact, impact on the company's core business, likelihood of actualization, and period of actualization. In the case of risks and opportunities where it is deemed that a more company-wide perspective is needed, we engage in more in-depth discussion with each division, which makes it possible to identify more important risks and opportunities. Based on the results obtained, we deliberate on the size of the financial impact, taking sales, etc. into account, and the final confirmation is made by the members of the senior management team.

Having identified the risks, we consider potential response strategies in line with climate change-related strategies, and we implement risk avoidance, mitigation and management. Draft response strategies are formulated by the YSS Committee, and in the case of strategies requiring company-level decision, the Board of Directors and Management Conference deliberate on the matter and make the final decision. Strategies that can be implemented immediately are rolled out by the executive officers who represent the relevant units, aiming to incorporate the strategy into regular business operations.

Strategies

Identification of climate-related risks and opportunities

We identify climate change-related risks and opportunities that are relevant to the Group in line with the classification proposed by the TCFD, and we categorize them as shown on the following page.

● Climate-related Risks and Opportunities

Classification		Content of risk or opportunity	Timescale	Extent of impact on business
Transition risks	Policies and regulations	Increase in costs relating to taxation imposed on the company's emissions due to the adoption of carbon tax	Long	Medium
		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, and production of which is responsible for the highest share of greenhouse gas emissions	Medium	Major
	Technology	Increased raw materials costs due to the replacement of filter media raw materials derived from petroleum with new materials derived from non-petroleum sources	Long	Major
	Markets	Rising price of aluminum, a key raw material for filter products, due to factors such as an accelerated shift toward electric vehicles in the automotive sector as a response to climate change	Long	Major
	Reputation	The strengthened bargaining position of customers such as mining-related firms can be expected to lead to reduced demand for products where a reduction in CO ₂ emissions cannot be anticipated	Long	Major
Physical risks	Acute risks (typhoons, etc.)	Reduced productivity due to supply chain disruption and work stoppages resulting from cyclones, typhoons, etc.	Long	Major
	Chronic (climate change, rising average temperatures, and rising sea levels)	Increased costs in relation to responding to the deterioration in the working environment within factories and the impact on the supply chain due to rising average temperatures	Long	Medium
Opportunities	Products and services	Increased opportunities for the manufacture and sale of long-life filters for use in construction machinery	Long	Major
		Increased opportunities for the manufacture and sale of NanoWHELP®	Medium	Medium
		Opportunities to expand the mask business, which relates to protection against infectious disease, as average temperatures rise	Long	Small to medium
		Increased opportunities for the manufacture and sale of high-performance filter products for use in construction machinery, to ensure compliance with new, stricter regulations governing exhaust gases.	Small	Medium
	Reputation	Increased capital investment due to expanded funding opportunities using sustainable FITs, etc.	Long	Major

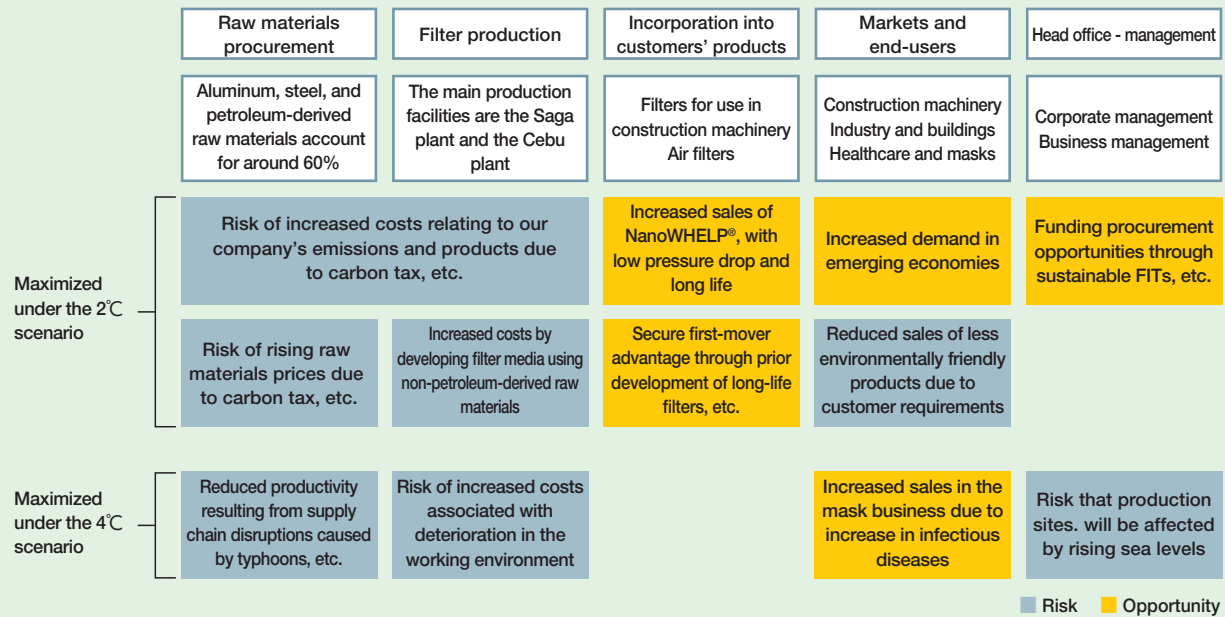
The Impact of the Risks and Opportunities on our Business, and our Medium- to Long-term Strategy

Climate change has the potential to impact the Group business over the medium to long term in areas such as raw materials procurement, filter production, incorporation of our products into customers' products, markets and the end-user. Other risks include the risk that carbon pricing such as the introduction of carbon taxes may cause costs to rise, the risk of a shift away from raw materials that generate substantial CO₂ emissions, and the risk that the supply chain and our own production sites will be affected by the increased frequency and severity of floods and storms resulting from continued climate change.

According to reports issued by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), we have posited a "4°C scenario" in which little progress is made with response measures to climate change, average temperatures rise by around 3.3 – 5.7°C by the end of this century, and there is maximum negative impact in terms of storms, flooding, and the effects on ecosystems. We have also posited a "below 2°C scenario" in which progress is made with response measures to climate change, carbon pricing systems are adopted (including carbon taxes, etc.), disasters are kept under control through active measures to promote a shift to alternative energy sources and control emissions, and average temperatures rise by around 1.5°C, significantly less than 2°C.

In order to avoid the worst effects of climate change, the first priority is to contribute toward keeping the average rise in global temperatures below 2°C. As part of this effort, our company's medium- to long-term strategy is to leverage our technological capabilities to develop and supply products that meet the needs of decarbonization and environmental protection, which should generate a major social impact, and transform our company's opportunities for growth and for revenue generation. Going forward, we will be proceeding with efforts to refine our estimates of the financial impact, develop concrete response strategies, and enhance risk management, based on the below 2°C and 4°C scenarios.

● Mapping of Risks and Opportunities

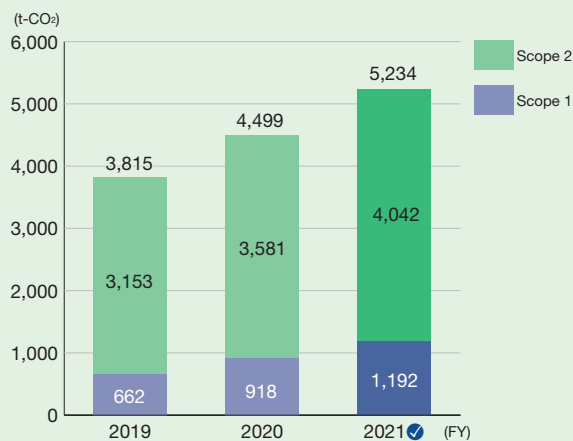


Metrics and Targets

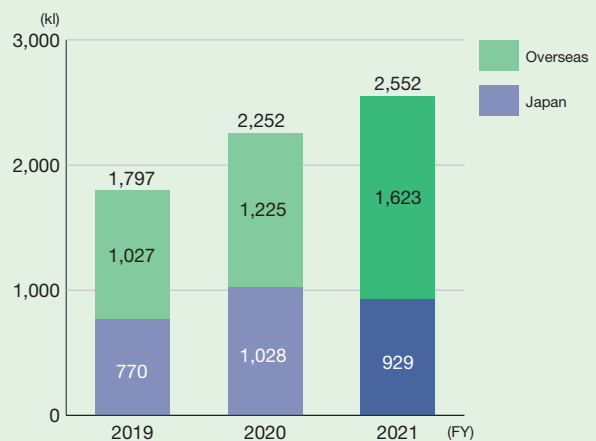
Our Group's Scope 1 emissions (direct emissions from the company itself) and Scope 2 emissions (indirect emissions associated with the use of electric power, etc.) totaled a combined 5,234 t-CO₂ in FY2021. The expansion of our business activities – including our move into the healthcare business, the establishment of a new R&D facility, the expansion of our overseas production sites, and the integration of AQC Corp. – led to an increase in emissions. At the same time, however, we have been implementing various measures, including the expanded adoption of electric power derived from renewable energy to keep CO₂ emissions under control. Going forward, we will be proceeding with initiatives aimed at minimizing the negative impact of our operations in regard to climate change.

We have positioned “Measures in response to climate change” as part of our materiality, and as commitments, we have decided to promote initiatives through implementing the TCFD Recommendations. Going forward, we will collate and disclose emissions data for the entire Group that includes Scope 3 data, and we will be proceeding with the formulation of targets for the reduction of CO₂ emissions over the medium to long term.

● Scope 1 and 2 Emissions*1



● Energy Use*2



*1 and *2: Scope of data collation: Consolidated, Group-wide data, with non-energy-derived greenhouse gas emissions also included. Due to rounding, totals may not correspond to the sum of the separate figures.

*2: Crude oil equivalent.

Measures Implemented In-house

Starting from 2020, we have been proceeding with the switchover to using electric power derived from renewable energy sources at our sites in Japan. In FY2021, the Yokosuka Media Laboratory procured a total of 114,155 kWh of electric power derived from renewable energy sources. The Saga Branch Office, which began operation in October 2021, has been designed so that electric power derived from renewable energy can be used for all of the electric power used by the plant. In FY2021, the Saga Plant was supplied with 1,294,000 kWh of renewable energy. The plant has also adopted an electric power monitoring system that allows the use of electric power to be monitored at the level of individual production lines, facilitating the visualization of electric power usage. By rolling out these measures at other sites both within and outside Japan, we aim to achieve further reductions in CO₂ emissions in line with the medium- and long-term emissions reduction targets that we will be formulating.

Measures Implemented through our Products

We are making steady progress in responding to climate change through our filter products, with nanofiber technology, which has a very limited impact on the environment, playing a central role. For example, by reducing the amount of waste generated through the development and production of filters with a longer lifespan and high-performance masks that can be used repeatedly, we aim to contribute toward reducing the burden on the environment in terms of reduced CO₂ emissions. (see p. 16). In addition, by striving to further enhance the functionality of the hydraulic oil filters used in construction machinery (by increasing precision and reducing pressure drop), we have made it possible for these filters to function well even with a relatively small amount of oil, which enables the oil tank to be made smaller and the construction machinery in question to be made more compact. This in turn reduces the amount of fuel used by the construction machinery, and thereby contributes toward reducing in CO₂ emissions.

Initiatives to Reduce Environmental Impact

Measures in Relation to Water Resources

YAMASHIN-FILTER recognizes that safeguarding and ensuring efficient utilization of the world's limited water resources is an important issue. Each individual site has set targets for cutting water usage and is working actively to reduce the amount of water used.

With regard to water quality management, wastewater generated by the Saga Plant undergoes microbiological treatment and filtering (physical treatment) using an extremely fine-meshed film, as well as pH adjustment (chemical treatment), so that the water quality conforms to the statutory requirements before the water is discharged outside the plant. Inspections by external agencies are performed on a regular basis, and the water quality of the plant's wastewater is consistently kept within the specified standards. Going forward, we will be examining concrete measures that can be applied at all our production facilities, including those located outside Japan.

● Water Usage

	FY2019	FY2020	FY2021
Water usage (m ³)	8,788	15,786	14,270

* Data scope: Yokohama Research & Development Center, Yokosuka Media Laboratory, and Saga Branch Office

Initiatives to Reduce Filter Waste

On-Site Initiatives

In our day-to-day operations, we are working to reduce our burden on the environment, for example by sorting waste at our plants and sales facilities, and by setting environmental targets for each individual item. Going forward, we will be promoting concrete measures, such as by monitoring the amount of waste generated by the YAMASHIN-FILTER Group as a whole, including our overseas production sites.

● Amount of Waste Generated

	FY2019	FY2020	FY2021
Cardboard (t)	20.5	31.4	41.7
Plastic (t)	89.3	391.8	324.1
Total waste (t)	109.8	423.3	365.9

* Data scope: Yokohama Research & Development Center, Yokosuka Media Laboratory, and Saga Branch Office

* Due to rounding, totals may not correspond to the sum of the separate figures.

Contribution Made through our Products

Besides contributing to energy-saving through the development of long-life filters and high-performance multi-use masks, we are also aiming to use nanofibers to build a product recycling system.



By aiding the sustainable growth of society through our business, YAMASHIN-FILTER will enhance its corporate value while contributing to the achievement of a sustainable society.

Research and Development

Materiality / KPIs

<p>Creating and providing environmentally friendly products and products that reduce risks to health</p>	<p>New product development</p>	<p>No. of patents obtained: 103 (both within and outside Japan)</p>	<p>Communication with customers aimed at addressing social issues</p>	<p>Participation in training (once a year)</p>
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Research and Development Policy

We have set the environment, air quality, and health as the core social issues that we should contribute to solving. As a comprehensive filter manufacturer, we engage in research and development to create high-value-added products, with a focus on the three areas of construction machinery filters, air filters, and healthcare.

Research and Development Structure

As a specialist filter manufacturer, YAMASHIN-FILTER aims to undertake fast-paced R&D, implementing new product development in a way that responds to customers' expectations and society's needs. In line with our R&D policy, planning and development proposals are collated by the R&D Division and used to initiate new projects. The determination as to whether projects should continue is made through design review and meetings attended by members of senior management.

More than 70 employees are involved with R&D, which is a very large number for a company of our size. The Yokosuka Innovation Center, which began operation in February 2022, brings together the functions that were formerly performed at the Yokohama Research & Development Center (in the Sugita district of Yokohama) and at the Yokosuka Media Laboratory. There are also R&D personnel at the Saga Branch Office and in the R&D Section of Yamashin Filter (SIP) Technology Inc. in Suzhou, China.

Our R&D facilities are responsible for medium-term development (new product development) of product categories that the Development Design Department and R&D Department view as being needed in one to five years' time, and for research aimed at accumulating the fundamental technologies that we need as a manufacturer from

a long-term perspective (fundamental research).

In this way, by enhancing our ability to develop and provide the products needed by customers and by the market, our R&D units constitute the foundation underpinning the Group. In FY2021, we worked to further strengthen the R&D structure by setting materiality KPIs.

Setting of Research and Development Goals

In our research and development goals for FY2021 (our 67th term), we selected the following development themes, including that of our next-generation model filters, and worked to generate results.

Major Development Themes for FY2021

- Development of filters for next-generation models (aeration measures, etc.)
- Development of ICT filters (differential pressure sensors, etc.)
- Filters for agricultural machinery
- Development of products using nanofibers, etc.

Collaboration with Research Institutes

Together with the New Energy and Industrial Technology Development Organization (NEDO), we are conducting research and development on sensing devices that enable ultra-fine dust detection not easily achieved with existing IoT technology and that also enable operation and measurement in harsh environments in which large-scale temperature distributions and dynamic currents are present.



TOPICS

New Product Development

Environmentally friendly Products

- Long-life filters for use in construction machinery – Realizing a lifespan 2.5 times that of conventional products

In August 2022, we completed commercialization of a model new return filter for use in large-sized construction machinery, and a new line filter, both of which use nanofibers. Whereas conventional return filters made only from glass fiber require changing after 1,000 hours of use, the new return filter, which combines nanofibers with glass fiber, can be used for 2,500 hours (2.5 times as long), representing a substantial improvement in product lifespan. We have also achieved an extended lifespan of 2,000 hours for the new line filter.



Model new return filter for use in large-sized construction machinery (left), and new line filter (right)

- A Fusion of Filters and ICT – FILTER SAVER[®], SWIFTROCK[®]

Filters for construction machinery are consumable items that remove dirt and need to be replaced. Conventionally, filters that are still usable are replaced according to pre-determined hours of usage, regardless of the amount of soil in the filter.

Making effective use of information and communications technology (ICT), our company has developed FILTER SAVER[®], which makes it possible to check the degree of filter clogging, enabling prediction of the replacement period and filter lifespan. Regarding abrasive contamination, which is the top cause of malfunctions in hydraulic and



lubrication systems, we have developed SWIFTROCK[®], which can detect the start of abnormal abrasion, which is the main cause of malfunction. These technologies not only reduce cost for customers, but also lead to a longer product lifespan and more effective use of resources.

Products that Reduce Risks to Health

- Air filter products

Our NanoWHELP[®] which is made from YAMASHIN Nano Filter, is highly environmentally friendly and is the only medium- to high-performance air filter made by a Japanese manufacturer*1 that has achieved a Minimum Efficiency Reporting Value (MERV) rating of 14**2, the highest level for building air-conditioning units. NanoWHELP[®] has been adopted for use in a wide range of facilities, including office buildings and factories. We have also launched the KOSOFURU medium-performance lytic enzyme air filter. The enzymes (derived from natural sources) that are integrated with the filter have the property of rendering viruses and microorganisms inert, and are being sold to food manufacturing plants, etc.

*1 Based on our company's survey.

**2 The ASHRAE 52.2 (2007) US filter standard lists MERV ratings from MERV 1 to MERV 16. A rating of MERV 14 denotes particle size efficiency (representing the ability to capture particles of specific sizes) of at least 75% but no more than 85% for particles between 0.3 and 1 micron in size.



NanoWHELP[®] (left) and KOSOFURU (right)

- Development of Ultimate YAMASHIN Filter Mask[®]

In response to the disappearance of masks from stores for some periods during the COVID-19 pandemic, we began developing masks in early 2020. We conducted development of filter media, examination of form designs, verification, and evaluation at an unprecedented speed in the industry, and in May 2020, we launched sales online. This action has contributed to controlling the spread of contagion (see p. 22).

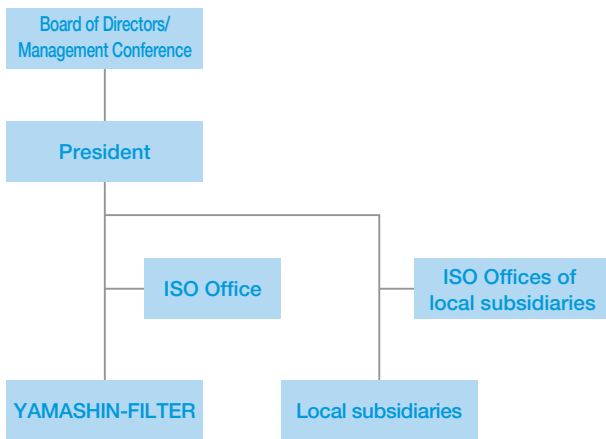
Quality

Quality Policy

Our company has acquired a certification for ISO9001:2015 (JIS Q 9001:2015), the international standard for quality management systems. Under our in-house ISO Office, we carry out quality control based on relevant regulations.

Structure for Quality Control

● Diagram of Quality Control Structure



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.

In the event of a serious defect, the matter is placed on the agenda of the Management Conference for deliberation on the cause and on the appropriateness of countermeasures.

Initiatives Concerning Quality Control

■ 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. At our Vietnam Plant, which began operation in April 2022, we are implementing thorough quality management, for example through the provision of on-site guidance.

Improvement activities at our production sites are constantly ongoing, and change is always taking place. We proactively make continual improvements, however small, to increase operating rates and reduce equipment downtime.

■ Human Resources Development

Going beyond simple communication of the content of tasks, we conduct education for all workers 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. We also encourage employees' growth into versatile human resources who can perform a variety of tasks through the acquisition of multiple skills, and we encourage employees to undergo external training.

■ 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 are also proceeding with 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.



Workers checking work procedure documents on a device during a manufacturing process

Materiality / KPIs

Implementing an ESG Survey of Key Suppliers, Including Human Rights Issues

100%

Supply Chain Management

Responsible Procurement and Contribution

Our company has over 200 suppliers, about half of which are overseas companies located in the Philippines, China, Vietnam, and other countries where we have plants. We procure and purchase from local companies as much as possible when the quality level of procured items meets our standards. We do so with an awareness of the importance of indirectly contributing to the expansion of local employment and economic revitalization. In 2021, we began outsourced production of masks in Nanae, Hokkaido, earning praise from the town for creating new employment opportunities.

We also perform proper management of chemical substances in accordance with each country's standards, and we ensure that neither we nor our suppliers make use of conflict minerals.



Inauguration ceremony for the plant established to make masks using our filters (December 2020)

Collaboration with Partner Suppliers

During the COVID-19 pandemic, we managed to prevent interruptions of supply through communication that included consistent weekly meetings, particularly with important business partners. Prior to the pandemic, we conducted visits and held regular meetings with 30 to 40 suppliers annually and we currently hold online Partners Meetings and Operational Coordination Meetings on a quarterly basis to exchange ideas. More recently, we have been able to share information on supply chain sustainability issues, and the results of our Sustainable/CSR Procurement Self-Assessment Questionnaire with 26 participating companies from around the world.

Supplier Evaluations

We conduct audits to evaluate raw material and component suppliers in terms of quality, cost, and delivery performance, as well as to evaluate management aspects such as legal compliance, finances, and safety and environmental management. During the COVID-19 pandemic, we implemented monitoring of suppliers' production facilities online.

Starting from 2022, we have begun implementing a Sustainable/CSR Procurement Self-Assessment Questionnaire targeting around 30 of our key suppliers. The average score obtained by the 22 suppliers that responded to the survey was nearly 90, indicating that a majority of suppliers were implementing sustainability-related measures at a high level.

● Sustainable/CSR Procurement Self-Assessment Questionnaire



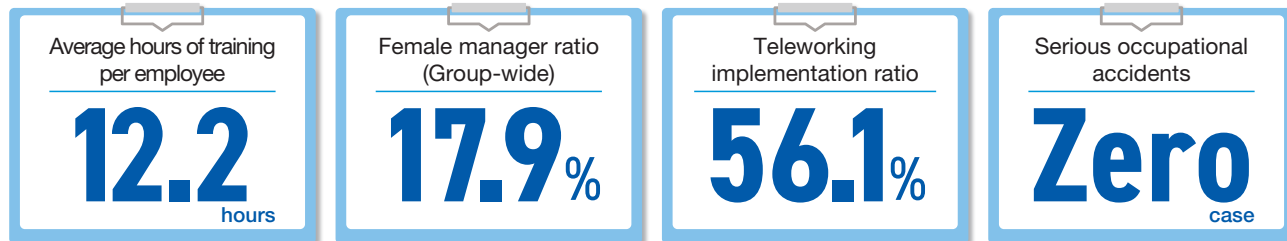
By conducting regular ESG surveys of our suppliers, covering issues that include human rights, we are working to address sustainability-related issues in the supply chain.

BCP in the Supply Chain

As many supply chain disruptions occurred during the COVID-19 pandemic, the risk of reliance on a limited number of suppliers was highlighted. Our company took this opportunity to decentralize our procurement, and we worked toward risk reduction based on diversification of our procurement areas. We also encourage existing suppliers to undertake diversification of procurement.

Human Capital and Respect for Basic Human Rights

Materiality and KPIs



YAMASHIN-FILTER recruits and trains employees so as to achieve our strategy of global expansion and business diversification. We set diversity as the foundation for ensuring that we have the talented personnel we need, and we conduct management with respect for the human rights of all people.

Approach to Securing Talented Personnel

- Cultivate the leaders of the next generation by selecting individuals with high potential and using 360-degree feedback.
- Systematically train those individuals for future managerial positions.
- Create a system for securing and developing young talent with a focus on optimizing the deployment of human resources.
- Consider the use of outsourcing to compensate for personnel shortages.

Human Resource Development

Against the backdrop of diversification of our company's business and further global expansion, our human resource needs are growing faster than ever. The systematic development of future managerial candidates and other next-generation leaders is an important issue for management. As a company that maintains in-house functions ranging from development to production and sales, the transmission of development methods and production technologies is another issue for us. Recognizing this, under the direction of top management, our HR department liaises with each operational division to promote hiring and to ensure our workforce has efficient personnel.

As an initiative to develop the human resources who will carry us into the next generation, we are studying the introduction of a talent management system. We are implementing measures for the improvement of motivation, the appropriate matching of personnel to assignments based on evaluations of potential, the abolition of seniority-based personnel systems through appropriate personnel evaluations, the introduction of a global matrix into personnel evaluations for overseas Group managerial positions, the optimization of personnel systems, job rotations, and more.

We also regularly conduct training according to position classification.

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.

Morning Sessions

Hands-on training in 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 two months.

● Training Data (FY2021) (Non-consolidated)

Total hours of training	2,310
Training hours per employee (average hours)	12.2
Training days per employee (average days)	5.4



New Employee Training

Globalization and Localization of Human Talent

Our sales companies in the US and Europe are headed by a US national. At the Cebu Plant, our largest plant, one out of five directors, three out of seven general managers and four out of nine managers are Philippine nationals. Under fair evaluations of personnel, decentralization is steadily progressing, including localization of executive talent. After the COVID-19 pandemic, while remote communication has become the norm, we previously arranged two information-exchange opportunities to bring managers of overseas subsidiaries to Japan every year. Through this, we have deepened personal interaction with the Head Office staff and provided support for the further growth of overseas managers.

● No. of Local Managers Appointed at Overseas Sites

	FY2019	FY2020	FY2021
No. of local managers employed at overseas sites (persons)	20	22	29

Taking Into Account the Need for Diversification of Human Resources

As noted earlier, three of our six overseas companies are already headed by managers from their respective countries. 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 prior to the COVID-19 pandemic, are an important part of diversity initiatives to be carried out in line with globalization.



Christmas at the Cebu Plant (before the COVID-19 pandemic)

We also recognize that promoting women's 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.

Regarding the effective utilization of older workers, we have set the retirement age at 60, and we will be working to promote talent diversification in this area, for example by promoting the re-employment of those employees who have reached retirement age.

● Data Relating to Diversity & Inclusion (FY2021)

Item	Performance
Female employee ratio (non-consolidated)	23.3
Female manager ratio – Group-wide (non-consolidated in parentheses)	17.9(2.3)
Wage disparity between male and female employees (non-consolidated)	75.2
Percentage of male employees taking childcare leave (non-consolidated)	0
Disabled persons employment rate (non-consolidated)	1.6

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-from-home, and in FY2021 we set a numerical target of 60% for the implementation of working-from-home when the pandemic was at its height. The annual average working-from-home rate was 56.1% in the Yokohama region where the company's offices are located (see p. 26).

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 FY2021, the percentage of employees returning to work after taking childcare leave was 100%.

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

	FY2019	FY2020	FY2021
Overtime work hours (Average hours per month)	4.08	7.77	14.77
Rate of return to work after childcare leave (%)	100	100	100
Rate of taking of paid leave (%)	61.4	47.2	65.1

Health Promotion and Occupational Health and Safety

In an effort to detect deterioration in physical condition at an early stage, we conduct monthly health consultations by industrial physicians along with yearly stress checks for employees. Since 2021, we have also been coordinating COVID-19 vaccinations for our employees.

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 to protect the safety and health of employees. Every month, we convene Health Committee meetings at the Head Office and at the Yokosuka Innovation Center, which started operation in February 2022, and Occupational Health and Safety Committee meetings at the Saga Plant, in accordance with relevant laws and regulations. At these meetings, we 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 2021, with 24 participants, included education on why disasters occur (Heinrich's law), risk prediction training (KYT, Kiken Yochi Training in Japanese), work procedures, and safety devices.

We also conduct regular safety patrols at our plants to detect any repairs that are needed from a safety standpoint, and to check the status of work operations that involve safety, as part of our efforts to prevent accidents. As an example, at workplaces that use Class 2 organic solvents capable of affecting humans, we assign an Operations Chief of Organic Solvents and install local exhaust equipment, prepare protective gear, and post information on methods for handling the materials.



Safety patrol at the Saga Plant

As regards occupational accidents, FY2021 saw a decrease in the number of occupational accidents compared to the previous fiscal year. There were no serious occupational accidents, such as those involving fatalities. Going forward, we will continue striving to prevent the occurrence of occupational accidents through continued, thorough implementation of safety measures.

● Occupational Accidents

	FY2019	FY2020	FY2021
No. of occupational accidents (cases)	3	6	3
No. of serious occupational accidents (cases)	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 we support related global principles and international standards, such as the United Nations' Guiding Principles on Business and Human Rights, which have been approved by the U.N. Human Rights Council, and the OECD Guidelines for Multinational Enterprises. To ensure that there are no instances of human rights violations such as forced labor or child labor, we rigorously comply with the law in every country in which we operate.

For us, it is vitally important both to safeguard the fundamental human rights of everyone that our company is involved with, and also to create an employee-friendly working environment. 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. 25). In FY2021, no requests for consultation were submitted. In addition, 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.

Going forward, we intend to take measures such as performing human rights risk assessment, with the aim of implementing human rights due diligence throughout the value chain.

Contribution to Social Development

Acting as a corporate citizen engaged in business around the world and holding to our spirit of “Contribute to society through filtration business,” 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 ordinary 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 YAMASHIN Filter Mask® 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.



The JR Tokai Group's Nagoya Marriott Associa Hotel planned a concert to commemorate the hotel's 20th anniversary. The orchestra club of the Nanzan School Corporation Holy Spirit Junior & Senior High School was scheduled to perform, but the brass section was unable to attend practice due to inability to avoid dispersing aerosol particles while playing. Learning of this situation, we offered backstage support for the concert by providing our products, particularly Brass Guards.



Brass Guard: The filter, specially designed for trumpet bells, suppresses aerosol particle dispersion while playing with little effect on sound quality

Provision of Oil Absorption Filters

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

Activities at the Cebu Plant

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 CO₂ emissions. We also participated in drainage ditch clearing events and coastal cleanup events in collaboration with local NGOs and with Lapu-Lapu City, the site of our Cebu Plant. Recently, we have been collaborating with other companies located in the same industrial district on clean-up events.

Going forward, as a company that employs over 600 people in the area, we will continue making contributions to regional development on Cebu.

We believe that building strong relationships of trust with stakeholders and enhancing corporate value by ensuring soundness, appropriateness, and transparency in management is the role corporate governance must play. We are making efforts to secure an optimal system for achieving this.

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 outside 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 operations. In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as needed.

The Management Conference, a deliberative body in our management system, is a venue for discussing and resolving key management 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 operations. Our outside 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 risk relating to the conduct of business 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. Both committees function as advisory bodies to the President, with the goal of further strengthening corporate governance.

Composition of the Board of Directors

Internal Directors

Representative Director



Chairperson

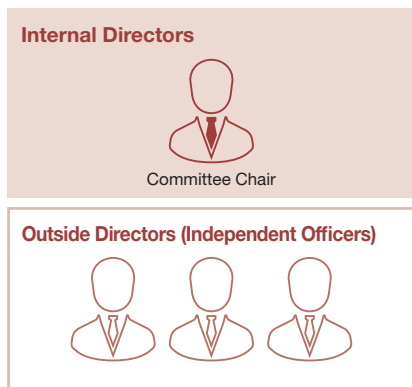
Outside Directors (Independent Officers)



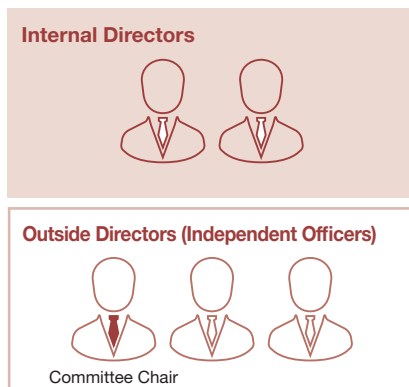
Performance in FY2021

- Number of Board of Directors meetings **24** times
- Board of Directors meeting attendance rate **97**%
- Number of Management Conferences held **12** times
- Management Conference attendance rate **98**%

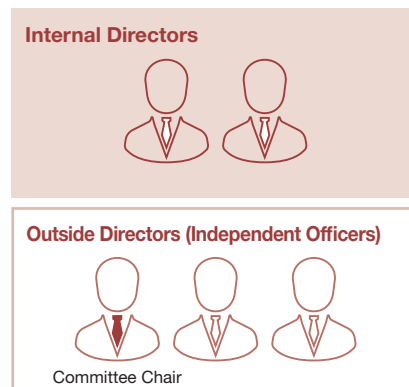
● Composition of the Audit and Supervisory Committee



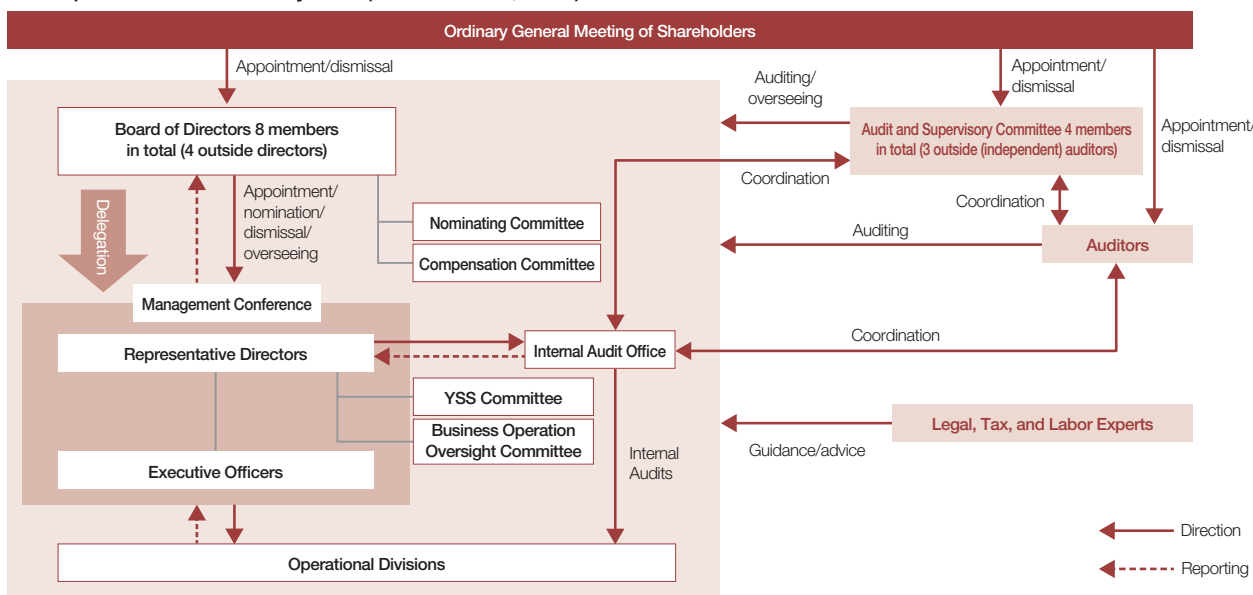
● Composition of the Nominating Committee



● Composition of the Compensation Committee



● Corporate Governance System (as of June 27, 2022)



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 outside 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.

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 FY2021, 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 outside directors on the board, and other aspects. We will continue our efforts to strengthen the expertise and diversity of directors with regard to business operations, 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.

Compliance / Risk Management

Our company has established a Basic Policy on Compliance 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.

Basic Policy on Compliance

Our Basic Policy on Compliance establishes 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 “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 Basic Policy on Compliance in 2011, we have conducted twice yearly training for directors and employees as well as ensuring that they received such training when entering the company, and we have provided information on training 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.

Corporate Standards of Conduct

We will maintain awareness of our corporate social responsibilities, comply with all laws, regulations, and rules, and act in line with social mores, as follows.

1. We will always provide compelling products and services, and we will strive to increase the satisfaction and trust of our customers.
2. We will comply with all laws, regulations, and rules, and will engage in sincere and fair corporate activities based on social ethics.
3. We will continually enhance our value as a company and aim to achieve transparent management.
4. We will respect the individuality and the human rights of our employees, and we will strive to create comfortable working environments for our employees.

Management Structure

Acting on the basis of our Basic Policy on Compliance, 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 with the aim of monitoring risk relating to the conduct of business by Group companies, and of supporting assessment operations when internal audits are conducted. The committee functions as an advisory body to the President, strengthening our support system for ensuring that Group companies 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 line with our Internal Reporting Management Rules, we have set up an internal point of contact on our intranet and an external point of contact at an outside law firm, and made it possible for whistleblowers to submit reports anonymously. We have also adopted measures to prevent any disadvantageous treatment of whistleblowers for having made such reports. Six years have passed since we began operating the system, and in FY2021, no reports were received. To date, there have been no major compliance violations such as illegal behavior or human rights violations such as harassment.

No. of Whistleblowing Reports

	FY2019	FY2020	FY2021
No. of whistleblowing reports (cases)	0	2	0

Initiatives for the Prevention of Corruption

Acts of bribery seriously undermine trust in a company. Our Basic Policy on Compliance clearly prohibits bribery, graft, entertainment of civil servants, and other acts of corruption. We enhance awareness among directors and employees (including temporary workers) through education and training on the content of this policy. In FY2021, we conducted online training on compliance and insider training, with a total of 236 employees participating. No political contributions were made in FY2021.

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.

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.

Digital Platform Development and Information Security

Cybersecurity and Information Security

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 composing 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 ERP (Enterprise Resource Planning) 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.

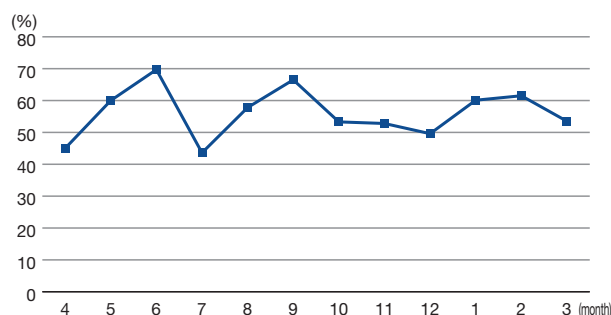
Promotion of Digital Transformation (DX)

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.

Development of Infrastructure for Working-from-home

Teleworking, which has now become the norm, requires strong security measures. With the goal of realizing workstyle reform, we had been preparing for working-from-home even before the COVID-19 pandemic; when the pandemic began, we were able to make a smooth transition to working-from-home for employees. In FY2021, with the pandemic at its height, we set a target working-from-home rate (for employees in the Yokohama region where our offices are located) of 60%; the average annual working-from-home rate in this year was 56.1%. This can be considered high relative to other companies of a similar size.

● Working-from-Home Rate (FY2021)



Independent Assurance Statement



Sustainability Accounting Co., Ltd.

Independent Assurance Statement

September 28, 2022

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) CO₂ emissions during the fiscal year 2021, 1.19kt-CO₂ (Scope 1), 4.04kt-CO₂ (Scope 2, market-based). The purpose of this process is to express our conclusion on whether the CO₂ emissions was calculated in accordance with Company's standards. The Company's management is responsible for calculating the CO₂ 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 CO₂ 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 CO₂ 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.

A handwritten signature in black ink, appearing to read 'Takashi Fukushima', is written over a light blue horizontal line.

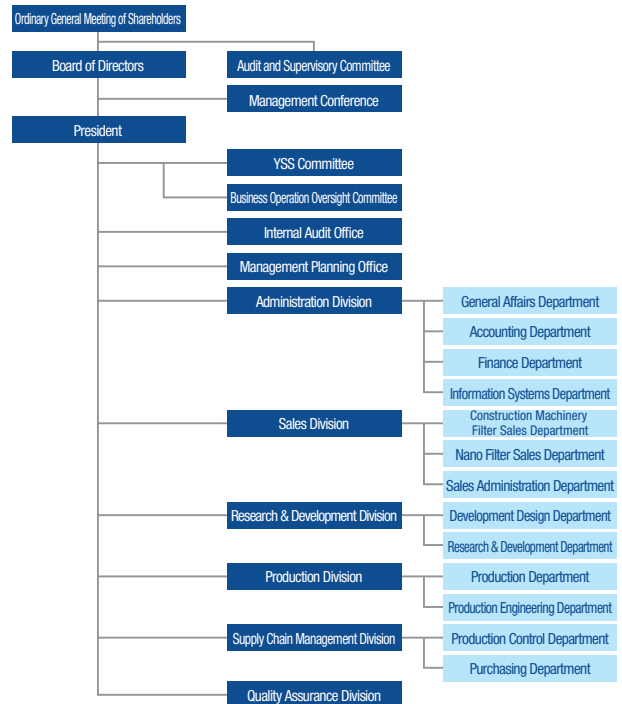
Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.

Company Profile

Basic Information

Corporate name	YAMASHIN-FILTER CORP. (old name: Yamashin Filter Manufacturing Corporation)
Head office	16th Floor, Nisseki-Yokohama Bldg., 1-1-8 Sakuragi-cho, Naka-ku, Yokohama 231-0062, Japan
Established	April 5, 1956
Description of business	Manufacturing, development and sales of filters for construction and agricultural machines, drive-train, fuel systems and various filter products for industrial and precision machines and industrial filter related parts. Manufacturing, development and sales of nano filter products.
Capital	6,473 million yen
President	Atsuhiko Yamazaki
FY-end	March 31st

Corporate Organization



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





YAMASHIN-FILTER CORPORATION
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Phone: +81-45-680-1671 / Fax: +81-45-680-1681

Security code **6240**

<http://www.yamashin-filter.co.jp/>

