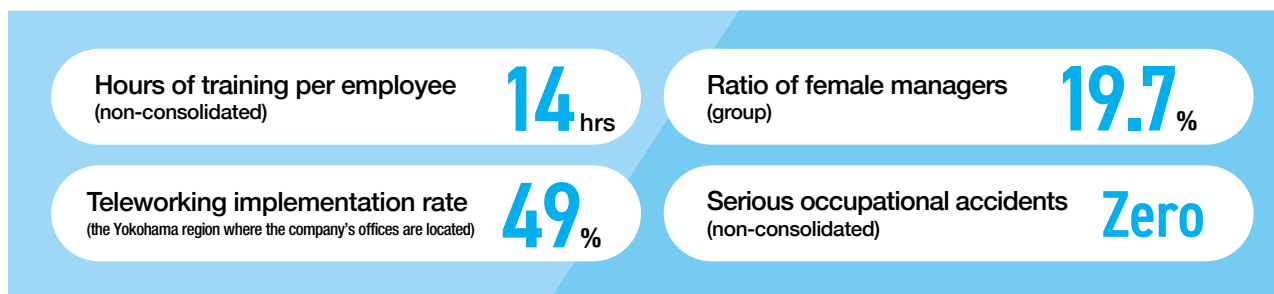


Human Capital and Respect for Basic Human Rights

● 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

● 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

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

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

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