

SHOEI SUSTAINABILITY REPORT 2023



SHOEI CO., LTD.

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Chapter 1

Introduction



1. Management Philosophy, Policy and Sustainability/ESG

SHOEI has the following management policy guided by the management philosophy that is the meaning of the company's existence. From the perspective of increasing corporate value through sustainable activities, strengthening ESG management is one of our important management policies.

【 Management Philosophy 】

Pursuit of "Quality and Value"



Enabling customers to have safe, comfortable and fun mobility lifestyles such as lifestyles that include motorcycles



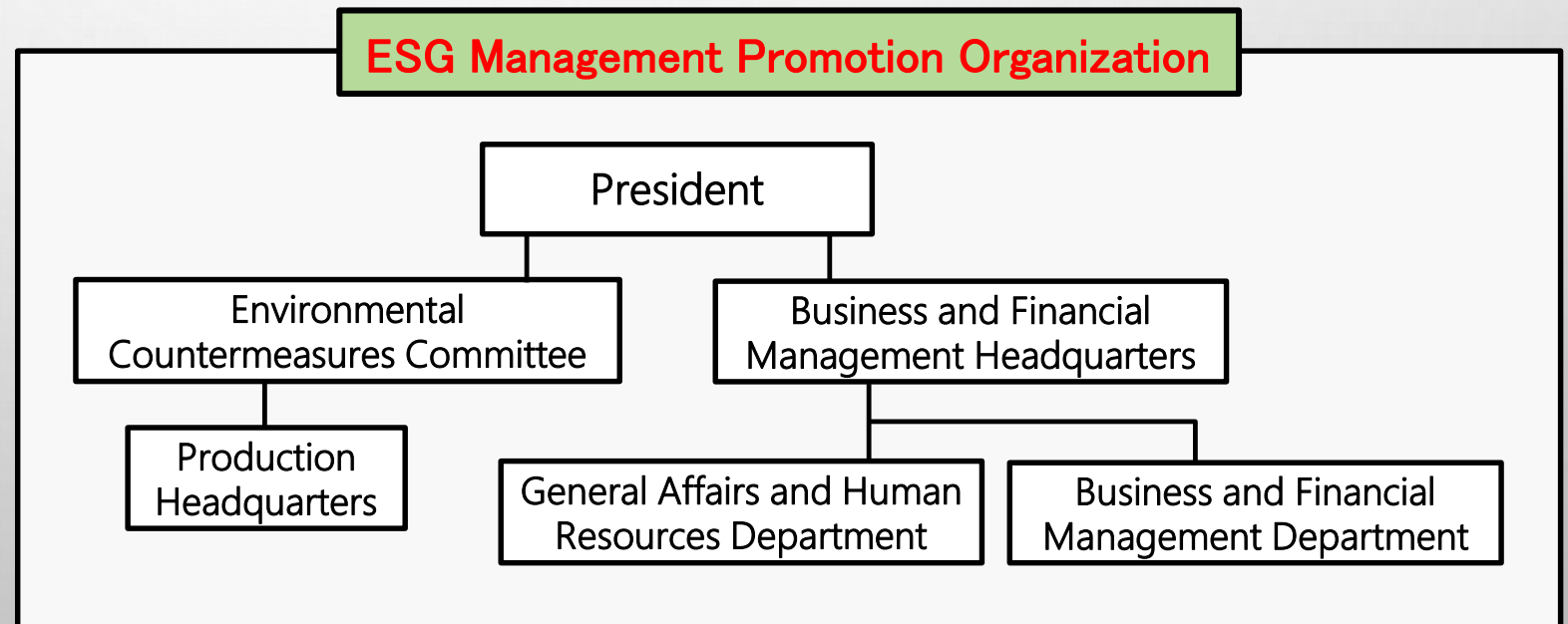
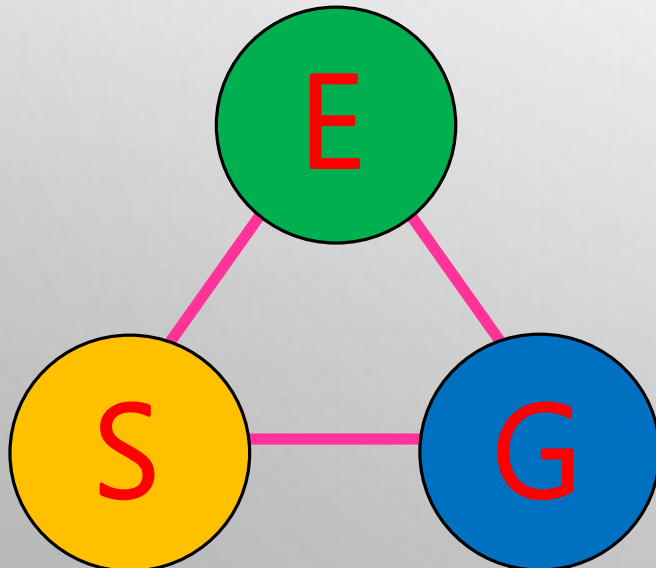
【 Management Policies 】

1. Committing to business continuity in the long term through sound finance
 - Aiming to maintain a high capital adequacy ratio and emphasize corporate earnings and returns to stakeholders
 - Having the strength to persevere through unforeseen matters such as economic crises and natural disasters without losing the brand image
 - Making M&A activities and new business development possible through prompt decision making and action
 - **Strengthening environmental, social and governance (ESG) management**
2. Competing by leveraging "Made in Japan"
 - Our greatest asset is the brand we have built over the past 60 years
 - Maintaining our brand image and competitiveness leveraging "Made in Japan"
3. Listening to customers
 - The key to success is to be sincere and listen to the needs of the market
 - Leading the industry in the commercialization of new products

1. ESG Management Promotion Organization

To address the issues in the areas of the environment (E), society (S) and governance (G), the ESG management promotion office has been established within the business and financial management headquarters in cooperation with the relevant departments under the supervision of the president. In addition, an environmental countermeasures committee organized by the president and relevant members of the production headquarters has begun to speedily address environmental issues.

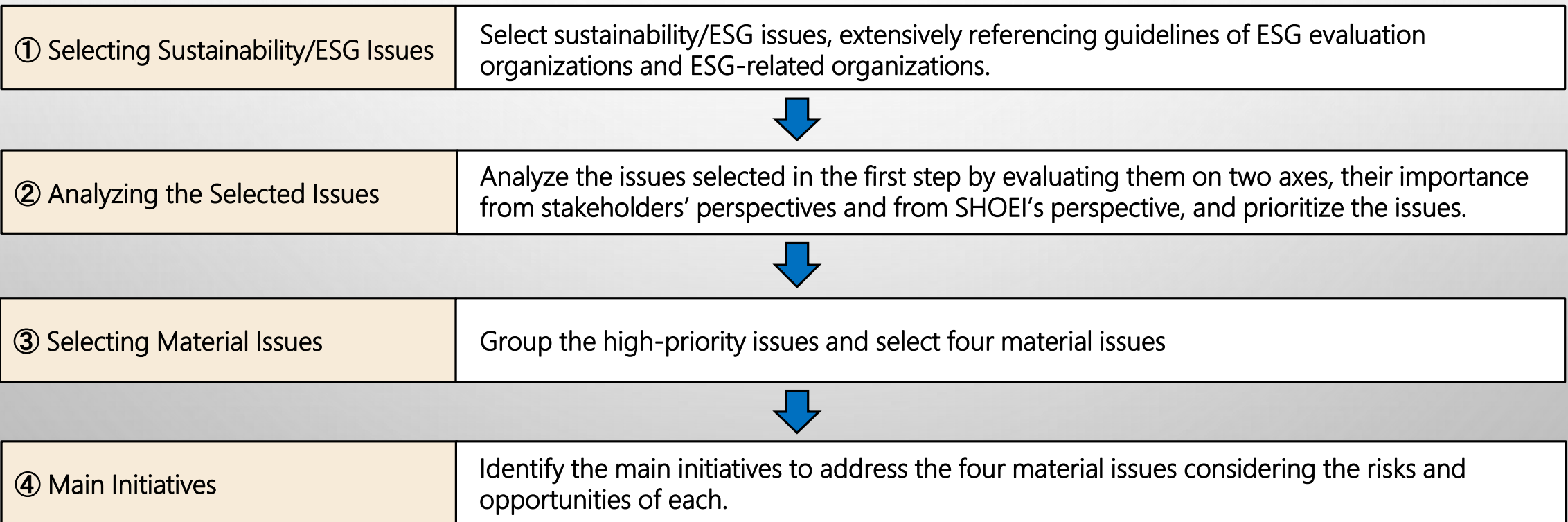
Furthermore, important policies and initiatives are appropriately reported to the members of the board of directors and the management committees.



2. Materiality Assessment (1/3)

SHOEI identified the high-priority issues (material issues) in accordance with following procedure and we confirmed the societal issues that we should solve to strengthen ESG management in the future.

The Process for Identifying Material Issues



Chapter 2

ESG Management Promotion Organization and Materiality Assessment



2. Materiality Assessment (2/3)

① Selecting Sustainability/ESG Issues:

SHOEI selects sustainability/ESG issues, extensively referencing the guidelines of ESG evaluation organizations and ESG-related organizations. (see the figure on the right)

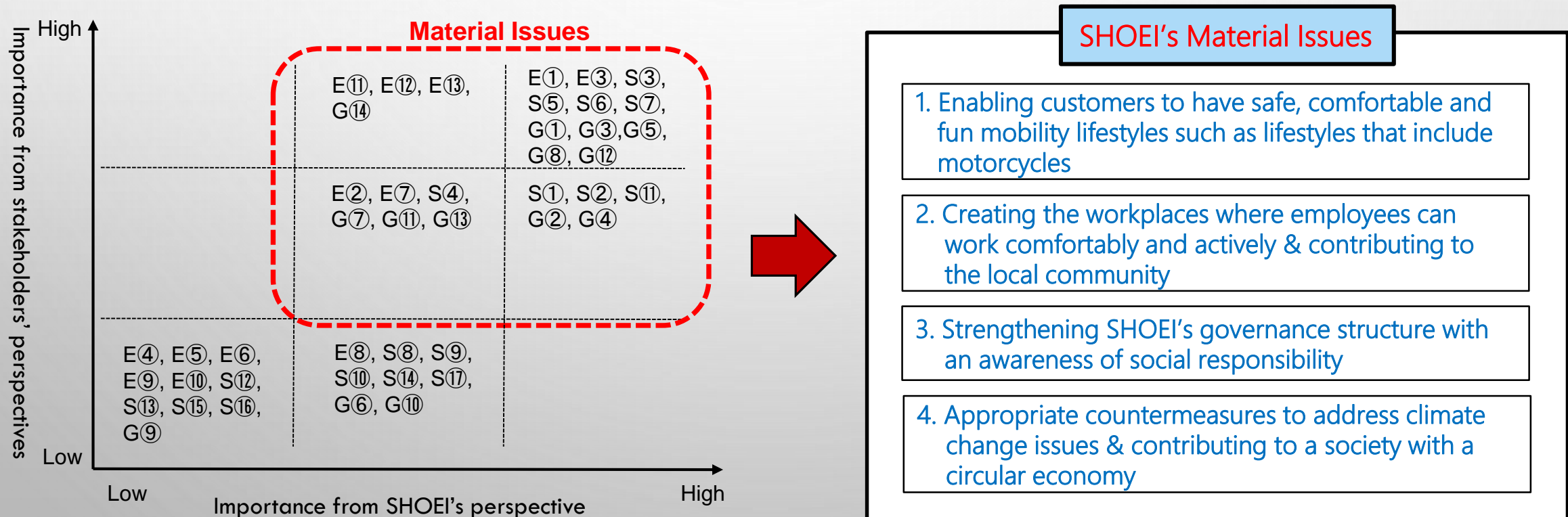
ESG	Themes	ESG Key Issues	
Environment	Climate Change	Carbon Emissions	E①
		Product Carbon Footprint	E②
		Financing Environmental Impact	E③
		Climate Change Vulnerability	E④
	Natural Resources	Water Stress	E⑤
		Biodiversity & Land Use	E⑥
		Raw Material Sourcing	E⑦
	Pollution & Waste	Toxic Emissions & Waste	E⑧
		Electronic Waste	E⑨
		Packaging Material & Waste	E⑩
	Environmental Opportunities	Opportunities in Clean Tech	E⑪
		Opportunities in Green Building	E⑫
		Opportunities in Renewable Energy	E⑬
Social	Human Capital	Labor Management	S①
		Health & Safety	S②
		Human Capital Development	S③
		Supply Chain Labor Standards	S④
		Human Rights & Local Community	S⑤
	Product Liability	Product Safety & Quality	S⑥
		Chemical Safety	S⑦
		Financial Product Safety	S⑧
		Privacy & Data Security	S⑨
		Responsible Investment	S⑩
		Health & Demographic Risk	S⑪
	Stakeholder Opposition	Controversial Sourcing	S⑫
	Social Opportunities	Access to Communications	S⑬
		Access to Finance	S⑭
		Access to Health Care	S⑮
		Opportunities in Nutrition & Health	S⑯
		Responsibility to Customers	S⑰
Governance	Corporate Governance	Board	G①
		Pay	G②
		Ownership	G③
		Accounting	G④
	Corporate Behavior	Business Ethics	G⑤
		Anti-Competitive Practices	G⑥
		Tax Transparency	G⑦
		Corruption & Instability	G⑧
		Financial System Instability	G⑨
		Risk Management	G⑩
		Global Compact Signatory	G⑪
		ESG Reporting Standards	G⑫
		ESG Governance	G⑬
		Lobbying and Political Expenses	G⑭

2. Materiality Assessment (3/3)

② Analyzing the Selected Issues:

SHOEI analyzes the issues selected in the first step by evaluating them on two axes, their importance from stakeholders' perspectives and from SHOEI's perspective, and prioritize the issues. (see the box in the red dotted line below)

③ Selecting Material Issues: SHOEI groups the high-priority issues and selects four material issues.





3. Main Initiatives

SHOEI identifies its main initiatives for addressing the four material issues considering the risks and opportunities of each.

Material Issue	ESG	Key ESG Initiatives	Risks and Opportunities	Main Initiatives
Enabling customers to have safe, comfortable and fun mobility lifestyles such as lifestyles that include motorcycles	Social	<ul style="list-style-type: none"> Improvement of safety and quality Product development to enhance added value Pursuit of design and function that satisfies customers 	<p>< Risks ></p> <ul style="list-style-type: none"> Loss of credibility due to a failure to meet safety standards Damage to the brand image due to quality deterioration <p>< Opportunities ></p> <ul style="list-style-type: none"> Increase market share by providing products customers need Increase customers by providing added value leveraging new technology 	<ul style="list-style-type: none"> Quality management system for safety standards: 1 Added value through product development with an awareness of functions providing comfort and fun: 2 Collecting information about the designs and functions that customers need: 3
Creating the workplace where employees can work comfortably and actively & contributing to the local community	Social	<ul style="list-style-type: none"> Creating a comfortable workplaces with labor and health management Effective use of diverse human resources Contributing to employees' local communities 	<p>< Risks ></p> <ul style="list-style-type: none"> Serious accidents such as labor accidents Deterioration of mental and physical health Loss of human resources due to the loss of talented employees <p>< Opportunities ></p> <ul style="list-style-type: none"> Securing diverse and talented human resources Securing a high quality workforce by energizing local communities 	<ul style="list-style-type: none"> Management of safe workplace environment: 4 Employee mental health management: 5 Improvement of the percentage of managers that are women: 6 Energization of local communities through the hometown tax donation program: 7
Strengthening SHOEI's governance structure with an awareness of social responsibility	Governance	<ul style="list-style-type: none"> Transparent management with an awareness of stakeholders Legal compliance 	<p>< Risks ></p> <ul style="list-style-type: none"> Loss of reputation due to the violation of laws Damage to corporate value due to serious non-compliance issues <p>< Opportunities ></p> <ul style="list-style-type: none"> Sustained progress to achieve effective corporate governance and improved corporate value 	<ul style="list-style-type: none"> Diversity through the appointment of women to executive roles: 8 Employee compliance structure: 9 Communication with investors: 10 Evaluation of effectiveness of the board of directors: 11
Appropriate countermeasures to address climate change issues & contributing to a society with a circular economy society	Environment	<ul style="list-style-type: none"> Reduction of CO2 emissions Use of renewable energy Environmental considerations through the recycling, reuse, etc. of product materials 	<p>< Risks ></p> <ul style="list-style-type: none"> Deterioration of the global environment due to global warming Loss of reputation due to the delay of environmental measures <p>< Opportunities ></p> <ul style="list-style-type: none"> Reduction of costs due to efficient energy use Reduction of waste due to recycling and reuse 	<ul style="list-style-type: none"> Encouraging eco-friendly cars by supporting employees in the charging of EVs and PHVs: 12 Effective use of renewable energy from solar panels: 13

1. Quality Management System for Safety Standards (Production): 1

The basic helmet production process is: molding \Rightarrow painting \Rightarrow assembly \Rightarrow delivery. Helmets are protective equipment for rider safety and safety standards must be followed. Therefore, quality is strictly controlled to ensure that all products delivered from factories meet safety standards.

The photos below start from the molding process for making the shell that is the base of the helmet. After making the framework of the helmet, the thickness and weight of each shell is inspected. This is a very important process for meeting the product quality safety standards and only the shells that pass the inspection can move on to the next process, painting. After the painting and assembly processes are completed, product quality is checked every time and only the products that pass the final inspection at the packaging stage are delivered.

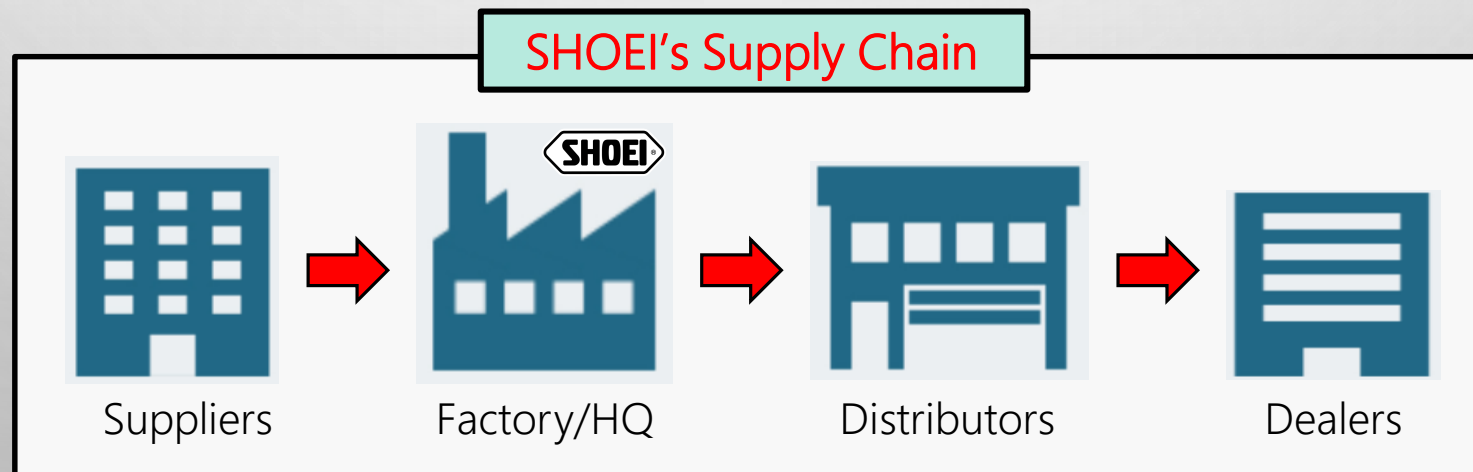


1. Quality Management System for Safety Standards (Suppliers): 1

The quality of the raw materials and processed products that SHOEI purchases is also important, and the basic contracts with our suppliers detail matters important for the compliance of the materials supplied to SHOEI and the maintenance of product quality.

Audits are conducted every three years to ensure that the basic contracts have been complied with in terms of quality, price, delivery, etc. For example, the cleanliness and tidiness of places such as workshops and warehouses, the maintenance of equipment, work processes based on specifications and production maintenance ensuring stable quality are inspected.

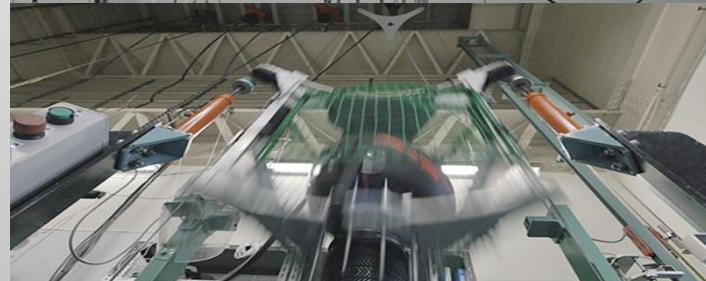
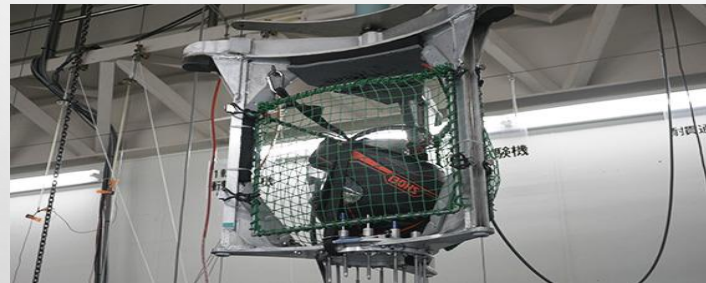
To maintain and improve quality and reduce cost, we also support suppliers' comprehensive management of their businesses, including the management of necessary production technologies and facilities and the management of raw materials and processed products to ensure high quality is maintained.



1. Quality Management System for Safety Standards (Completion Inspection): 1

After helmets are completed, SHOEI's quality control department periodically conducts sampling inspections of completed helmets at a certain rate and we established a thorough quality control system by double-checking, not only during the manufacturing process, but also after the process.

SHOEI's sampling inspection of completed helmets destroys about 3,000 helmets a year in tests such as impact tests, and a large number of the helmets used in tests are discarded and not sold to customers. However, these helmets that never reach riders are also an important part of SHOEI's efforts to maintain ideal quality.



Chapter 3

Social



1. Quality Management System for Safety Standards (Safety Standards and External Certifications): 1

In the helmet development stage, it is mandatory to acquire safety standard certifications in each country and region (JIS for Japan, ECE R22/06 for Europe, etc.). To develop helmets with reliable safety under a unified design concept, SHOEI established a thorough quality control system and acquired the necessary safety standard certifications for each country and region.

In October 2022, we divided the quality-related department that was a part of the production headquarters into the quality assurance department which reports directly to the president and the quality control department which is a part of the production headquarters. This enables the quality assurance department to maintain its independence. We have established a firm quality control system under the supervision of the quality control department.

Although we don't have an ISO 9001 quality management system as defined by the International Organization for Standardization (ISO), we are evaluated by a third party certification body that inspects our ECE R22/06 standard quality management system that is equivalent to ISO 9001:2015.



Vias institute SC agréée comme ES
Chaussée de Haecht 1405 - B-1130 Bruxelles
Téléphone 02/244.15.11 - Téléfax 02/216.43.42
E-mail : info@vias.be - Internet : www.vias.be
TVA BE 432.570.411

Brussels, 27th of July 2023

The Vias institute is the technical service (test laboratory) assigned by the Belgian Ministry of Transport for testing protective helmets for drivers and passengers of motorcycles according to the regulation ECE R22-06 of Geneva.

Within the framework of the Conformity of Production as mentioned in the Regulation ECE R22-06 of Geneva, the Vias institute considers the Shoei Company equivalent to an organization having the certification of ISO9001:2015.

K-T. LY
Head of Laboratory



Chapter 3

Social

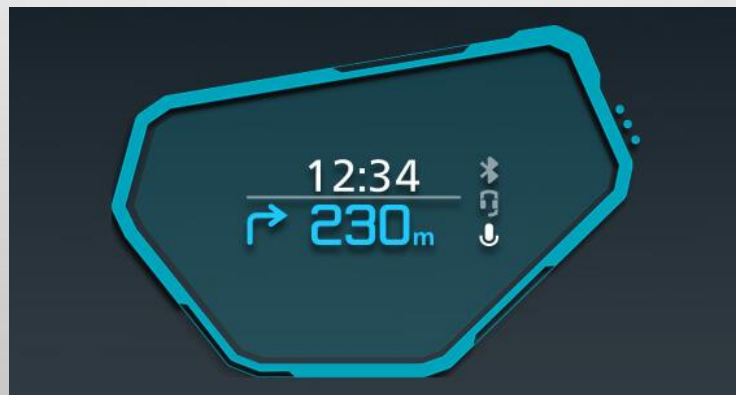


2. Added Value through Product Development: 2

To pursue helmets that are safe, comfortable and fun, SHOEI leads the industry and takes on new challenges. An example of this is our development of a helmet with the Opticson heads up display (HUD) for the new era. As a new product incorporating advanced technology, Opticson creates a better future for people living motorcycle lifestyles.



The navigation display provides information such as route guidance provided by a navigation app and incoming/outgoing phone calls are possible by connecting a smartphone to the HUD via Bluetooth. Opticson supports new ways of riding to create a better future for people living motorcycle lifestyles. As a premium helmet brand, we also paid attention to the balance of the weight of the helmet and to the achievement of comfort.



Navigation Display

- Estimated time of arrival at destination
- Estimated time of arrival at transit point
- Intersection name
- Alert for next announcement
- Remaining distance to destination
- Remaining distance to transit point
- Incoming/outgoing calls
- Time

Chapter 3

Social



3. Customer Satisfaction and Survey of Needs through the Opening of Directly Managed Shops: 3

SHOEI operates directly managed SHOEI Gallery shops to increasing customer satisfaction and survey the needs of customers by receiving feedback directly from them. The SHOEI Galleries offer Personal Fitting System (PFS) services to measure the shape of each person's head and adjusts the helmet interior pads for the best fit as well as displaying, selling and repairing helmets. In addition, helmets and photos of SHOEI contract riders are displayed and original goods only available in the Galleries are available for sale.

Currently, we manage five Galleries in Japan (Tokyo, Osaka, Yokohama, Kyoto and Fukuoka) and a new Gallery managed by a French subsidiary has opened in Paris. We continue to open new shops as needed.



Personal Fitting System



SHOEI Gallery TOKYO



SHOEI Gallery PARIS

Chapter 3

Social



4. Occupational Safety and Health & Employee Health Management in the Workplace: 4, 5

<SHOEI's Initiatives>

We established the health and safety committee to ensure the safety of our employees. To prevent occupational accidents, we have discussions regularly and promote the establishment of a system for safety in the workplace to examine working environments, etc. We also aim to create workplaces where employees can work comfortably and where mental and physical health are managed. We continue to appropriately evaluate personnel through timely interviews with employees, the sincere consideration of the requests of the employees' union regarding the improvement of working conditions, necessary actions, etc.



<Overseas Subcontractor's Occupational Safety>

We subcontract a part of our sewing processes to an overseas Japanese company. We confirm that the overseas subcontractor undergoes external audits every two years that meet the standards of the International Labor Organization (ILO). In particular, no instances of the items on the right have been identified.

Item	Yes/No
Forced Labor	No
Abuse and Harassment	No
Child Labor	No
Work in Hazardous Environments	No
Discrimination	No

5. Improvement of the Percentage of Managers That Are Women: 6

SHOEI promotes the creation of workplaces where work and family life are compatible and women employees can work actively. Furthermore, we are aiming to improve the percentage of managers that are women, with the goal of more than 8% of managers being women by March 2028.



<Main Initiatives>

- ① Verifying that the promotion standard is fair to men and women and revising the standard as necessary (Since April, 2023)
- ② Interviewing men and women who are employees that are candidates for manager positions (Since April, 2024)
- ③ Expanding various training programs for employees and developing future leaders (Since October, 2024)

6. Corporate Citizenship through the Hometown Tax Donation Program: 7

To contribute to the local community, we donated 100 million yen in 2023 via the corporate version of the hometown tax donation program to Inashiki in Ibaraki Prefecture and Ichinoseki in Iwate Prefecture where our factories are located. We also provide our helmets as a return gift for the normal hometown tax donation program. We continue to contribute as much as we can for the energization of the local community and the development of education programs for the next generation of people.

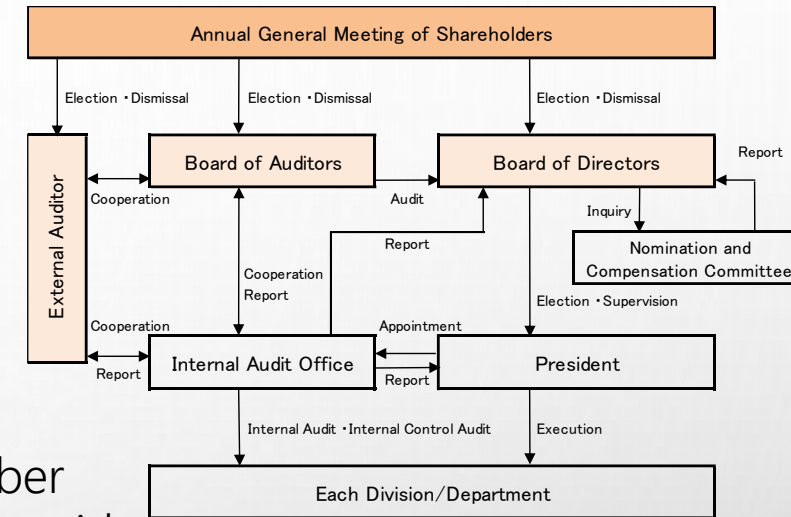
Chapter 4

Governance



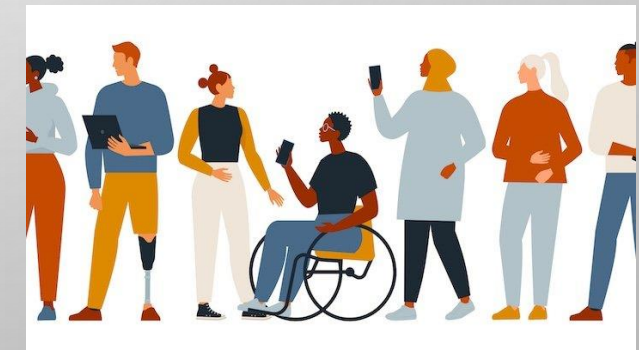
Regarding SHOEI's corporate governance, the board of directors consists of six directors including two outside directors and three auditors including two outside auditors (as of December 22nd, 2023). The governance structure maintains fairness and transparency through the activities of the board of directors, an organization responsible for supervising swift and precise management, and the actions of the board of auditors, a monitoring organization benefitting from each auditor's expertise.

We also established the nomination and compensation committee in December 2021. A majority of its members are outside directors and it is chaired by an outside director. The committee properly deliberates matters related to the nomination and compensation of directors and reports to the board of directors.



1. Diversity through the Appointment of Women to Executive Roles: 8

We understand that diversity is necessary to sustainably increase corporate value and that it is important to appoint women to executive positions. Therefore, we appointed a woman to be an outside director in December, 2022 and are planning to appoint another women to be an outside auditor in December, 2023.



Chapter 4 Governance



2. Employee Compliance Structure: 9

To establish a governance structure that enables a good working environment and enables all employees to work comfortably in their workplace, SHOEI established compliance regulations and behavioral guidelines from the perspectives of compliance with internal rules and acting with high ethical values.

We also established a whistleblower system (commonly known as the employee hotline) in April 2022, to ensure the human rights of employees are respected and prevent any kind of harassment. The purpose of the employee hotline is to enable people to report any employee misconduct and prevent any compliance violations or misconduct. The contact point for reporting is outsourced to an external law firm that is not our consulting lawyer, so that employees can use the employee hotline without fear.

Furthermore, we have made various documents to create a better work environment and conduct compliance training regularly. We continue to take measures to improve the management of the compliance structure.

4. ハラスメントについて普段心がけることは？

- 「必要性」と「相当性」(=**目的と手段の釣り合い**)を常に念頭におく
- ✓ 人格否定の言動、差別的言動、暴力などは**一発アウト**
- ✓ 感情(特に怒り)を感じた場合は**時間(一呼吸)を置く**

普段からコミュニケーションを図り、目的を伝える

SHOEI
www.shoei.com

Chapter 4

Governance



3. Communication with Investors through IR Activities: 10

In terms of sustainability and ESG, SHOEI understands the importance of engaging in dialog with its investors. Therefore, we focus on communicating with investors through the disclosure of documents and IR activities such as meeting with investors about 150 times per year in addition to communicating with shareholders and investors at the annual general meeting of shareholders and financial results briefings.

In fact, our exchanging opinions with and receiving advice from shareholders and investors through our IR activities have been helpful in our strengthening of our ESG initiatives (e.g., the introduction of the restricted stock system for employees, the establishment of the nomination and compensation committee, the appointment of a woman to be a director, etc).



4. Evaluation of Effectiveness of the Board of Directors: 11

We are constantly seeking to enhance corporate governance to ensure a transparent and effective management system. One of our efforts to strengthen our governance is our consideration of the introduction of an evaluation of the effectiveness of the board of directors that takes an objective outside perspective to ensure that the board of directors can fulfill its functions at a higher level and promote more advanced management.

We continue to transform and develop our management structure to ensure appropriate corporate governance and transparency to achieve our goals.

Chapter 5

Environment



SHOEI has been regularly conducting activities to improve the production efficiency of its various processes using the Just In Time (JIT) system, and efforts to conserve resources and energy are also discussed and implemented on a daily basis.

In addition, from the perspective of the prevention of global warming, we are trying to reduce CO2 emissions as much as we can. Our analysis indicates that the sources of power that we use that emit large amounts of CO2 are electricity, heavy oil (boilers) and gasoline (vehicles used by commuters), and we are taking actions accordingly.

1. Encouraging Eco-Friendly Cars through EV/PHV Charging Support: 12

EV/PHV charging facilities for employees who commute by car have been installed at both factories. SHOEI encourages employees to commute by electric vehicle and considers environmental issues for the realization of a decarbonized society through the reduction of CO2 emissions.



The cost of charging EV/PHV batteries is borne by the company and the charging equipment is available all the time. We are also working toward the realization of the government's goal of increasing the use of electric vehicles.



Chapter 5 Environment



2. Effective Use of Renewable Energy from Solar Panels: 13

At both the Ibaraki and Iwate factories, SHOEI is planning to introduce and operate solar power generation systems using a PPA* model in May 2024. This initiative is expected to reduce annual CO2 emissions by approximately 267 tons and increase the percentage of power consumed that comes from renewable energy sources from the current 13% to 19% at both factories.



*PPA: Power Purchase Agreement. The PPA provider installs a solar power generation system on a customer's property or roof at no charge and sells the power generated by the system to the customer.

[Ibaraki factory]



[Iwate factory]



Panels will be installed on the roofs circled in yellow

Appendices



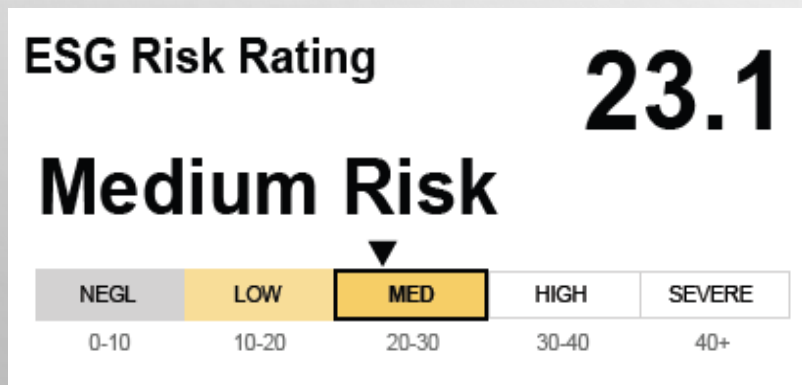
1. External ESG Evaluations



MSCI ESG Rating: BB

SHOEI received an ESG rating of BB from MCSI in the USA. We are continuing to work on ESG measures and aim to improve our ESG rating.

(As of June 2023)



Sustainalytics ESG Risk Rating: Medium Risk

SHOEI received a medium risk ESG risk rating from Sustainalytics in the Netherlands. We are strengthening our ESG management organization and aim to receive a low risk ESG risk rating.

(As of July 2023)

Appendices



2. Company Profile

Company Name	SHOEI CO.,LTD.
Established on	March 17,1959
Net sales	33,616,724,933 (as of September 30,2023)
Paid-up Capital	1,421,929,924Yen
President	Kenichiro Ishida
Number of Employees	785
Head Office	1-31-7 Taito, Taito-ku Tokyo
Factories	Ibaraki Factory: 1793-1,Haga,Inashiki-shi,Ibaraki Iwate Factory: 27-1,Nooka,Tokuda,Fujisawa-cho,Ichinoseki-shi,Iwate
Showroom	SHOEI Gallery TOKYO: 2-15-2 Sotokanda, Chiyoda-ku Tokyo SHOEI Gallery OSAKA: 5-11-8,Nishinakajima,Yodogawa-ku,Osaka-shi,Osaka SHOEI Gallery YOKOHAMA: 27,Yamashita-cho,Naka-ku,Yokohama-shi,Kanagawa SHOEI Gallery KYOTO 385-3,Mukadeya-cho,Nakagyo-ku, Kyoto-shi, Kyoto SHOEI Gallery FUKUOKA 2-1-4,Takasago, Chuo-ku, Fukuoka-shi, Fukuoka
Consolidated Subsidiaries	SHOEI (EUROPA) GMBH SHOEI DISTRIBUTION GMBH SHOEI EUROPE DISTRIBUTION SARL SHOEI ITALIA S.R.L. SHOEI ASIA CO.,LTD. SHOEI SALES JAPAN CO., LTD. SHOEI (SHANGHAI) CO., LTD.



(As of October, 2023)

Appendices



3. Premium Helmets

The size of the premium helmet market is about 80 billion yen. Premium helmets are defined by their superior design, high quality and safety. SHOEI is over 60% of this market. Our goal is to obtain the largest share of the market in every country around the world by continuing to strengthen our sales activities based upon our superior brand power.



The global brand SHOEI, born in Japan and expanding around the world, is loved by many top class professional riders and recognized as a top quality helmet by riders in over 50 countries worldwide. Also, the SHOEI brand is known as a symbol of high quality and safety. Owning a SHOEI product is a status symbol for riders and something they are proud of.

SHOEI SUSTAINABILITY REPORT 2023



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