

MIKUNI

CSR REPORT 2020



Moving into the future >>>

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Editorial note

This report is published to introduce Mikuni Corporation's CSR initiatives, to improve communication with its stakeholders, and to deepen their understanding of Mikuni Corporation.

Reporting scope and boundaries

The principles, policies, etc. in this report are common to the entire group, and some of the activity reports include those of group companies in Japan and overseas.

Reporting period

This report covers the following period. However, where it is appropriate to present historical background and data or recent examples, we report on content outside of this period.

April 1, 2019 - March 31, 2020

Publication

Current issue: October 2020

Next issue: October 2021 (scheduled)

Guidelines used as reference

This report uses the following guidelines as a reference.

- Ministry of the Environment (Japan): Environmental Reporting Guidelines (2018 Edition)
- Global Reporting Initiative (GRI): Sustainability Reporting Standards
- Japan Auto Parts Industries Association: CSR Guidebook (2010)



We take our social responsibilities seriously and deeply consider the impact of our activities on the earth and society, and we would like to share our thoughts with our stakeholders.



Dear Readers,

I would like to express my sincere gratitude for your continued support and understanding of Mikuni's activities.

In the past, we have published annual "Environmental Report" summarizing our environmental activities, however, we have now compiled a "CSR Report" for the first time because we believe it is essential to report not only on the environment but also on our broader social responsibilities to our stakeholders. Mikuni established its current corporate philosophy in 1989. This corporate philosophy reflects the idea of Corporate Social Responsibility (CSR) that was already present at Mikuni at that time: "With a global perspective, Mikuni will contribute to the realization of an affluent society by making full use of our human resources and technology." Looking back, I am proud to say that Mikuni has promoted CSR activities by putting its corporate philosophy into practice.

Meanwhile, in 2015, the United Nations unanimously adopted the Sustainable Development Goals (SDGs) to realize a world where "no one is left behind."

The 17 goals of the SDGs include targets that Mikuni can help achieve through its ongoing activities. We believe that by conducting our activities in accordance with our corporate philosophy, Mikuni will be able to realize a cycle of increasing the sustainability of the earth and society, as well as the development of Mikuni itself.



Mikuni will celebrate its 100th anniversary in 2023. The medium- to long-term management plan "VISION 2023," which sets 2023 as the target year, aims to enhance the value of our presence in the industry and the region, and to become a sustainable, highly profitable company based on "Monozukuri*." Fiscal 2020 is the second year of the VISION 2023 Final Stage, but the global spread of COVID-19 has caused us to reexamine not only our medium- and long-term plans, but also our own social responsibilities.

In the year 2020, when we are inexorably reminded of how closely connected the world is, I believe it should not be a mere coincidence that we are able to introduce our first CSR Report to our stakeholders. With the spread of COVID-19 causing various influences in various fields, I would like to take this opportunity to reconsider our social responsibilities more seriously and to think about the impact of our activities on the earth and society on a new perspective with our stakeholders, without being bound by conventional thinking.

This CSR Report encompasses the contents of the former Environmental Report and adds qualitative information, such as our relationship with society, which we have had few opportunities to report. We look forward to receiving your frank and honest opinions.

Mikuni will continue to work toward the realization of a sustainable society while remaining true to our corporate philosophy. Your continued support will be greatly appreciated.

Yours sincerely,

Hisataka Ikuta
President, CEO & COO

* "Monozukuri" is a Japanese term to describe the process of creating superior products through the pride of workmanship, manufacturing excellence, and continuous improvement.

Our Basic Approach

Based on its corporate philosophy, the Mikuni Group is promoting business activities with the aim of becoming a sustainable, highly profitable company that is needed by society, with "safety and quality," "compliance," and "health and education" as the foundation of all its activities.

The Mikuni Group recognizes its responsibility as a global corporation to its current and future stakeholders, and in order to fulfill this responsibility, we have established various policies, including the Compliance Code of Conduct and Code of Ethics Declaration, the Basic Quality Policies, the Basic Environmental Philosophy and Environmental Policy, the Basic Safety Philosophy and Occupational Health and Safety Policy, and the Basic Information Security Policy and Code of Conduct on Information Security, which each and every employee of the Group is working on in a "serious" manner.

Although the terms "CSR" and "sustainability" were not explicitly used in the activities of the Mikuni Group, we have been working on individual items for many years.

CSR Issues to be Addressed (Materiality)

In the automotive parts industry, which accounts for more than 60% of the Mikuni Group's consolidated net sales, the Japan Auto Parts Industries Association (JAPIA) has published the CSR Guidebook (last revised in 2010) as a common understanding of CSR among its member companies. As a result, the CSR-related requests from customers to Mikuni are mostly based on the CSR Guidebook. The content of the CSR Guidebook is consistent with the Charter of Corporate Behavior issued by the Japan Business Federation (Nippon Keidanren) and initiatives to achieve the SDGs adopted by the United Nations, and we believe that the content of the CSR Guidebook represents the CSR issues expected by customers and society. The Mikuni Group recognizes the eight areas outlined in the Japan Auto Parts Industries Association's CSR Guidebook as "materiality" CSR issues that must be addressed, and conducts its activities accordingly.



1. Safety and Quality

The products, goods, and services of the Mikuni Group are related to the safety of Mikuni's customers and the customers (end users) who use those products. In order to put into practice one of our management policies, "Management of quality-first manufacturing and services with consideration for safety and the environment," we have made "safety and quality" one of the foundations of all our business activities, and are working to improve the quality of all our operations as well as the quality management activities of each business segment.



2. Human Rights and Labor

Our employment regulations state "respect for the Universal Declaration of Human Rights and International Labor Standards," and "prohibition of human rights violations such as child labor, forced labor, and other similar acts," while the Mikuni Group Compliance Code of Conduct and Code of Ethics Declaration also state "respect for human rights" and "prohibition of discrimination." As a manufacturing company, we have been focusing on occupational health and safety activities, but in order to further improve these activities, the entire Mikuni Group is working together to acquire ISO 45001 certification.



3. Environment

We have established our Basic Environmental Philosophy and Environmental Policy, and are implementing a wide range of environmental measures. In particular, to reduce energy consumption, we have organized Energy Conservation Committees at each of our business sites, and are conducting activities to reduce energy consumption by upgrading to energy-saving equipment and eliminating losses due to waste.



4. Compliance

The Compliance Committee, chaired by a director appointed by the Board of Directors, implements compliance-related measures and responds to internal reporting. The Company has prepared and distributed to all employees a compliance manual that describes the Mikuni Group's approach to compliance, the Compliance Code of Conduct and Code of Ethics Declaration, and specific compliance examples. In addition, we conduct annual compliance training (e-learning and classroom lectures) for all employees, including temporary employees, and check their level of understanding through tests.



5. Information Disclosure

Mikuni's basic policy is to disclose appropriate information in a timely and fair manner in order to deepen the understanding of shareholders, investors, and other stakeholders. In accordance with this basic policy, we provide information to our stakeholders through our website, the media, and various other means. This CSR report is also a part of our information disclosure.



6. Risk Management

The Risk Management Committee, chaired by a director appointed by the Board of Directors, identifies and analyzes the factors that cause risks in various fields, and implements measures to avoid the emergence of risks and minimize losses when risks emerge. In the event that a risk materializes, we will set up a crisis response and recovery task force which we call General Headquarters (GHQ) headed by the President and CEO, and implement crisis countermeasures to ensure business continuity while placing the highest priority on human life.



7. Social Contribution

As a corporate citizen, we actively participate in local events in order to coexist with the communities in which our business sites are located, and we invite local residents to our events in order to promote better communication.



8. Development of CSR issues in-house and with suppliers

Through various training programs based on our Corporate Philosophy and Compliance Code of Conduct, we have instilled the basic concept of CSR in all our employees. We have also made our suppliers (business partners) aware of the issues in each individual field through activities led by the procurement division, and have now issued the Supplier CSR Guidelines to ensure that they understand the issues more clearly than before and share awareness throughout the supply chain.

Mikuni's Efforts to Realize the SDGs



By carrying out activities that are true to our Corporate Philosophy, Mikuni will realize a cycle of increasing the sustainability of the earth and society, and developing Mikuni itself.



Operation of the Environmental Management System

We consider the entire process from product design and development to manufacturing, sales, use, and disposal as "monozukuri (manufacturing)" and are working on activities to continuously reduce the burden on the environment.



Contributing to Comfortable Transportation

We develop and manufacture system products that realize energy conservation and low emissions for automobiles and motorcycles.



Outboard Engine Market Expansion

We are supporting the modernization of the fishing industry with outboard Engine products.



Gas use that is Safe and Comfortable

Utilizing our flow control technology, we supply gas accident prevention products to manufacturers of kitchen appliances and water heaters.



Respect for Diversity

We are committed to fair evaluation and support for skill development regardless of nationality or gender.



Craftsmanship that Prioritizes Safety and Quality

We aim to be a sustainable manufacturing company by emphasizing product safety and quality and safety in manufacturing.



Promotion of Health and Productivity Management

We are promoting employee health by raising health awareness through our Declaration of Health and Productivity Management and utilizing health-related statistical data.



Welfare and Nursing Care Equipment Business

We support the creation of an environment in which all people can move freely.



Strengthening Ties with Local Communities

We are actively participating in local activities.



Stakeholder Engagement

In order to coexist and grow sustainably with the society that surrounds Mikuni, we have been working on VISION2023, a mid-term management plan targeting 2023, the 100th anniversary of our founding, since fiscal 2013 as the foundation of our management. We believe that in order to be recognized and needed as a company that contributes to a society where sustainable development is possible, it is important to continue to manufacture products that please our stakeholders as well as to engage in dialogue with them. To achieve this goal, we will continue to accurately understand the needs of our stakeholders through dialogue, address the issues of the community and society, and promote "quality-first manufacturing and service management with consideration for safety and the environment," which is one of our management policies, in order to contribute to the "realization of an affluent society" as stated in our corporate philosophy.

Customers

The Mikuni Group's customers include individuals and a variety of corporate customers. We have a wide range of businesses, such as automotive, living environment equipment, consumer products, welfare and nursing care equipment, aerospace, and golf course and greenery related products.

Employees

Mikuni has 5,698 employees on a consolidated basis and 1,630 employees on a non-consolidated basis. (As of March 31, 2020, excluding temporary employees)

Local Communities

Mikuni has a wide range of businesses in Japan and overseas. We conduct our activities in accordance with the culture and customs of each region.

Affiliations

Because of the wide range of Mikuni's business activities, we belong to a variety of organizations. We are working to build good relationships with each organization through communication.



Shareholders, Investors, and Financial Institutions

The number of shareholders is 5,888. The total number of shares issued is 34 million. Financial institutions hold 39% of the shares, individuals and others hold 40%, and foreign corporations and other legal entities hold 19%. (As of March 31, 2020)

Suppliers

We have established a procurement policy for purchasing products and are promoting "green procurement" and compliance with conflict mineral regulations based on our own guidelines.

Government

Mikuni is also developing its business in overseas locations. In addition to complying with domestic and foreign laws and regulations.

Environment

We recognize that global environmental conservation activities are the most important management issue. In order to realize a sustainable and developing society, we are committed to environmental protection in all our production activities and products based on our environmental policy.

| Stakeholders | Main responsibilities of Mikuni | Main methods and opportunities for dialogue (frequency) | Main points of contact for dialogue |
|---|---|---|--|
| Customers | <ul style="list-style-type: none"> - Improve customer satisfaction in all areas, including quality, cost, and delivery - Provide appropriate and prompt response and support to customers - Provide accurate and appropriate information on products | <ul style="list-style-type: none"> - Daily sales activities (as needed) - E-mail distribution, website (as needed) - Exhibitions | - Sales Division |
| Shareholders, Investors, and Financial Institutions | <ul style="list-style-type: none"> - Maintaining and improving corporate value - Timely and appropriate disclosure of corporate information - Appropriate return of profits | <ul style="list-style-type: none"> - General Meeting of Shareholders (once a year) - Issuance of Annual Securities Report (once a year) - Issuance of Corporate Governance Report (once a year) | <ul style="list-style-type: none"> - IR Division - Finance Division |
| Employees | <ul style="list-style-type: none"> - Improve knowledge of environmental issues - Respect for human rights - Promotion of safety and health maintenance and promotion - Promotion of diversity | <ul style="list-style-type: none"> - Implementation of education and training - Labor-Management Consultations - Target management interviews (2 times/year) - Intranet (as needed) | <ul style="list-style-type: none"> - Environmental Management Division - HR and GA Division |
| Suppliers | <ul style="list-style-type: none"> - Fair and equitable transactions - Support and cooperation for promotion of green procurement - Appropriate provision and sharing of information | <ul style="list-style-type: none"> - Daily procurement activities (as needed) - Supplier briefing (as needed) | - Procurement Division |
| Local Communities | <ul style="list-style-type: none"> - Prevention of accidents and disasters, environmental conservation - Contribution to local communities - Respect for and contribution to the development of culture and customs | <ul style="list-style-type: none"> - Plant tours and opening of facilities (as needed) - Community contribution activities by employees (as needed) - Various types of mutual aid (as needed) | - General Affairs Division |
| Government | <ul style="list-style-type: none"> - Compliance with laws and regulations - Payment of taxes - Cooperation with policies | <ul style="list-style-type: none"> - Compliance with laws and regulations Response to various notifications, surveys and questionnaires (as needed) - Hearing and provision of information (as needed) | <ul style="list-style-type: none"> - General Affairs Division - Finance & Accounting Division |
| Affiliations | <ul style="list-style-type: none"> - Collaborate with organizations to achieve their goals - Compliance with requirements | <ul style="list-style-type: none"> - E-mail distribution, Web site (as needed) - Participation in seminars and training sessions (as needed) | <ul style="list-style-type: none"> - Environmental Management Division - Design and Development Division |
| Environment | <ul style="list-style-type: none"> - Reduction of greenhouse gas emissions - Promotion of energy saving, resource saving, and recycling - Reduction of hazardous chemical substances | <ul style="list-style-type: none"> - Compliance with various laws and regulations (as needed) - Publication of environmental reports (once a year) - Environmental conservation activities (as needed) | <ul style="list-style-type: none"> - General Affairs Division - Environmental Management Division |

04 Corporate Governance



Basic Approach

The corporate philosophy of the Mikuni Group is to contribute to the realization of a prosperous society, and we aim to become a sustainable, highly profitable company based on manufacturing. In terms of corporate governance, we believe it is important to establish and operate a system that is appropriate to our corporate philosophy and the corporate image we aim to achieve.

The Structure of Corporate Governance

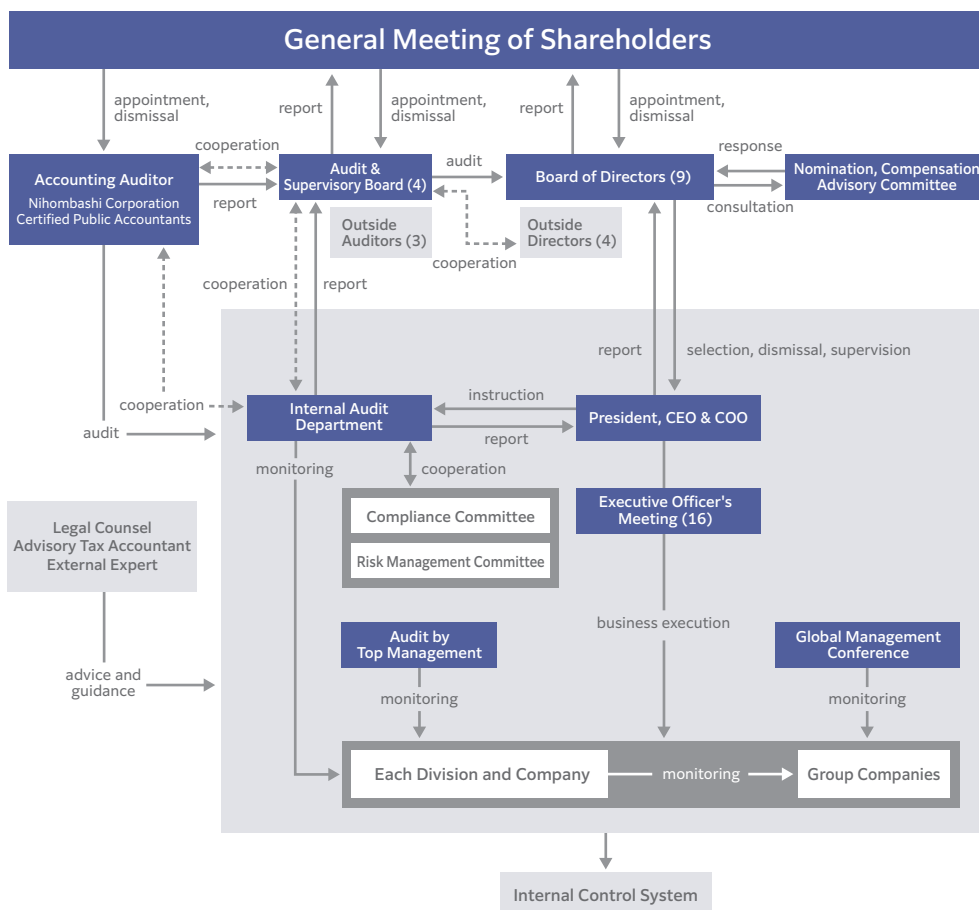
We have adopted a structure of corporate governance in which the Board of Directors, consisting of directors who are familiar with the business of the Mikuni Group and outside directors who are independent, makes decisions on and supervises the execution of business, and corporate auditors, who have the right to audit, fairly audit the execution of duties by directors. Regarding the nomination and remuneration of senior management, directors, and executive officers, the Company has established a system whereby a voluntary Nomination and Remuneration Advisory Committee, the majority of whose members are independent outside directors, advises and makes proposals to the Board of Directors in response to inquiries from the Board of Directors. In addition to the above, the Company has established a "Opinion Exchange Meeting" between outside directors, corporate auditors and representative directors in order to utilize the deep insight of outside parties when considering particularly important matters.

We have adopted an executive officer system for efficient business execution and clarification of responsibilities, and are promoting the delegation of authority to executive officers. In order to ensure the appropriateness of business operations,



the Compliance Committee, consisting of directors, executive officers, and others, has created the Compliance Code of Conduct, and confirms compliance through educational activities and other means. In the same way, the Risk Management Committee identifies the factors that cause risk, conducts training to minimize losses in the event that risk materializes, and maintains a risk management system.

The company's institutions and internal controls (Relationship diagram)



Risk Management (Coordination of Sub-Committees)

Mikuni has established sub-committees for each risk under the Risk Management Committee, based on the assumption that the risk may have a significant impact on management. These sub-committees analyze and investigate information, and at the same time, each sub-committee works together to ensure the effectiveness of the risk management system.

At the time of the spread of COVID-19, the novel coronavirus, the Overseas Risk Management Subcommittee detected risks related to infectious diseases in China and, in cooperation with the Disaster Countermeasures Subcommittee, informed the entire company of the response to the spread of the novel coronavirus. As a result, we were able to proceed with the appropriate response without significant delays in the initial response. In addition, by increasing opportunities for information sharing within the company, we promoted a response that looked at the entire supply chain, focusing on production and procurement. By raising company-wide awareness of crisis management, developing systems in a short period of time, and introducing and utilizing IT infrastructure, we were able to fully adopt teleworking and staggered work hours, which had been on trial.

Case Study: Response to COVID-19, the novel Coronavirus

Our risk management system is functioning well against the spread of COVID-19.

STOP CORONAVIRUS

1. Prevention of infection and spread of COVID-19

Primary Action

- (1) In response to a report of an outbreak of pneumonia of unknown origin in Wuhan, China in mid-December 2019, the Overseas Crisis Management Subcommittee decided to ban business travel to Wuhan in early January 2020.
- (2) During January 2020, we set up a task force to oversee the group companies in Greater China, and worked to gather information and consider our actions.
- (3) In February, Mikuni's crisis response and recovery task force, which we call General Headquarters (GHQ), decided on a global response.
- (4) In March, teleworking was fully introduced.

Manual for Preventive Measures

- A manual on preventive measures was compiled and disseminated to the entire company, along with warnings.
- In addition to general instructions such as taking care of one's physical condition and washing hands, detailed instructions on how to behave during visits and breaks are provided.
- In the manual, flowchart instructions were given on what to do in the event of a fever or other outbreak in the person or a family member, and what to do when a suspected infected person occurs.

2. Introducing new working styles

Teleworking

Teleworking was originally introduced on a trial basis to avoid congestion in the run-up to the Tokyo 2020 Olympic Games. However, we decided that it would be effective in preventing the infection and spread of COVID-19, so we introduced and utilized this working style earlier than planned.

Staggered work hours

We have decided to introduce staggered work hours on a full scale, which had been under trial. Employees can request to come to work in 30-minute increments.

3. Utilization of IT infrastructure

Attendance Management System

The newly introduced attendance management system keeps track of the results of teleworking and staggered work hours. Through this system, department heads are able to recognize employees' attendance plans at an early stage, and the data is maintained in a shared file.

Online Conference

We have upgraded our IT infrastructure and are making extensive use of online conferences to help prevent the infection and spread of COVID-19. Online meetings are used not only for internal meetings, but also for meetings with suppliers and customers. In order to promote the use of online meetings with telecommuters, we have taken measures such as increasing the capacity of the Virtual Private Network (VPN).

4. Raising awareness and connecting with local communities

Poster

We created posters with a friendly design and displayed them at our offices to raise awareness among our employees and visitors.

Connection with Local Communities

We received 100,000 masks from Cixi City in China's Zhejiang Province, where our production site is located, and delivered 10,000 to 30,000 masks to Takizawa City in Iwate Prefecture, Odawara City in Kanagawa Prefecture, and Kikukawa City and Makinohara City in Shizuoka Prefecture, where we have operations in Japan. We believe that there are many things that Mikuni can do to prevent the infection and spread of COVID-19, not only for Mikuni but also for local communities. If we see an opportunity to fulfill our social responsibility, we will not hesitate to do so.



Keep the distance! Keep the connection!



Compliance

Based on the management policy of "management that complies with the law, respects autonomy and mutual trust, and respects others," we have established the "Compliance Code of Conduct" and "Code of Ethics Declaration" that are common to the entire Mikuni Group, and we always give priority to compliance in our activities.

"Compliance" here refers not only to compliance with laws and regulations, but also to a wide range of "rule-abiding" including various internationally recognized norms and social norms, and to conducting business activities that we can be proud of to our current and future stakeholders. The Compliance Committee, chaired by a director appointed by the Board of Directors, is responsible for promoting compliance at Mikuni and the Mikuni Group, and for responding to compliance issues when they arise.



We have established the "Compliance Code of Conduct" and the "Code of Ethics Declaration" with the aim of raising the understanding and awareness of compliance among all officers (directors, corporate auditors, executive officers, or equivalent) and employees (including dispatched, temporary, and contract employees) of Mikuni and the Mikuni Group, and to ensure that the Group continues to be trusted by society as a company that practices fair business activities. To this end, we have established the "Compliance Code of Conduct" and the "Code of Ethics Declaration."

Compliance Code of Conduct

- (1) We will respect diversity and human rights of employees and widely utilize personnel as a global company.
- (2) We will make efforts to correctly understand and comply with the laws and act with a high sense of ethics.
- (3) We will promote development of products and services with quality and safety satisfactory to customers from a global perspective.
- (4) We will promote fair and transparent handling of corporate information.
- (5) We will properly manage the properties of the Company and respect the rights not only of ourselves but also of third parties.
- (6) We will create a working environment where every individual employee can exert their ability and vitality.
- (7) We will construct impartial and fair relationships with customers and business partners and promote business activities.
- (8) We will promote harmony with the regional community and make efforts for social contribution.
- (9) We will make efforts to preserve the global environment and protect health of people and ecology.

Whistleblowing System

We have set up an internal reporting channel (helpline) in an external law firm and in the Compliance Committee office to accept reports not only from employees but also from suppliers (business partners).

For more information, please visit

<https://www.mikuni.co.jp/en/esg/purchase/>

Creating a Corporate Culture

Compliance at the Mikuni Group is not limited to observing laws and regulations, but also refers to "conducting corporate activities with a high sense of ethics". In order to achieve this, the invisible things such as the corporate culture and atmosphere play an even more important role than the visible things such as education and systems. For this reason, Mikuni's president and CEO stresses the importance of "Mikuni's Compliance" at every opportunity, and strives to raise the awareness of each and every employee within the group.

Compliance Manual

We have prepared and distributed a Compliance Manual to promote and improve the awareness of compliance among all employees of the Mikuni Group.

Elimination of Antisocial Forces

Mikuni and the Mikuni Group will not have any relationship with antisocial forces. We require our suppliers (business partners) and employees to submit a written pledge that they have no relationship with antisocial forces.

Education and Training

We use an e-learning system to conduct compliance training repeatedly every year for all employees, with 100% completion each time. We also conduct annual compliance training for those in charge of compliance. In addition, we conduct compliance awareness surveys on a regular basis, and conduct individual training such as workshops on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, for those who need it for their work every year.

Human Rights and Labor

The Mikuni Group respects human rights and labor and values each and every employee in order to promote one of our management policies, "Management that aims at 'providing a company that adds value to the lives of our employees.'" Our employment regulations clearly state, "respect for the Universal Declaration of Human Rights and international labor standards" and "prohibition of human rights violations such as child labor, forced labor, and other similar acts. In addition, "respect for human rights" and "prohibition of discrimination" are clearly stated in the Mikuni Group's Compliance Code of Conduct and Code of Ethics Declaration, and we are working to create a culture in which human rights are respected by raising employee awareness through regular training and other means.

Promotion of Female Participation and Career Advancement in the Workplace



In recognition of Mikuni's efforts in developing a work environment that encourages women to fully demonstrate their talent by meeting certain criteria, we received the highest grade (level 3) of the "Eruboshi"* certification under the Act on Promotion of Female Participation and Career Advancement in the Workplace.

* Meaning "L Star": L stands for Lady, Labor and Laudable

Act on the Promotion of Female Participation and Career Advancement in the Workplace

Mikuni believes that "with a global perspective, contributing to the realization of an affluent society by making full use of our human resources and technology" is necessary for the continuous development of the company. Aiming to be a "company with a purpose in life" regardless of nationality or gender, we are working on fair evaluation and support for employees' skill enhancement and skill development, and the

ratio of female employees in managerial positions (assistant manager and above) was 2.2% as of the end of fiscal 2015. Although the ratio of female employees in managerial positions is higher than the industry average, we believe that in order to further increase it, we need to increase the number of female career-track employees who will be candidates for managerial positions.

Transition of Female Employee Ratio

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | Target 8% by FY 2021 |
|------------------------|---------|---------|---------|---------|---------|----------------------|
| Managerial positions | 2.2% | 2.5% | 2.6% | 2.8% | 2.8% | |
| Career-track positions | 5.1% | 5.9% | 6.7% | 6.6% | 7.6% | |
| All employees | 21.8% | 22.4% | 22.6% | 23.3% | 23.1% | |

Employment of Persons with Disabilities

Our group company, Mikuni Life & Auto, is engaged in the business of welfare vehicles and other welfare and nursing care equipment. Many employees with disabilities work at the company in order to understand the needs of our customers and to utilize their experience and knowledge in product development. Mikuni Life & Auto is a special subsidiary of Mikuni Corporation for the purpose of calculating the employment ratio of persons with disabilities as stipulated in the Act on Employment Promotion of Persons with Disabilities.

Transition of the Employment Rate of Persons with Disabilities Based on the Provisions of the Act on Employment Promotion of Persons with Disabilities Mikuni + Mikuni Life & Auto

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|------------------|---------|---------|---------|---------|---------|
| Employment Ratio | 3.21% | 3.23% | 2.99% | 2.90% | 2.75% |

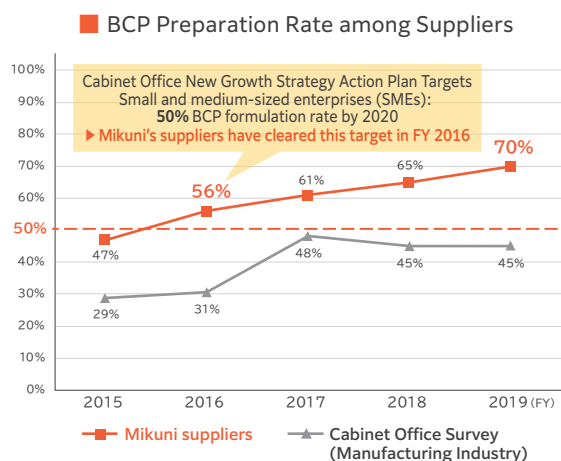
Business Continuity for Suppliers

In the automobile industry, which has a huge supply chain network, the just-in-time system functions, and a disaster in one region can affect automobile production all over the world (such as the Niigata Chuetsu Offshore Earthquake in 2007 and the flooding in Thailand in 2011).

The Mikuni Group promotes business continuity activities in cooperation with its suppliers in order to improve business continuity throughout the supply chain.

BCP Subcommittee

We have established a BCP subcommittee in "Kaze no Wa," a cooperative association of Mikuni suppliers, and have been conducting BCP creation activities with about 10 companies every year since FY 2014 under the theme of "Profitable BCP". We certify suppliers who have created their own BCPs by continuing the BCP subcommittee activities for one year as "BCP Meister®" and invite them to participate in the following year's BCP subcommittee meetings as advisors.



Values in the "Cabinet Office Survey (Manufacturing Industry)" are based on the "Status of Business Continuity Plan (BCP) Formulation by Industry" in the "FY 2019 A Survey on Business Continuity and Disaster Reduction Efforts Made by Corporations" conducted by the Cabinet Office in charge of disaster prevention.

We believe that it is important not only to create a BCP, but also to develop it into BCM, Business Continuity Management, which is a continuous improvement activity that involves applying the BCP to drills and actual disasters, analyzing the shortcomings, and reflecting them in the new BCP. Mikuni has established a system to certify suppliers who have achieved remarkable results through BCM as 4-Star BCP Meister, and suppliers who have achieved remarkable results through continuous BCM as 5-Star BCP Meister.

In March 2020, the BCP Subcommittee was certified by the Ministry of Economy, Trade and Industry as a Collaborative Business Continuity Capacity Enhancement Plan.

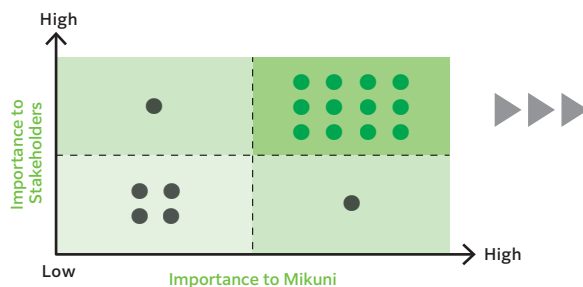


Logo for Business Continuity Capacity
Enhancement Plans Certification,
Japan Ministry of Economy, Trade and Industry

Identifying Environmental Issues

Mikuni is creating business models in response to the environment, social conditions, and customer demands. We have identified the key issues that Mikuni must address from the current situation, which is changing at a rapid pace, and have applied the following mapping to identify items of high importance.

In addition to the six issues identified last year as the most important environmental issues to be addressed, we have added the spread of COVID-19. With regard to climate change and energy issues, we recognize that adaptation and mitigation are critical issues for our growth, and the addition of COVID-19 will have a significant impact on the objectives of Mikuni's environmental management system.



7 Issues that Came Up as the Most Important Issues

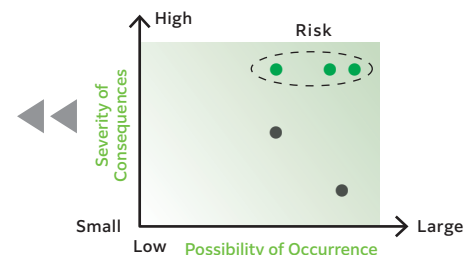
| Issues |
|--|
| 1. Climate change and energy issues |
| 2. Fuel efficiency of automobiles |
| 3. Electrification of automobiles |
| 4. Development of environmental technology |
| 5. Corporate governance and compliance |
| 6. Appropriate management of chemical substances and prevention of pollution |
| 7. COVID-19 pandemic |

Risk Assessment

The Compliance Committee was established in June 2004 and the Risk Management Committee was established in April 2005, both with a director appointed by the Board of Directors as the head of the committee. The Risk Management Committee has subcommittees for Disaster Response, Information Security, Overseas Risk Management, and Occupational Health and Safety, and they are working to avoid major risks in our business activities. In March 2012, we began company-wide disaster drills in response to the Great East Japan Earthquake that occurred in March 2011.

As for the risks related to the seven items identified in the identification of environmental issues, in addition to the risks addressed by the aforementioned subcommittees, we are working to avoid the following three items based on the results of our evaluation of the frequency of occurrence and severity of consequences.

| Risks | | |
|---|--------------------------------------|--|
| 1. strengthening of environmental regulations | 2. violation of laws and regulations | 3. in-company transmission of COVID-19 |



1 Response to Strengthening of Environmental Regulations

We are subject to a number of environmental laws and regulations, including those related to climate change. In order to obtain information on revisions to these laws and regulations as quickly as possible, we monitor them by using the environmental law database service of a company specializing in laws and regulations. The monitors are the environmental secretariat, energy conservation staff, general affairs division, and environmental staff at each operation site, and in addition to browsing the database, they also

keep an eye on the latest trends in the promulgation of laws and regulations sent to them by e-mail. We also watch the regulations on environmentally hazardous substances as well. We have established a system that enables us to respond smoothly and reliably to the recent increase in the number of regulated environmentally hazardous substances by obtaining information as early as possible.

2 Measures to Prevent Violations of Laws and Regulations

Among the laws and regulations to which our activities are subject, we have established voluntary control standard values for pollution-related regulations and monitor them internally. Even if the value is less than the regulation value, if it exceeds the voluntary control standard value, we consider it as nonconformance and take corrective measures.

In order to manage the content of environmentally hazardous substances, we distribute our Green Procurement Guidelines to our suppliers. We also invite representatives of suppliers to gather and share information on laws and regulations of environmentally hazardous substances.

3 Prevention of in-house infection of COVID-19

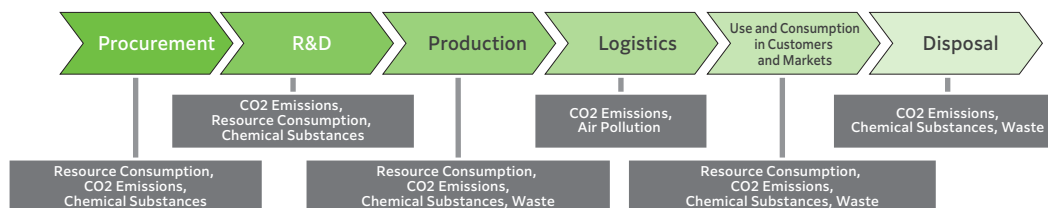
We have taken up this issue as one of the risks because the occurrence of internal infection would have a significant impact on the achievement of the environmental management system goals. We have established internal rules for hand washing, disinfection, and various measures to prevent the 3Cs (Close spaces, Crowded places and Close contact settings). In addition to ensuring that all employees comply with these rules, we have also taken the utmost

care such as installing shields at face-to-face desks.

We also pay attention to the way we work. Teleworking has been introduced which reduced business trips as meetings are conducted remotely between offices and outside the company and encouraged staggered work hours.

Value Chain Management

1 Value Chain Overview Map by Activity



2 Value Chain Overview Map by Economic Entity

| Value Chain | Further Upstream Businesses | Suppliers | Mikuni | Customers | End Users |
|--------------------------|--|--|--|--|--|
| Key Environmental Issues | - Climate change - Biodiversity | - Climate change - Electrification of vehicles | - Climate change - Energy issues - Fuel efficiency and electrification of vehicles | - Climate change - Resource circulation - Fuel efficiency and electrification of vehicles | - Climate change - Resource circulation |
| Risks | - Strengthening of environmental regulations - Resource depletion - COVID-19 infection | - Strengthening of environmental regulations - Occurrence of legal violations - Damage caused by large-scale disasters - COVID-19 infection | - Strengthening of environmental regulations - Occurrence of legal violations - Damage caused by large-scale disasters - COVID-19 infection | - Strengthening of environmental regulations - Damage caused by large-scale disasters - COVID-19 infection | - Natural disaster - Wastes - COVID-19 infection |
| Opportunities | | | - Improvement of environmental technology - Increase in order volume | - Increase in sales of environment regulation compliant vehicles - Damage caused by large-scale disaster | |

3 Green Procurement Policy and Activities

In order to provide environmentally friendly products to our customers, we have established methods for reducing and managing legally regulated chemical substances (environmentally hazardous substances), and are implementing these methods worldwide. This is our basic policy for green procurement.

We distribute the "Guidelines for procurement that adapted environmental rules" based on our Basic Environmental Philosophy and Environmental Policy to our suppliers, and by holding regular meetings

and exchanging information on a daily basis, we ask them to cooperate in our activities (reduction of greenhouse gas emissions, provision of a wide range of products that incorporate the 3Rs* and environmentally friendly design in consideration of their life cycle, and substitution or reduction of hazardous chemical substances) to reduce the environmental impact of the raw materials, parts, and products we purchase.

*3Rs: Reduce, Reuse and Recycle

4 Status of Environmentally Friendly Products

As part of our environmentally friendly design, we have classified environmental considerations into the following categories and are developing products that take the Life Cycle Assessment (LCA) into account.

| Value Chain | Procurement of Materials | Suppliers | Mikuni | Logistics | Customers | End Users |
|--|--------------------------|---------------------|------------------------------------|-----------|----------------------------|-----------|
| Applicable Rules | EMS/MES/Guidelines/Laws | MES/Guidelines/Laws | EMS/MES/Customer Requirements/Laws | EMS/Laws | Customer Requirements/Laws | Laws |
| Design for Environment | | | | | | |
| Resource Conservation | ● | ● | ● | — | ○ | — |
| Environmental Protection | ● | ● | ● | — | ● | ● |
| Energy Conservation and Efficiency | — | ○ | ● | ● | ● | ● |
| Long-term Use | — | — | ● | — | ○ | — |
| Environmental Friendliness of Packaging Materials and Transportation | — | ○ | ● | ● | ○ | — |
| Ease of Disassembly | — | ○ | ● | — | ○ | — |
| Ease of Disposal Processing | — | ● | ● | — | ○ | — |

EMS: Environmental Management System
MES: Mikuni Engineering Standard

● : Items implemented directly by Mikuni
○ : Items that are indirectly implemented through instructions given by Mikuni

Targets and Results

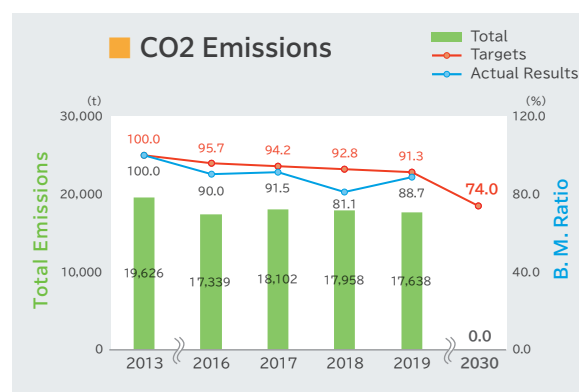
| | Activity Items | Outline of Activities | Targets | Actual Results |
|---|---|---|---|--|
| 1 | Reduction of CO2 emissions | 1. Improved productivity | Short-term targets FY2019 compared to FY2013 8.7% reduced Total emissions per marginal profit* 1.041t/million yen Long-term target FY2030 compared to FY2013 26% reduced Total emissions per marginal profit* 0.843t/million yen | Compared to FY2013 11.4% reduced 1.009t/million yen |
| | | 2. Fewer defects and complaints | | |
| | | 3. Reduced breakdowns | | |
| | | 4. Logistics improvement | | |
| | | 5. Sales increase | | |
| | | 6. Value Analysis (VA) and Value Evaluation (VE) | | |
| 2 | Environmentally Friendly Design | 1. Lightweighting | 50 items | 80 items |
| | | 2. Platform design | | |
| | | 3. Phthalic acid compatible | | |
| 3 | Reduction of Environmentally Hazardous Substances | Eliminate, substitute with safe substances, or reduce the amount of chemical substances that affect the environment and human health. | Substituted two or more materials containing substances specified in the PRTR Law. | Completed substitution of two items |

* Total emissions per marginal profit refers to total emissions/marginal profit (sales - variable costs).

Details of Each Initiative >>>

1 Reduction of CO2 Emissions

We are focusing on reducing greenhouse gas emissions to mitigate the effects of climate change by adopting the government's medium-term goal of reducing greenhouse gas emissions by 26% by FY2030, with FY2013 as the benchmark (B.M.). We have integrated these activities into our business activities, and as all improvements (reduction of waste and loss) are linked to the environment, we have set targets for the roles of each department and are working to achieve them. In FY2019, in addition to the various improvements listed in the table above, we promoted LED lighting, air conditioner upgrades, and measures to prevent air leaks, and as a result we fell short of our targets. However, compared to the previous fiscal year, the marginal profit per unit increased due to the decrease in sales.



① Initiatives for Production

We are working to maximize productivity by improving production speed, also focusing on preventing the occurrence of defective products by shortening the setup time in production, eradicating product defects including those of suppliers, and promote to ensure the quality in their own process. In production planning, we are striving to reduce inventory by not making more than necessary, to reduce losses in inventory management, and to improve the design and production process to make it less prone to quality defects and more productive during production. As described above, our production plants are implementing a variety of initiatives to reduce CO2 emissions.

② Efforts to Reduce Breakdowns

We are working to eliminate production interruptions due to sudden breakdowns, and to reduce the consumption of energy and other resources required for product remanufacturing and facility restoration.

③ Initiatives for Sales

Mikuni's products are made up of parts and sub-materials that comply with the company's own green procurement guidelines, meet various other regulations, and are designed to be environmentally friendly on a voluntary basis. By producing a large number of such products, we contribute to the environment by improving fuel efficiency and purifying exhaust gas in the field of automobiles and motorcycles, and by making products smaller as well as safer for users in the field of household equipment.

2 Environmentally Friendly Design

In order to purify exhaust gas and improve fuel efficiency of automobiles and motorcycles, we are considering the environment through advanced control, high functionality, weight reduction, etc., based on the technology we have cultivated with our carburetors. We are also actively working to control and reduce the

amount of environmentally hazardous substances contained in our products (pollution prevention), minimizing the impact on the environment through high-performance, high-quality products, and producing products that guarantee optimal service life.

Activities >>>

We conducted green design activities based on the concept of LCA. We developed products that contribute to fuel efficiency improvement, weight reduction, energy saving, reduction of environmentally hazardous substances in exhaust gas, and reduction of CO₂ emissions, and also improved ease of manufacturing and energy saving during manufacturing by promoting product platforms. In the area of green procurement, we have set targets for the reduction and total abolition of environmentally hazardous substances used in our products.

① Initiatives at the R&D Division

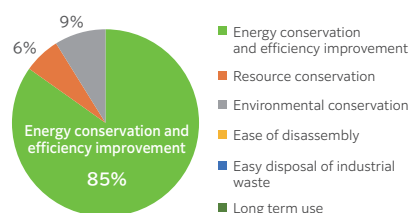
| Objectives | Activities (Specific Examples) | |
|--|---|---|
| Green Design (Product Assessment) Product development and design in accordance with the concept of LCA Environmentally Friendly Design Environmentally Compliant Design | Resource Saving (downsizing of products, minimization of use of scarce resources, improvement of orthogonal rate) | Environmental Conservation Measures (non-use of regulated chemical substances, reduction and substitution of hazardous substances, and suppression of heat, noise, and vibration) |
| | Ease of Disassembly (ease of sorting and recycling of disassembled materials) | Energy Conservation and Improvement of Efficiency (energy saving during use, transportation, and manufacturing) |
| | Ease of Disposal (ease of destruction of products and consideration of safety during disposal) | Long Term Use (minimized resource use, easier repair and replacement, maintenance-free, and improved robustness through long service life) |

② Target and Achievement

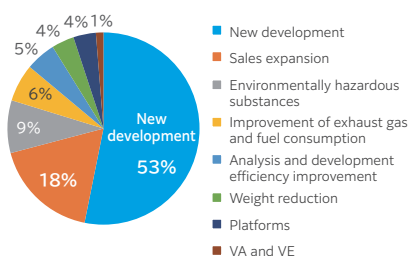
| Target | Achievement |
|------------------|-------------|
| 50 items or more | 80 items |

The following pie chart shows the achievement shown in the left table, classified by activity item and by specific green design activity item.

Achievement Classified by Initiative Items



Achievement Categorized by Green Design Activity Items



In FY 2019, based on the concept of LCA, we examined the impact of Mikuni's products on the environment at the development and production stages, as well as in the marketplace, and selected fuel efficiency improvement, exhaust gas performance improvement, CO₂ reduction, productivity improvement, and response to environmentally hazardous substances as items for green design in order to respond to the results.

③ Compliance with the Regulations on Four Phthalate Substances

In 2017, we launched an internal project to comply with the regulation on four phthalic acid substances, which are environmentally hazardous substances according to the EU-RoHS Directive and REACH Regulation. We have started activities to complete the changeover smoothly with the cooperation of our suppliers as well as related departments within the company. As a result of the following activities, we were able to complete all the necessary measures in December 2019.

Items Implemented

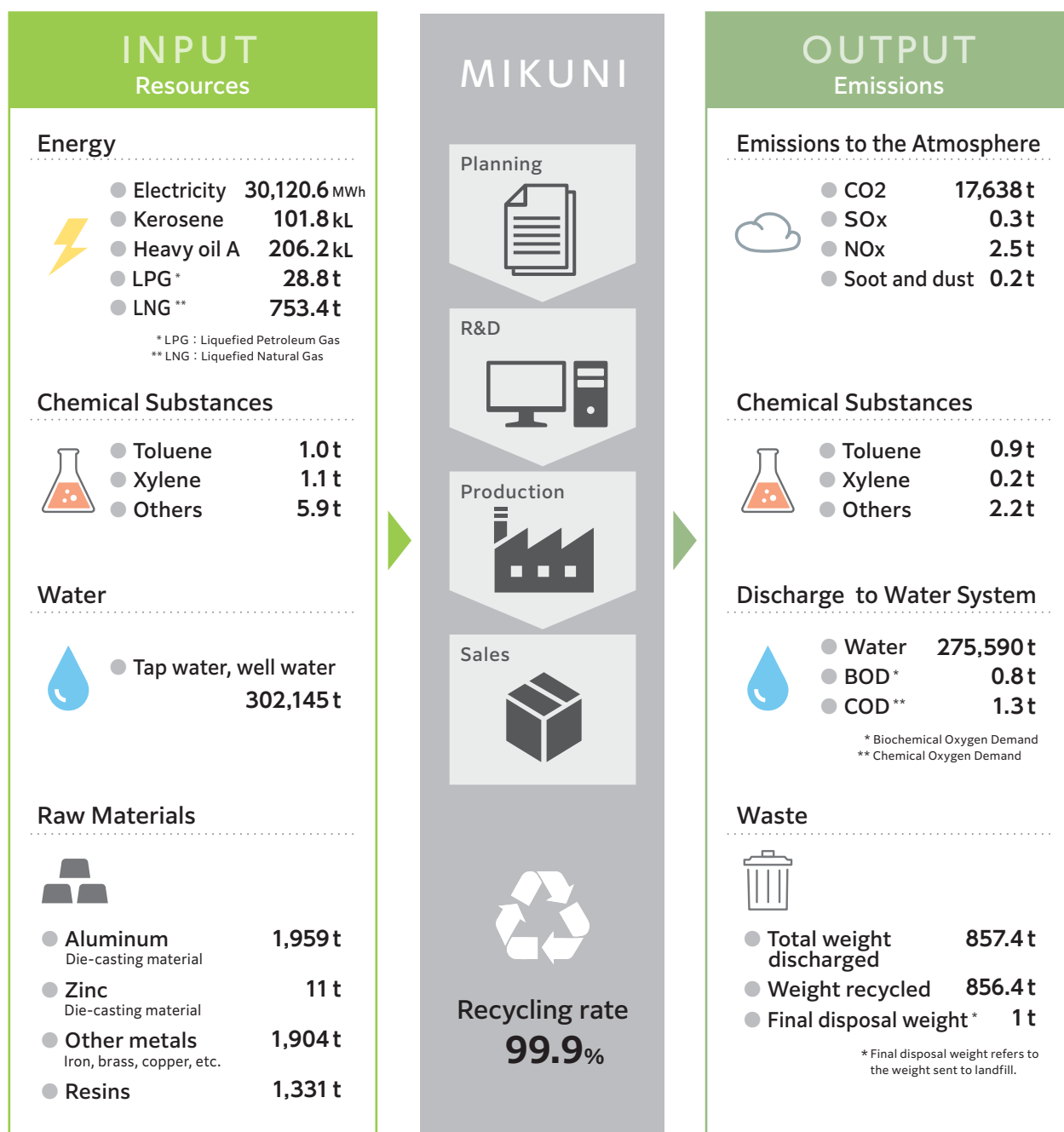
- Changeover of drawings to non-containing parts for approximately 1,700 containing parts
- Sequential changeover of approximately 14,000 mass-produced products, repair products, and semi-assembly products that use contained parts, and establishment and implementation of a method for managing the status
- Dispose of old inventory

3 Reduction of Environmentally Hazardous Substances

Among the chemical substances used in our production activities, we are promoting the elimination or substitution of substances that have a significant impact on the environment (substances designated by the PRTR, Law and other laws). Since FY 2018, we have been working toward the goal of substituting at least two substances.

As a result, we completed the substitution of two substances in May 2019. In the future, we will not limit ourselves to the PRTR Law, but will also work to reduce harmful substances that have a negative impact on the human body as well as the environment.

Material Balance



Compliance Evaluation

The results (average values) of water quality and exhaust gas measurement at each operation site are shown below.

1 Water Quality

Water quality measurement results at the final drainage outlet based on the Water Pollution Prevention Act (based on the measurement certificate from the measurement company)



- Water quality at our head office and branch offices is not measured because of sewage drainage.

| Operation Site | | pH | BOD (mg/L) | COD (mg/L) | Evaluation |
|---------------------------|-----------------|---------|------------|------------|------------|
| Odawara (R&D) | Standards | 6.0~8.2 | 54 or less | 54 or less | ✓ |
| | Measured Values | 7.7 | 1.0 | 1.0 | |
| Kikugawa (Plant) | Standards | 6.0~8.2 | 18 or less | 18 or less | ✓ |
| | Measured Values | 7.6 | 2.6 | 5.6 | |
| Takizawa, Morioka (Plant) | Standards | 6.1~8.3 | 24 or less | 24 or less | ✓ |
| | Measured Values | 7.1 | 10.1 | 12.6 | |
| Ogama, Morioka (Plant) | Standards | 6.1~8.3 | 16 or less | 24 or less | ✓ |
| | Measured Values | 7.1 | 3.0 | 6.0 | |

2 Air Quality

Measured at a facility that generates soot and smoke based on the Air Pollution Control Act (From the measurement certificate provided by the measurement company)



- As such facilities at the Takizawa and Ogama fall under the category of small boilers, the standards have been suspended in accordance with the law.

- Odawara, head office, and branch offices do not have specific facilities stipulated in the Air Pollution Control Act, so no measurements have been taken.

| Operation Site | | SOx (Nm/h) | NOx (ppm) | Soot and dust (g/Nm) | Evaluation |
|---------------------------|---------------------------------|--------------|-------------|----------------------|------------|
| Kikugawa (Plant) | Standards | 0.2 or less | 180 or less | 0 or less | ✓ |
| | Boiler | — | 16.80 | Less than 0.003 | |
| | Standards | 0.2 or less | 150 or less | 0.1 or less | ✓ |
| | Hot and Chilled Water Generator | — | 29.5 | Less than 0.002 | |
| Takizawa, Morioka (Plant) | Standards | 0.2 or less | 600 or less | 0.05 or less | ✓ |
| | Cogeneration System | — | 240 | Less than 0.003 | |
| | Standards | 2.55 or less | Suspended | Suspended | ✓ |
| | Boiler | 0.04 | 76 | 0.01 | |
| Ogama, Morioka (Plant) | Standards | 0.21 or less | 144 or less | 0.24 or less | ✓ |
| | Hot and Chilled Water Generator | 0.02 | 72 | 0.01 | |
| | Standards | 0.46 or less | Suspended | Suspended | ✓ |
| Boiler | | 0.02 | 85 | 0.01 | ✓ |

Remarks: 1. The above data represent annual average values.
2. The above standard values are based on our voluntary control standard values of each operation site.

Environmental Accounting

We monitor and disclose the costs of our environmental conservation activities in order to promote and maintain them efficiently and effectively.



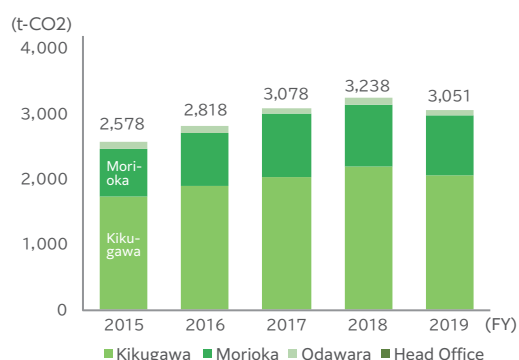
| Categories | | Main Initiatives | Invested Amount (thousand yen) |
|---|---|---|--------------------------------|
| (1) Business Area Cost Environmental conservation cost to control environmental impacts which result from key business operations within the business area. | ① Pollution prevention cost | - Air and water pollution prevention activities (including periodic analysis) - Noise and vibration prevention activities - Maintenance and inspection of pollution prevention facilities (including those related to septic tanks) | 39,066 |
| | ② Global environmental conservation cost | - Global warming prevention activities - Energy conservation activities - Ozone depletion prevention activities | 42,630 |
| | ③ Resource circulation cost | - Waste recycling and resource recycling activities - Maintenance and inspection of waste treatment facilities, reduction of energy generation | 38,535 |
| (2) Upstream and Downstream Cost Environmental conservation cost to control environmental impacts which result from production and service activities upstream or downstream | | - Green Procurement Activities | 17,890 |
| (3) Administration Cost | ① Cost for the setup and operation of the environmental management system | - Maintaining the environmental management system - Environmental education for employees | 31,864 |
| | ② Cost of environmental improvement measures | - Maintaining the environment through nature conservation, greening, and cleaning of company premises | 38,966 |
| | ③ Cost of environmental impacts monitoring | - Monitoring of water quality, air quality, noise and vibration, soil, PRTR, etc. | 3,012 |
| (4) Social Activity Cost | | - Cleaning up the local area environment - Supporting local environmental activities and donations | 318 |
| (5) Environmental Remediation Cost | | - Restoration of natural destruction, insurance fees to cover damage to the environment | 3,012 |
| Total | | | 212,481 |

Environmental Data



Greenhouse Gas (GHG) Emissions

Direct GHG Emissions (Scope 1)

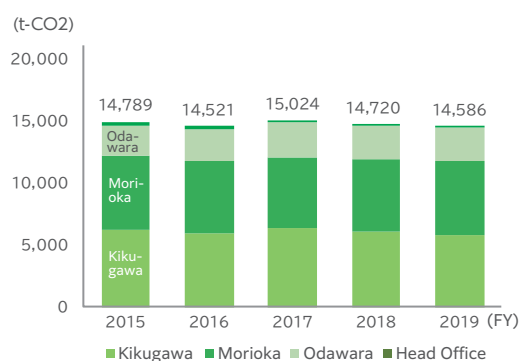


Calculation Method

Emission : Fuel consumption × CO2 emission factor

Emission Factor : Emission factor based on the Act on Promotion of Global Warming Countermeasures

Indirect GHG Emissions (Scope 2)



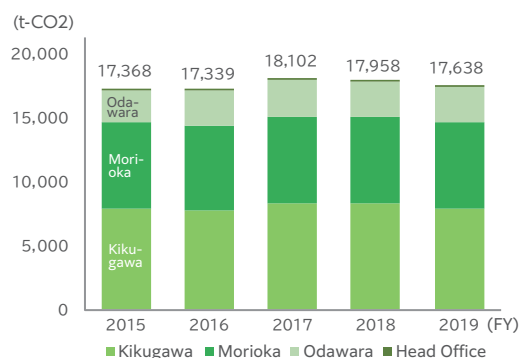
Calculation Method

Emission : Purchased electricity × CO2 emission factor

Emission Factor : Market-based method of GHG Protocol is adopted.

Emission factors for each electric supplier based on the Act on Promotion of Global Warming Countermeasures

Total GHG Emissions



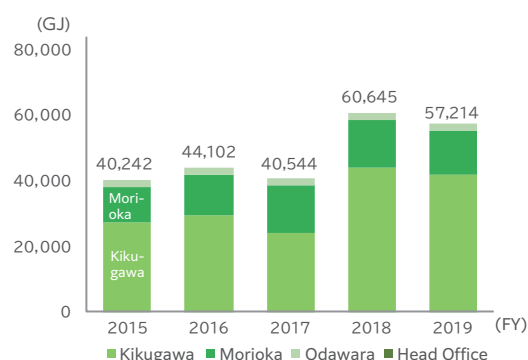
Calculation Method

Total GHG emission : Direct GHG emission + Indirect GHG emission



Energy Consumption

Direct Energy Consumption

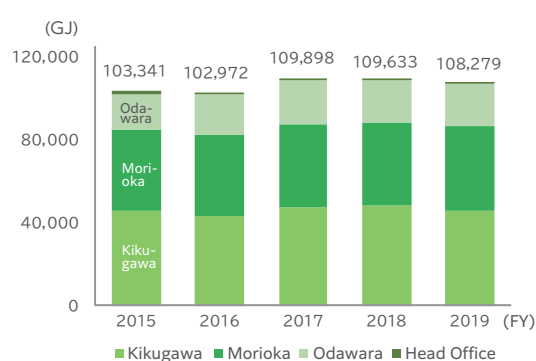


Calculation Method

Consumption : Fuel consumption × unit calorific value

Unit Calorific Value : Calorific value as defined in the "Explanation of the GHG Emissions Accounting, Reporting, and Disclosure System," in accordance with the Act on Promotion of Global Warming Countermeasures.

Indirect Energy Consumption

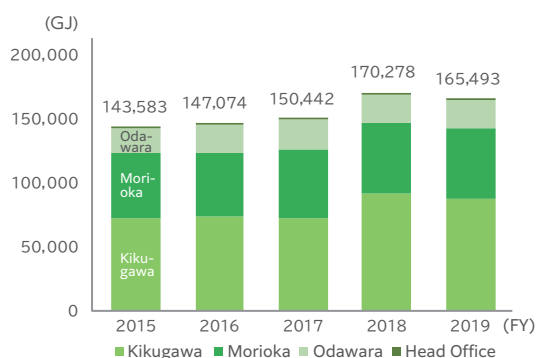


Calculation Method

Consumption : Fuel consumption × unit calorific value

Unit Calorific Value : Calorific value as defined in the "Explanation of the GHG Emissions Accounting, Reporting, and Disclosure System," in accordance with the Act on Promotion of Global Warming Countermeasures.

Total Energy Consumption



Calculation Method

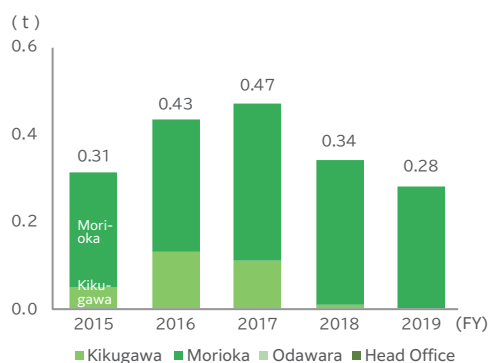
Total Energy Consumption : Direct energy consumption + indirect energy consumption

Environmental Data



Air Pollutant Emissions

Sulfur Oxide (SOx) Emissions

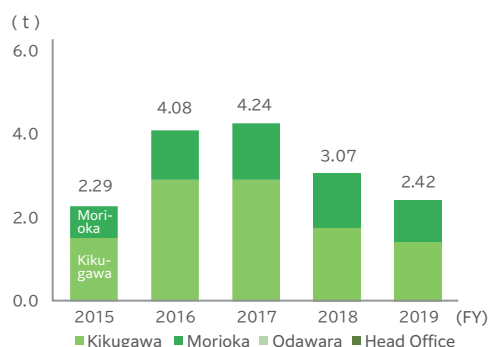


Calculation Method

Emission : Fuel consumption × density × sulfur content ratio × 64/32

Sulfur Content Ratio : Value listed in the characteristics table at the time of delivery of fuel containing sulfur

Nitrogen Oxide (NOx) Emissions

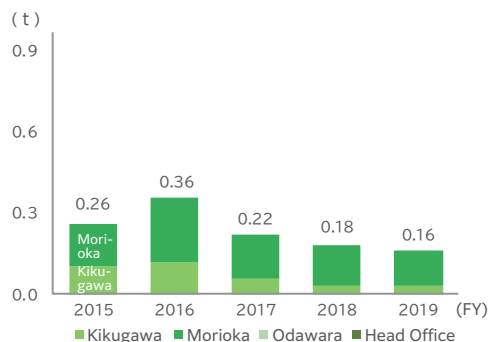


Calculation Method

Emission : Calculated from the results of exhaust gas measurement (twice a year) based on the Air Pollution Control Act.

Average dry exhaust gas flow × average measured concentration × combustion time × 30 × 106/22.4

Soot and Dust Emissions



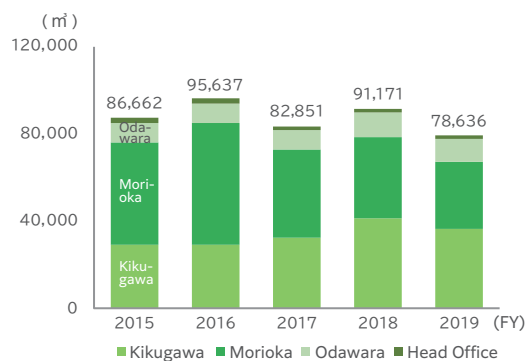
Calculation Method

Emission : Calculated from the results of exhaust gas measurement (twice a year) based on the Air Pollution Control Act.

Average dry exhaust gas flow × average measured concentration × combustion time/1000



Water Consumption



MIKUNI CSR REPORT 2020

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Please visit our official website.
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