





## **VALQUA GROUP**

# Sustainability Report





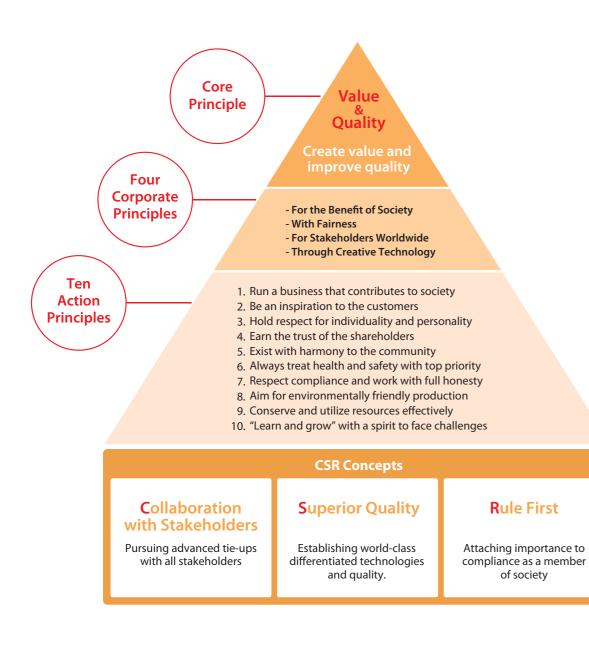


#### **Corporate Philosophy**

## THE VALQUA WAY

The VALQUA GROUP's Corporate Philosophy – "THE VALQUA WAY" – consists of the Core Principle of "Value & Quality" from which the company name is derived, together with the "4 Corporate Principles" and "10 Action Principles" that aid employee understanding and facilitate implementation. This deep understanding and implementation of THE VALQUA WAY forms the foundation of the VALQUA GROUP's corporate social responsibility (CSR).

In addition, the introduction of the 3 CSR Concepts based on "THE VALQUA WAY" in 2007 has made it possible for us to engage in more practical activity oriented toward solving various social problems.



#### **Editorial Policy**

This Sustainability Report is issued once a year to communicate our basic approach to ensuring the sustained growth of the VALQUA GROUP, and the efforts we have made to tackle materiality in CSR activity, to all of our stakeholders. Some of the data is disclosed only on our website. URLs where this content will be posted are included in this Sustainability Report.

#### **Reporting Period**

April 1, 2020 to March 31, 2021 Some of the reports include content from before or after the above period. The information, such as the organizational chart, policies, and standards, are current as of June 2021.

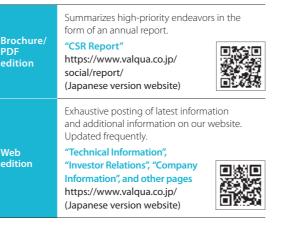
#### Scope

VALQUA, LTD. and its 18 consolidated subsidiaries (Hiring rates for persons with disabilities and percentage of women in management positions are figures for VALQUA, LTD. alone.)

#### Timing of Publication

Issued in June 2021 (last issued in July 2020)

#### **Reporting Media**



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## Our Corporate Philosophy of "THE VALQUA WAY" aims for healthy, sustained growth and a sustainable society



#### Introduction

I would like to begin by expressing my sympathies to all of you who have been affected by the COVID-19 pandemic. Let us offer a prayer for the repose of the souls of the many who lost their lives to COVID-19.

The worldwide spread of COVID-19 in 2020 not only brought great changes to our lives but also had a major impact on industries such as automobiles, transport & logistics, aviation, retail, and restaurants, as well as on the economy. Our corporate group moved swiftly to minimize the impact on our business results in accordance with the 3-year mid-term management plan "New Frontier 2022 (NF2022)" which took effect in 2020 under this new business environment. While taking infection control measures to ensure the safety of our employees, we inaugurated a remote work promotion project to promote "work style reform", and we have devoted much effort to DX through the extensive use of IoT and digital information.

In addition to describing these efforts, this report provides expanded information on sustainability under the guiding principle of "Linking corporate activity to SDGs", so please be sure to read on.

#### Corporate Image we aim to become in the coming 100th anniversary

A Challenging Company that Challenges the Future and the Unknown

—To contribute to the richness of human race and global environment—

- 1. Endless pursuit and monitoring of growth strategy
- 2. Strengthening management foundation that will solidify company growth
- 3. Active engagement in "environment, society, and corporate governance" in becoming a better global citizen

Business objectives to meet by term ending March 2027 - Consolidated sales of 80 billion yen - Consolidated ROE of 15%

#### Toward our 100th year in business (2027) and SDGs target year (2030) as "a challenging company that challenges the future and the unknown"

The VALQUA GROUP has long promoted visionary management centered on our Corporate Philosophy, "THE VALQUA WAY".

To firmly foster a corporate culture that reflects the "Value & Quality" that is our Core Principle and the origin of our corporate name, we ensure that "THE VALQUA WAY" permeates all of our business operations by having all employees break it down to the personal level in "MY VALQUA WAY" and make annual reports on how they put it into practice in their duties.

In April of last year, we defined the goal for our 100th year in business as being "a challenging company that challenges the future and the unknown" to contribute to the richness of human race and global environment through business activities. At the foundation of these efforts is "THE VALQUA WAY", a value system that is consonant with the aims of the Sustainable Development Goals (SDGs).

In order to link corporate activities to the SDGs in the current fiscal year, we have intensified our efforts to contribute to the SDGs with a 3-pronged approach of "solving social problems through our main business (H&S) (offense)", "strengthening our management foundation (ESG) (defense)", and "activities that contribute to society".

One way that we solve social problems through our main business is with products and services that show consideration for the environment. We strengthen our management foundation by emphasizing governance, eco-friendly business practices, better supply chain management, and human resource cultivation, and we contribute to society by supporting ballroom dancing and "Local Community Thanksgiving Days".

In its long history, the VALQUA GROUP has confronted various crises, including the postwar chaos, the collapse of the Japanese bubble economy, and the 2008 financial crisis, but we have surmounted all of them through the pioneering spirit that is VALQUA's strength. As we approach our 100th year in business (2027), great changes are being forced upon society, but we aim to contribute to the fulfillment of the SDGs and the realization of a sustainable society in order to create new added value and promote further growth from a neutral perspective free of preconceptions, under the pioneering spirit of "THE VALQUA WAY" that has been cultivated since our founding.

#### Powering corporate transformation by adding "HR cultivation" to our materiality matrix

The Valgua Group positions "human resources" as its most important asset, and the "Valqua Group Basic Policy on Human Rights" promotes diversity and the cultivation of local human resources of many nationalities. In NF2022, "HR cultivation" was added to our materiality matrix, and in order to "accelerate bold investment in HR cultivation" and "execute dynamic measures that lead to the revitalization of local human resources", we are developing the personnel who will shoulder the core management of our bases in the near future through CEO cram schools, early selection training, and overseas manager-class training, etc.

We have also begun making efforts to enhance engagement among all of our Group's employees. We expect that stronger HR cultivation and enhanced engagement will together lead to improvements in work productivity and the power to bring about change through CX\*.

\* CX: abbreviation for corporate transformation.

#### In Closing

One of the VALQUA GROUP's Corporate Principles is "For the Benefit of Society", and one of our CSR Concepts is "Collaboration with Stakeholders". Thanks to the support of all of our stakeholders thus far, VALQUA has grown into a group that does business in 8 countries and has many employees that actively play a part in promoting these goals.

In order to realize healthy, sustainable growth as we move beyond our 100th year in business and on into the next era, the Group will act as one to proceed steadily toward our goals of contributing to the richness of human race and global environment, together with all of our stakeholders.

We ask for your continued understanding and support.

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#### Toshikazu Takisawa

VALQUA GROUP Representative Representative Director, Chairman & CEO VALQUA, LTD.

#### VALQUA with Society

## VALQUA's Relationship to Society

Our "products & services" play an active role in all sorts of places

#### A Rockets and satellites



#### Metal hollow O-rings These are high performance gaskets that can even prevent leakage in outer space. They are used not only in rockets and satellites, but also in equipment that requires high temperatures, high pressure, and high vacuum.

#### B Factories and offices

LED illumination



These products have the characteristics of lower power consumption and long life. The extensive lineup can be applied to a wide variety of needs, and they contribute to reducing the environmental burden.

#### C Medical institutions



Fluorocarbon resin skived tape These products use advanced technology to cut fluorocarbon resin. Exceptionally airtight and slid able, they are used for coating syringe pistons, etc.

#### **D** Automobiles



#### Gasket for automatic transmission (AT) These are the gaskets used in the

hydraulic control device (valve body) that controls the AT. By sealing the oil within the device, they make possible smooth, responsive gear changes.

#### E Ships and vessels



#### from around the working axis, and they are used mainly in rotary pumps and

**Gland packing** 

are used mainly in rotary pumps and valves that fulfill the function of conveying fluids or blocking their flow. Joint sheet gasket

These are products that prevent leakage



High performance sheet gasket

conventional products, these sheet gaskets

that require high temperature resistance.

are widely used, particularly in plants

With far better performance than

All-purpose gaskets with performance that can accommodate a wide range of fluids. They play an active role in ships, vessels, and plants as well as all sorts of other scenes, such as housing facilities.

#### **F** Steel production plants

**Spiral wound gasket** These metal-reinforced products support safety operations in plants operated at high temperature and pressure.

#### s support This seal material has outstanding slid ability and was developed for use in the rotating and oscillating parts of various kinds of production equipment.



Low friction seal (LFR SEAL®)

#### Fluorocarbon resin lined ball valve

N Transformer

products

Processed fluorocarbon resin

performance of these products is used

o good advantage in devices that

eliminate the effect of lightning and

ontrol the amount of power transfers

he high electrical insulation

Adoption of highly chemical-resistant fluorocarbon resin in all parts that come into contact with fluids gives these valves broad applicability to fluid control



#### G Chemical plants

Fluorocarbon resin lined product These pipes use the characteristics of fluorocarbon resins – chemical resistance and surface smoothness – to ensure the purity of the fluids that pass through them.



Fluorocarbon-resin envelop gaskets Made of highly chemical resistant material, these gaskets prevent liquid chemicals and gasses from leaking through the joints of piping and equipment.





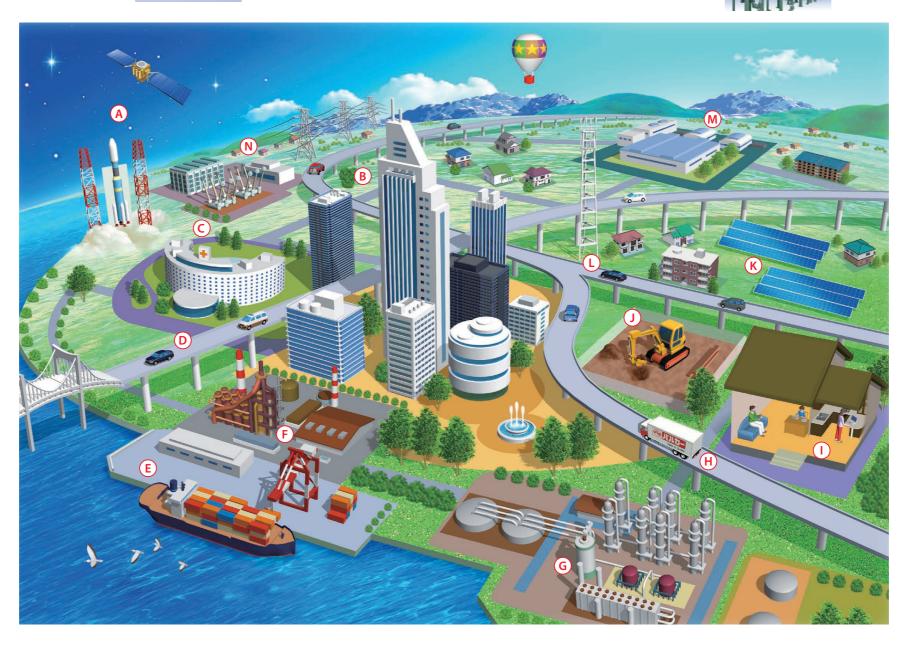
VALQUA is contributing to the reduction of the environmental burden by using its proprietary knowhow to recycle the silicon wafers that have been used to check the operation of semiconductor manufacturing equipment by polishing and cleaning them so that they can be provided to customers like new products.

#### Fluorocarbon resin lined tank

Liquid chemical tanks with inner linings consisting of fluorocarbon resin sheets are indispensable in the storage and transport of the ultra-high purity chemica used in semiconductor manufacture.







#### M Semiconductor plants

#### **High-performance elastomer**

Products surface-treated with a special low-impurity rubber maintain the clean environment that is indispensable to semiconductor manufacture.

#### **Bonded gate seal**

These are high performance elastomer and metal seals with a unitary structure. With high sealability, they are used in transfer gate valves for silicon wafers.





Fluorocarbon resin material Substrate material with the outstanding electrical characteristics and weather resistance of polytetrafluoroethylene (PTFE) contributes to safe, rapid, high-capacity data communication in antennas and self-driving vehicles.





### Photovoltaic power generation business

The Mega Solar power generation facility on the premises of KYUSHU VALQUA produces clean energy daily and contributes to the community and the preservation of the global environment.

#### **J** Construction machinery

#### O-ring

These are typical static and dynamic seal products. They accommodate a wide range of industrial needs thanks to the use of rubber material well suited to the application.

#### Thrust plate

When inserted into the gap in hinged moving parts of excavators, etc., thrust plates play the roles such as adjusting the gap, preventing squeaking, and preventing galling.





#### I Portable media

Fluorocarbon resin tape With high electrical insulation and outstanding processability, this tape contributes to miniaturization and the improvement of performance in telecommunications equipment.



#### H Seal engineering services

#### Seal Training Center (STC)

STC share VALQUA's seal engineering technology with customers, connecting it to safe plant operation and reliable equipment operation. STC also provide a venue for human resources development, with classroom lectures on the selection of seal materials and appropriate methods of use, as well as experiencebased training facilities for practical training using a simulation of pipe flanges in actual factory settings.

#### **H&S Demo Car**

Demonstrations and hands-on experience introduce customers to products and services that we have newly begun to develop or handle.



## Philosophy and Policy on SDGs

As a global citizen, the VALQUA GROUP works toward the solution of social problems through its corporate activities and contributes to the achievement of the SDGs and a sustainable society.

#### Efforts to Contribute to SDGs

Since 2007, the VALQUA GROUP has engaged in CSR activities to solve various social problems on the basis of "THE VALQUA WAY". This has included reorganizing our materiality matrix in FY 2019 to incorporate a global perspective reflecting the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

In addition, we established active engagement in "environment, society, and corporate governance" in becoming a better global

citizen as one of the basic policies for meeting the goal for our 100th year in business, set forth in April 2020: a challenging company that challenges the future and the unknown to contribute to the richness of human race and global environment.

To improve the effectiveness of our contributions to the SDGs, we are promoting a 3-pronged approach that combines "solving social problems through our main business (H&S) (offense)" and "strengthening our management foundation (ESG) (defense)", with "activities that contribute to society".



Sustainable Development Goals (SDGs)	SUSTAINABLE GOALS		
The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as goals that should be achieved by 2030 in order to solve the problems of international society. They consist of 17 goals and 169 targets toward which not only governments but also citizens	1:mm         2:mm         3:mm:mm         4:mm:mm         5:mm:mm         6:mm           1:h+++		

## **CSR Management**

The "VALQUA GROUP CSR Promotion Committee" has been set up to make proactive efforts to solve various social problems as a global citizen. This Committee monitors the progress of action on materiality and provides the overall structure for the continuous implementation of CSR activities.

#### **CSR** Philosophy

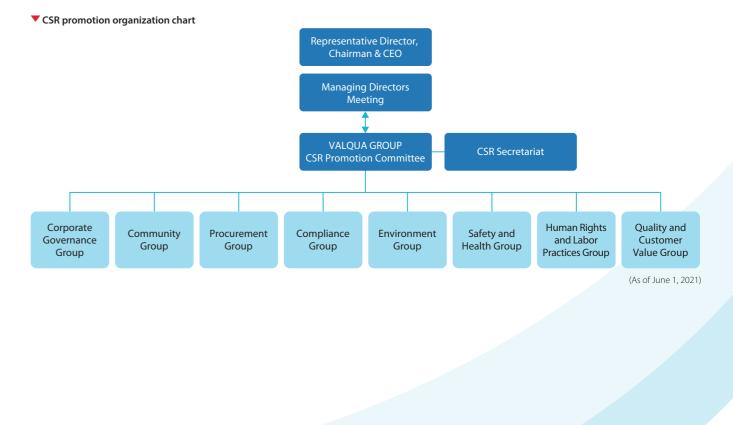
The VALQUA GROUP considers CSR to be synonymous with putting the corporate philosophy of "THE VALQUA WAY" into practice, and with our corporate activities themselves.

Since 2007 we have engaged in more practical activity oriented toward meeting the challenges of increasingly diverse social problems under the 3 CSR Concepts of "Collaboration with Stakeholders", "Superior Quality", and "Rules First".

#### For a sustainable society

Under the Corporate Philosophy of "THE VALQUA WAY", the VALQUA GROUP continues to meet challenges every day as it aims for unflagging growth.

To contribute more effectively to the SDGs as a reflection of a corporate image we aim to become in the coming 100th **anniversary**, we have linked the CSR priorities of corporate governance, compliance, environment, supply chain management, safety and health, HR and human rights, customer satisfaction, and community to the SDGs and have been promoting a 3-pronged approach of "solving social problems through our main business



(H&S) (offense)", "strengthening our management foundation (ESG) (defense)", and "activities that contribute to society" in FY 2020.

Acknowledging the importance of dialog with customers, shareholders, business partners, employees, the local community, and other stakeholders, we will go on creating corporate value and contributing to a sustainable society.

#### Organization for promoting CSR

The "CSR Council" established by the VALQUA GROUP as a system for cross-organization discussion in 2007 was changed to the form of the "VALQUA GROUP CSR Promotion Committee" in FY 2019 to strengthen our CSR activities from a business perspective.

The "VALQUA GROUP CSR Promotion Committee" is positioned as an important deliberative body for discussing the CSR activities of the entire Group. Chaired by a senior managing director, it strengthens cooperation within the Group by meeting regularly every half-year and as otherwise necessary to hear progress reports on the CSR activities promoted by each division and exchange opinions, etc. The results are reported every half-year at the managing directors meeting.

## Materiality in CSR activities

In order to achieve healthy, sustained growth and contribute to the realization of a sustainable society, the VALQUA GROUP assesses and analyzes various social problems to define its materiality. In FY 2020, we linked our materiality matrix to the Sustainable Development Goals (SDGs) to redouble our efforts to contribute to SDGs.

	Materiality	Why? For what purpose?	Basic policy	Main efforts	SDGs to which this contributes	Process of defining the materiality matrix
	01. Spread of the Corporate Philosophy	To aim for sound and sustained growth through visionary management with the Corporate Philosophy of the "THE VALQUA WAY" at its center	Make "THE VALQUA WAY" the basis of our daily activities	<ol> <li>Enlightenment activities through Committee for Promoting the Spread of "THE VALQUA WAY"</li> <li>Presentations on personal understanding and practice of "THE VALQUA WAY" at each level</li> </ol>	3 instruction August Lichics August Lichics	Step 1 Recognition of social problems
Corporate Governance	02. Strengthening of corporate governance	Because it is important to have an effective decision-making mechanism for fulfilling our social responsibilities	Construct a management system based on "THE VALQUA WAY" and strive to perfect it	Activities to strengthen the system of global governance and expand information disclosure	9 Active Internation Active International Active International	We first identified social problems by referring to international standards and quidelines such as the GRI Standards,
	03. Promotion of Group's global activities	Because the Group needs to make concerted efforts to solve global problems	Make a concerted effort as the VALQUA GROUP to solve problems by implementing the Corporate Principle of "For Stakeholders Worldwide"	Efforts to promote CSR activities, contributions to SDGs, and upgrading of sustainability information throughout the entire Group		ISO26000, the UN Global Compact, Sustainable Development Goals (SDGs), and RBA Code of Conduct.
	04. Dialog with stakeholders	To deepen mutual understanding through dialog and work toward the solution of common social problems	Promote the CSR Concept of "Collaboration with Stakeholders" to lead to the solution of global problems	Efforts to expand opportunities for dialog with stakeholders		
	05. Prevention of corruption and bribery	To prevent not only bribery but also actions that raise suspicions	Conduct business on the basis of the "Compliance Manual" under the Action Principle of "Respect compliance and work with full honesty"	Strengthening of risk compliance, including prevention of corruption and bribery, and efforts to expand information disclosure	12 Monate an indication	Step 2 Identification of stakeholders' priorities
Compliance	06. Legal compliance	To promote thorough compliance management in order to fulfill our social responsibility and meet expectations	Conduct business on the basis of the "Compliance Manual" under the Action Principle of "Respect compliance and work with full honesty"	Efforts to increase the effectiveness of legal compliance and expand disclosure		We then identified stakeholders' priorities by analyzing surveys by evaluation organizations and customer
	07. Compliance with environment-related laws and ordinances, etc.	To avoid our business activities being influenced by violation of increasingly strict laws to prevent environmental pollution	Conduct business on the basis of the "Compliance Manual" under the Action Principle of "Respect compliance and work with full honesty"	Thoroughgoing environmental risk compliance	-	questionnaires to index the degree of attention to the social problems identified in Step 1.
Environment	08. Prevention and reduction of leakage of environmentally hazardous substances	To use advanced technology to contribute to the realization of a low-carbon society through products and services that lead to reduction of environmentally hazardous substances	In line with the CSR Concept of "Superior Quality", improve technology and provide products and technology that contribute to the solution of problems	Combatting pollution and other social problems by developing and deploying products and services	7 comment and Construction C	Step 3 Identifying materiality through mapping
	09. Reduction of environmentally hazardous substances in business	To engage in business activities that minimize deleterious effects on the environment, in order to fulfill our social responsibilities as a manufacturing company	Give consideration to environmental assets in our activities under the Action Principle of "Conserve and utilize resources effectively"	Environmentally hazardous substance reduction	12 Energies an Protocolar COO	We created a matrix chart mapping the social problems identified in Step 1 on one axis and the "stakeholders' priorities"
Safety and Health	10. Occupational health and safety	To lead to employee happiness and the development of business by creating an environment that considers health and safety and is easy to work in	Create an environment that is easy to work in under the Action Principle of "Always treat health and safety with top priority"	Promotion of occupational health and safety	and "VALQUA GROUP	and "VALQUA GROUP priorities" on the other to extract items with the highest priority as materiality.
Supply Chain Management	11. CSR procurement (handling of conflict minerals)	To solve problems that have become more complex with the globalization of the supply chain	Conduct business on the basis of the "Basic Procurement Policy"	Education and promotion of procurement activities based on CRS Procurement Guidelines	12 montal an effective	Step <b>4</b> Defining materiality
	12. Ensuring of the diversity of human resources	To lead to sound and sustained growth by creating an environment that makes the most of the individuality of diverse human resources and allows them to grow while increasing their own value	To give full consideration to human rights through enlightenment activities based on the Action Principle of "Hold respect for individuality and personality"	Support for diverse and flexible work styles	8 ECHI WAY MA ECHI WAY MA ECHI WAY MANA 9 BARANA 9 BARANA 10 BARANANA 10 BARANANA 10 BARANANA 10 BARANANA 10 BARANANANANANANANANANANANANANANANANANANA	We then defined the VALQUA GROUP's materiality for FY 2019 and began to implement a new CSR action plan.
Human Resources and Human Rights	13. Respect for human rights	To give full consideration to human rights through enlightenment activities based on the Action Principle of "Hold respect for individuality and personality"	Conduct business activities in line with the "VALQUA GROUP Basic Policy on Human Rights"	Educational activities to promote understanding of various international norms for human rights		Step 5 PDCA management and materiality review
	14. Human resources development	To cultivate human resources that can contribute to the expansion of our business	Cultivate human resources that can continue to meet new challenges by thinking for themselves under the action guideline of "Strongly committed to learning and growth, and filled with the spirit of challenge"	<ol> <li>Cultivation of the Valqua Person</li> <li>Development of core Group managers</li> <li>Development of core base managers</li> <li>HR cultivation for each division and company</li> </ol>	_	In FY 2020, we decided to add "HR cultivation" to our materiality, reflecting the basic policy of the mid-term
Customer Satisfaction	15. Improvement of quality and customers' safety and peace of mind	To provide peace of mind and satisfaction by solving safety-related problems for customers in Japan and overseas together	Promote safety and health not only for those within our own company but also for customers in Japan and overseas under the Action Principle of "Always treat health and safety with top priority"	<ol> <li>Information provision and services for product quality management and safe use</li> <li>Deployment of products and services that promote the safety and peace of mind of customers</li> </ol>	9 Machine Managara Bernardinezzer All 2 Standardine An Production An Production	management plan "New Frontier 2022 (NF2022)" initiated in the same year. We also linked "VALQUA GROUP corporate activities", including the FY 2020 materiality, to the SDGs. In the future, we
Community	16. Promotion of sports, culture, and the arts Coexistence with local community	To contribute to the creation of a safe, affluent society where people can have peace of mind through the promotion and support of sports and CSR activities rooted in the community	Promote and support sports and make social contributions rooted in the community under the Action Principle of "Exist with harmony to the community"	<ol> <li>Contributing to society through support for the growth of ballroom dancing</li> <li>Contributing to society though greening of area around office buildings and through donations</li> </ol>	3 mathematica 	will continuously review the Group's materiality in light of social trends while promoting the formulation of more concrete target indices.

**Special Feature 1** 

Promoting human resources diversity

## "From VALQUA KOREA": How a local staff member meets the challenges

SDGs to which this contributes:



#### **Encounter with VALQUA**

After I graduated from university in 2003 with a major in manufacturing technology, I decided to pursue a career in the manufacturing industry as an engineer. At that time South Korea was under IMF stewardship following the severe economic crisis of 1998, and corporations forced to change their management strategies were struggling with restructuring. The first South Korean company where I worked engaged in technological collaboration with Japanese companies, and I became interested in the corporate culture unique to Japan, including their approach to technological challenges and business practices that inspired trust. Wishing to work for a Japanese company myself, I joined VALQUA KOREA in 2013 and threw my energies into the launch of a new factory.

The thing that made the greatest impression upon me as a new hire was "THE VALQUA WAY", which clearly described the company's value system. "THE VALQUA WAY" is the message that the VALQUA GROUP continually sends out to employees throughout the organization, encouraging them to ask, "What kind of value do I bring to the company?" and "What is my mission?" In doing so they develop an understanding of the corporate philosophy. I also could feel a gradual change in the outdated ways of thinking I had carried over from the previous company.

#### Meeting the challenges of seal manufacturing based on "Value & Quality"

I was assigned to the Technical Section as a new hire and put in charge of transfer of new products, new manufacturing processes, and the launch of a clean room. I had no knowledge or experience with seal products, and the South Korean staff and I were unable to handle even minor issues.

The biggest problem was that although seal product manufacture appears straightforward at first glance, it actually requires very delicate management. Even if we used the same manufacturing method as the mother plant, minor differences in the surrounding environment or the machinery could result in a different finished product. Production transfer from the (This section is based on an essay written by Mr. Kim Young Ju in Japanese, with modifications)

mother plant was a rigorous, high-pressure mission that involved identifying the causal factors for each type of product and completing the transfer of all on schedule.

What kept me from getting frustrated or giving up throughout repeated trial and error was the Core Principle of "Value & Quality" from which the company name derives. VALQUA's uncompromising commitment was the strength that

kept me going when things were tough. The production transfer, including an enormous amount of documentation, repeated introduction of equipment, technical guidance for contractors, and stability testing for internal production technology, went off without mishap. A plant extension in 2016 enabled us to increase output and achieve a stable supply of product.



Scene of Mr. Kim explaining the new equipment

challenges I faced in

decision was made

to launch a new

production line for

seal products in a

third country, and

VALOUA KOREA's

Early in 2018 a

meeting them.

#### Giving hard thought to business expansion goals

In 2016 I took over the duties of Technical Section Manager from the Japanese representative. I took part in "Leaning from the CEO" with CEO Takisawa the same year, and I still vividly recall how deeply impressed I was by his guidance on VALQUA's aims for its managers in terms of both administration and employee cultivation. I felt that in order to fulfill my role as a human resource that met the ideals CEO Takisawa espoused, I would need to deepen my own knowledge of technology and become more capable, and I was keenly aware of his expectations and the



With CEO Takisawa, after the 2019 Forum

Technical Section was assigned to handle all activities leading up to the launch. We faced real difficulties in shepherding it through from the initial study and supporting overseas until the launch, but when production proceeded as expected with the newly launched line, I felt a very great sense of accomplishment and joy. It was a truly valuable experience for me.

Now I saw that VALQUA KOREA could no longer play catchup with the Business Division. We needed to become a model for the other bases and generate good proposals ourselves. By seeking to transform existing facilities from the concept level up, we introduced the specified facilities developed by our VALQUA KOREA Technical Section into new bases and new lines at the mother plant, thereby contributing to the streamlining of manufacturing conditions at all production bases.

## Acting globally and leading the way to future goals

Recently corporations have been making cross-border moves in search of better environments. Because not only things and capital but also knowledge and people now operate in a global field, a truly strong company should be able to succeed anywhere in the world by exhibiting its strengths. VALQUA owes its reputation to the efforts of our predecessors who built and expanded the company, but now that I am in the position of inheriting this tradition of quality manufacture, I feel that it is my mission to maintain that reputation by winning similarly good evaluations to increase our global competitiveness.

As an engineer, I am constantly making efforts to keep abreast of the current technology, but the pace of evolution is now so rapid that there are hurdles to the timely acquisition and practical application of knowledge. Manufacturing sites still require the involvement of a lot of manpower, and I often struggle with the limitations of technology when it comes to proposing epochmaking improvements in the human component of manufacturing, or the future smartification and mechanization of plants. However, since the changes that the development of technology and science bring to the world are unavoidable, I would like to grow into the kind of human resource who is not complacent but can develop truly useful technologies and find new opportunities in the spirit of taking on the challenge of the future and the unknown.

#### Special Feature 1. Promoting human resources diversity



Manager of Technical Section, VALQUA KOREA **Kim Young Ju** 

After joining VALQUA KOREA in April 2013, took charge of production transfer for expansion of seal production base. Became first non-Japanese Section Manager in 2016. Involved in streamlining of manufacturing and deployment to other bases.

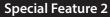
#### In order to realize a sustainable society

Early in the launch of the South Korean plant, some of the employees expressed negative opinions about the introduction of a new value system or a foreign organizational culture, and I was sometimes impatient at our inability to move forward more quickly. I struggled to find a way to spread "THE VALQUA WAY", but when I told CEO Takisawa of my difficulties at "THE VALQUA WAY Promotion Forum" held in South Korea in FY 2019, he told me that the manager's level of commitment is the key to moving the company, and that I could get results and promote improvements by continuing to act on the basis of "THE VALQUA WAY" myself without giving up.

As VALQUA approaches its 100th year in business, I would like to strive to achieve the SDGs as my new personal challenge in the movement toward contributing to the richness of human race and global environment as "a challenging company that challenges the future and the unknown". I also aim to transform VALQUA KOREA from the inside out through CX. It is we ourselves who create sustainable value for the company. When we have faith in corporate value that not everyone can see, it enhances our engagement and the desire to contribute to a better tomorrow. At the same time, this is how we become a company that is supported by society, can contribute to society, and fulfills the ideal for VALQUA's 100th year in business. Until then, I would like to believe in myself, act globally, keep my eyes on the world, and proceed toward the creation of value under "THE VALQUA WAY", together with everyone who works for VALQUA.



With staff of VALQUA KOREA Technical Section



**Visionary Management** 

## In the present environment of extreme change, visionary management is more important than ever

- Activities to promote understanding of "THE VALQUA WAY" and put it into practice

SDGs to which this contributes:



#### Corporate Philosophy "THE VALQUA WAY"

Since its founding in 1927, the VALQUA GROUP has tirelessly pursued the "Value & Quality" that inspired its corporate name, and we have contributed to the development of society as a pioneer in industrial seal products and fluorocarbon resin products.

The Core Principle of "Value & Quality" is the concept behind the VALQUA GROUP's corporate activities, and the Four Corporate Principles of "For the Benefit of Society", "With Fairness", "For Stakeholders Worldwide", and "Through Creative Technology" are the raison d'être of the VALQUA GROUP and the value system that it holds important. The Corporate Philosophy of "THE VALQUA WAY" consists of 3 components: the Core Principle of "Value & Quality", the Four Corporate Principles, and the "Ten Action Principles" that set forth the philosophy and stance that all employees of the VALQUA GROUP should adopt in their daily activities.

The origin of "THE VALQUA WAY" can be traced back to the company's founding 96 years ago. VALQUA began with the Jan. 21, 1927 establishment of Nippon Brake Lining Seisakusho in Yao, Osaka, as a maker of brake linings for cars and high-speed machinery. In 1932, it changed its name to Nippon Valqua Industries and gave form to the creation of value and the improvement of quality through the productization of Japan's first synthetic rubber packing and fluorocarbon resin products. As a pioneer in seal engineering, VALQUA continued to develop through the tireless pursuit of value and quality, creating technologies and products that contributed to the postwar restoration. This led to the establishment of the Core Principle of "Value & Quality" in 1992 and the Corporate Philosophy of "THE

VALQUA WAY" in 2000. "THE VALQUA WAY" has aspects of both offense and defense. We strive to inspire customers and pursue the spirit of challenge at the same time that we emphasize compliance and the following of rules. Employees must



At announcement of Ten Action Principles in 2009

aim to embody "THE VALQUA WAY" through the action guideline of "MY VALQUA WAY": a virtuous cycle of "understanding", "practice", "awareness", and "empathy". For instance, when a customer puts its trust in an employee, the employee will feel that his job is worthwhile, leading to enhanced engagement. In this way, employees approach the true ideal of "THE VALQUA WAY".

#### Landmark years in "THE VALQUA WAY"



Virtuous cycle of understanding and practice of "THE VALQUA WAY"



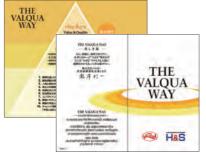
#### Activities to promote understanding and practice of "THE VALQUA WAY"

In order to promote practice of "THE VALQUA WAY" throughout the company through our virtuous circle, we established 2008 as the "Year of Corporate Philosophy in Practice" and initiated the "VALQUA GROUP Corporate Philosophy in Practice Presentations". The name of the event was later changed to "THE VALQUA WAY Understanding and Practice Activities".

In these annual Activities, all VALQUA GROUP employees write reports on original themes describing how they have put "THE VALQUA WAY" into practice themselves. A paper screening and preliminary round determine who will take part in the companywide scored presentation, which is held each year on VALQUA Founding Day (Jan. 21), when presenters from throughout Japan and overseas assemble in Tokyo to present reports. Since FY 2010, separate categories have been established for "Core Management Staff" and "Ordinary Employees" to better reflect practice at different levels of organization.

In addition, employees are provided with tools for steadily spreading "THE VALQUA WAY", such as the portable "THE VALQUA WAY" cards distributed to each. Other mechanisms for ensuring that all employees in the Group understand "THE VALQUA WAY" include distributing translations of the cards at overseas bases and displaying a system diagram of "THE VALQUA WAY" on employees' computer screen savers and wallpaper in their respective languages. We also strive to elevate the level of employee activities by making videos of award-winning presentations from the past available for viewing on the intranet and creating opportunities for employees to consult their superiors about individual activities. In other activities specific to organizational level, we proactively

provide opportunities for small numbers of executives to speak with CEO Takisawa directly to deepen their understanding of "THE VALQUA WAY Learning" through the "Learning from the CEO" program. The "Committee to Promote the Spread of



Portable "THE VALQUA WAY" card (Thai language)

THE VALQUA WAY", chaired by CEO Takisawa, was established in September 2019 to ensure the healthy, sustained growth of the VALQUA GROUP. "THE VALQUA WAY Forum" brings together managers, not only in Japan but also at overseas bases, and "THE VALQUA WAY" Learning" for a small number of individuals spreads "THE VALQUA WAY" at VALQUA GROUP companies worldwide, and at every level of



Scene of "Learning from the CEO" in South Korea

organization. These activities are useful in drawing out original ideas. For example, the base in Shanghai, China, has localized the Ten Action Principles to enable local employees to assimilate to the "THE VALQUA WAY" more easily.

#### In order to realize sustained growth

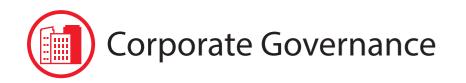


Close look of the 2020 Company-wide Competition (Took place online)

In FY 2020, we were forced to make major changes to the companywide scored presentation as COVID-19 infection control measures. The presentation,

which opened on Jan. 21, 2021, was the first to be held online, and the daily practice activities and preliminary round were greatly modified as well. At the same time, the presentation confirmed that "THE VALQUA WAY" that has matured in the employees through long years of practice has become a strong backbone for value judgments and behavior in spite of the pandemic adversity, and it testified to the fact that we did not err in the consistent practice of visionary management.

Now that there is an urgent need for CX with an eye to the after-COVID future, we think that we will be able to proceed with reforms with courage and resolution, standing on the firm foundation cultivated through visionary management based on "THE VALQUA WAY". The Group is pulling together as one to reconstruct our business base with boldness and dynamism so as to achieve the "healthy, sustained growth in our 100th year in business and beyond" that is invoked by the basic policy of our mid-term management plan, "New Frontier 2022 (NF2022)".





### 01 >> Spread of the Corporate Philosophy

#### Activities to promote understanding of "THE VALQUA WAY" and put it into practice

The VALQUA GROUP engages in its daily business with the Corporate Philosophy common to the entire Group – "THE VALQUA WAY" – as its compass. Each employee throughout the Group (VALQUA and 18 consolidated subsidiaries in 8 countries and regions) brings problem consciousness to bear upon his or her present work in order to make reforms and improvements, and strives to deepen understanding of this philosophy so as to apply it to his or her own work and put it into practice as "MY VALQUA WAY".

Moreover, we hold scored presentations as forums for sharing the content of these activities. Participants describe how they understand "THE VALQUA WAY" and have been able to put it into practice in their work. Preliminary rounds are held in each country and at each level, and a scored presentation by ordinary employees who were selected in the preliminary round is held on the anniversary of the company's founding on January 21 of each year. The 13th such competition was held in fiscal year 2020. There is now a new management-level presentation with separate preliminary rounds for Group company presidents and other core managers, who present on themes apropos of their duties.

In FY 2020, the COVID calamity imposed many limitations on these activities, as the "Committee to Promote the Spread of THE VALQUA WAY", newly launched the year before, moved to suspend the CEO Forum that is usually held by the CEO at VALQUA offices, plants, and affiliated companies in Japan and overseas, and "Learning with the CEO" for executives had to be held online. At the same time, it was a year that confirmed the true value of "THE VALQUA WAY" that we have consistently engaged with for long years. In spite of COVID-imposed remote work and the limitations on internal and external communication, the employees were able to think for themselves, make judgments easily, and perform their duties speedily thanks to the judgment criteria and action guidelines provided by "THE VALQUA WAY".

This confirmed that the visionary management established by the Core Principle of "Value & Quality" in 1992, the Corporate Philosophy of "THE VALQUA WAY" in 2000 and the "Year of Corporate Philosophy in Practice" in 2008 has exhibited its value under adversity and has become an unshakeable foundation and strength for our company. The entire VALQUA GROUP will continue to promote visionary management resolutely amidst a changing environment.

## ALQUA WAYI 灶 社長職予選会

Preliminary round for Group company presidents, newly established in 2020. An acrylic droplet guard was erected as an infection control measure



Scored presentation for core managers. Scene of presentation made from overseas via video-phone



Presenters of award-winning presentation Japan and overseas

#### **Corporate governance**

#### Basic philosophy

As a pioneer in seal engineering, the VALQUA GROUP has constructed a management system for transparent, fair, rapid, and bold decisionmaking in order to increase its corporate value through sustained growth of the corporation under the Corporate Philosophy of "THE VALQUA WAY", and it continually pursues optimal corporate governance and strives to perfect it.

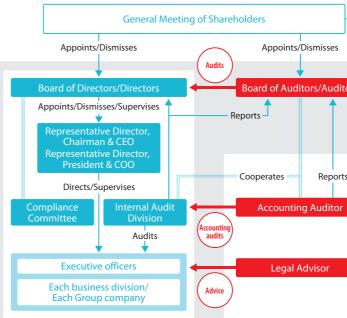
#### Status of corporate governance

In order to respond rapidly and unerringly to sudden changes in the business environment, we

#### Composition of Board of Directors and Board of Auditors (as of June 1, 2021)

Directors	7 (5 men and 2 women) Including 3 outside directors (1 man and 2 women)
Auditors	3 (3 men) Including 2 outside auditors (2 men)

#### Corporate governance organization chart





#### 02 >> Strengthening of corporate governance



(As of June 1, 2021)

have established an agile group management organization that introduces an executive officer system and separates the roles of directors from those of executive officers. Moreover, by having auditors, including one certified public accountant and one attorney, audit the execution of business by the directors and executive officers, supervisory and auditing functions highly specialized to management are fulfilled.

#### Internal Audit Division

An Internal Audit Division independent of the operating divisions under the direct jurisdiction of the Board of Directors has been established to perform internal audits of all of the Group's business activities. Based on the annual auditing plan, the Internal Audit Division conducts audits from a broad range of perspectives, including internal control, compliance, and risk management, and performs evaluations and makes proposals.

#### Internal Control System

#### Ensuring the transparency and reliability of business

We are striving to improve and promote our internal control system by constructing highly transparent business processes and an appropriate risk management system. A "Basic Philosophy regarding the Internal Control System" based on the Companies Act, etc., was adopted by the Board of Directors, and the content is reviewed as necessary in order to respond to changes in the external environment and internal environment. Moreover, to comply with the internal control reporting system for making financial reports based on the Financial Instruments and Exchange Act, we have constructed an internal control system and maintain, evaluate, and improve internal rules and regulations and business processes.

As part of this, our financial reports are disclosed after receiving the unqualified opinion of an auditing corporation on the internal control system reports describing the validity of the financial reports, and we are continuing to make efforts to ensure the reliability of the financial reports.



### 03 >> Promotion of Group's global activities

#### Promotion of Group's global activities

#### GROUP's concerted promotion of CSR activities

The VALQUA GROUP has a history of concerted action on the part of Group companies in Japan and overseas to promote "activities revolving around the concept of an H&S business", "support for ballroom dancing", "Local Community Thanksgiving Day", and other activities based on the Corporate Philosophy of the "THE VALQUA WAY".

The "VALQUA GROUP CSR Promotion Committee" promotes activities on a total of 16 themes: the 15 themes established as important CSR challenges (materiality) in 2019 plus the "HR cultivation" newly added in accordance with the mid-term management plan "New Frontier 2022 (NF2022)" initiated in 2020. We also linked our corporate activities to the SDGs in FY 2020 and have intensified our efforts to contribute to the SDGs with a 3-pronged approach of "solving social problems through our main business (H&S) (offense)", "strengthening our management foundation (ESG) (defense)", and "activities that

contribute to society". We will continue to promote Group-wide activities aimed at solving various social problems.

#### Promotion system for safety, health, and environment (SHE) related activities

#### Group SHE Committee

A Group SHE Committee has been organized in the VALQUA GROUP to centrally manage safety, health, and environment (SHE) related activities. The SHE Committee is composed of the Chief Executive Officer as Committee Chairperson, the Chief Operating Officer as Vice-Committee Chairperson, and the executive officers in charge of each Group company or business office. The SHE COMMITTEE meets at least once a year to decide upon the annual policy and activity plan for VALQUA GROUP SHE activities and to confirm the status of activities. The entire Group is involved in SHE activities, with deployment by SHE teams in each company or place of business.

### 04 >> Dialog with stakeholders

To achieve healthy, sustained growth, the VALQUA GROUP aims to build relationships of trust through communication with all of our stakeholders under "THE VALQUA WAY" while continuously enhancing our corporate value.

Stakeholders	Engagement with stakeholders	Main methods of communication
Customers	As an H&S company, the VALQUA GROUP aims to realize the maximization of customer value through true service solutions from the standpoint of the customer throughout the entire value chain, including development, procurement, production, and sales.	<ul> <li>Business activities in general Daily business activities, social gatherings for store personnel, exhibitions, handling inquiries from customers, CS questionnaire surveys</li> </ul>
Shareholders	The VALQUA GROUP proactively engages in a constructive dialog with shareholders, investors, and other persons related to the stock market while disclosing information in a fair, appropriate, and timely manner. Management is appropriately provided with feedback on the opinions obtained from the dialog, and it is utilized in the realization of sustained improvements in corporate value.	• IR activities in general Dialog with stock market personnel, General Meeting of Shareholders, meetings to explain settlement of accounts, IR tools and documents
Business partners (suppliers)	We promote fair and impartial CSR procurement based on legal compliance, concern for the environment, and mutual trust.	<ul> <li>Purchasing activities in general Meetings with suppliers, CSR procurement surveys</li> </ul>
Employees	The VALQUA GROUP is striving to create a work environment that enables employees to exhibit their capabilities to the greatest possible extent, based on the assurance of safety and health, respect for human rights, and promotion of diversity.	<ul> <li>Employee engagement activities in general</li> <li>Employee engagement surveys, support for self-study, labor-management</li> <li>meetings, handling reports made through internal whistle-blowing system,</li> <li>establishment of Corporate Ethics Hotline</li> </ul>
Local community	Aiming for a symbiosis with the global community and the local community, we strive to reduce our environmental burden and contribute to society.	<ul> <li>Social contribution activities in general Contributing to society through support for sports, Local Community Thanksgiving Day, volunteer activities by employees, dialog with local community and NPOs, and donation activities</li> </ul>

## 05 >> Prevention of corruption and bribery

#### **Risk management**

#### Basic philosophy

In order to maintain relationships of trust with stakeholders and stably continue to do business, the VALQUA GROUP is constructing a management system that can accurately assess and control diversifying risk and its impact.

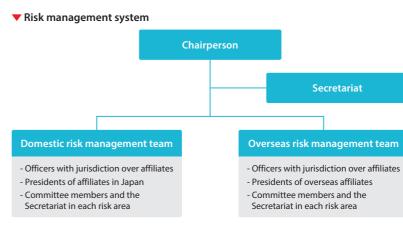
In the mid-term business plan newly started in FY 2020 (NF2022), we are aiming for the reconstruction of our business foundation by increasing profits in existing business areas through selection and concentration and acquiring new business areas. Moreover, we are making efforts to enhance risk management and autonomous compliance at the level of organizational units by codifying them in an annual policy.

#### Risk management system

The VALQUA GROUP has established the "Risk Management Committee" to strengthen risk management. The Committee centrally manages the risks that the Group incurs in the course of doing business, which are becoming more diverse with the rapid changes in the business environment in Japan and overseas and the expansion of the Group's business area.

To enable us to swiftly gain control and respond as a Group to events that threaten the continuity of business, such as major natural disasters, we created a Business Continuity Plan (BCP) Manual and began implementing it in FY 2020.

We will go on strengthening our risk management to prepare for ever diversifying risk.



SDGs to which this contributes:



(As of June 1, 2021)

#### Management of intellectual property rights

With "Through Creative Technology" as one of its Corporate Principles, the VALQUA GROUP aims to be a "true solution provider" that integrates this creative technology with service. The Intellectual Property Division properly protects the value created through corporate activities and supports the provision of products and services that lead to solutions of the customer's problems. It also maintains internal rules and systems that respect the intellectual property rights of others, conducting exhaustive surveys at each stage of research and development to ensure that our company's products and services do not infringe upon the intellectual property rights of third parties. Under a system of cooperation between the Intellectual Property Division and the Research & Development Division, these surveys are conducted globally to ensure that intellectual property rights are respected not only in Japan but overseas as well.

#### Legal compliance in Group companies in Japan and overseas

In order to ensure legal compliance throughout the entire Group, the VALQUA GROUP conducts surveys of related laws, not only within Japan, but also as they apply to our subsidiaries overseas, while receiving support from law offices, consultants, and services that provide legal information, so that its business practices will be in compliance with the law. The entire Group maintains complete readiness to comply with laws and ordinances that greatly differ in content in each country and region.

#### **Prevention of corruption**

#### Thorough prevention of bribery

In the VALQUA GROUP, we make sure that all employees are fully informed of the need to prevent bribery, and we review and revise our rules as necessary in order to appropriately accommodate regulations on bribery in Japan and overseas. Moreover, we take rigorous measures to prevent bribery by conducting audits of the entire Group, making no distinction between members in Japan and overseas.

### 06 >> Legal compliance

#### Compliance

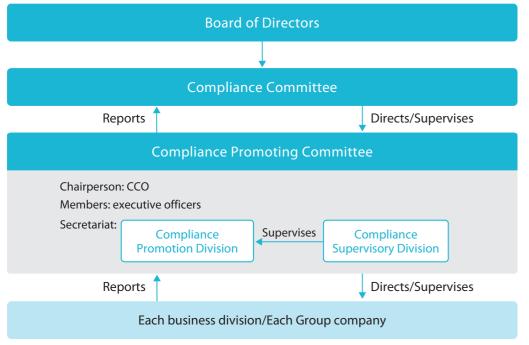
#### Basic philosophy

In the VALQUA GROUP, "compliance" does not stop with legal compliance. We see compliance as striving to respond to the demands and trust of stakeholders and win the trust of society by proactively complying with business ethics that hold us to an even higher standard than laws and regulations and practicing corporate behavior that contributes to society and gives consideration to the environment, so as to set an example for other corporations. We firmly believe that understanding the importance of this kind of compliance and putting it into practice is something that promises constant growth and development for the VALQUA GROUP.

#### Compliance Manual

A Compliance Manual was established in 2003 to provide guidelines for all Group employees to follow in their work, and it has been translated into 6 languages (Japanese, English, simplified

Compliance system



(As of June 1, 2021)

Chinese characters, Korean, Thai, and Vietnamese)

and shared by the Group. Beginning with general

compliance requirements as they pertain to sales

conduct (insider trading, conflicts of interest), and

it has been utilized as a manual that all employees

We greatly expanded the content of the

Compliance Manual, reissuing it as the Compliance

Leaders). These publications incorporate concrete

examples and check sheets to reflect the social

followed up in November 2020 with Corporate

Responsibilities and Important Issues for Directors

We are also preparing foreign-language

editions that reflect conditions at our overseas bases.

Management and Compliance – Management

and Officers.

environment and changing demands. They were

Handbook (Japanese Edition) in May 2020

together with the Action Handbook for the

Prevention of Harassment (For Managers and

matters such as law, environmental protection,

information management, and elimination of

activity, the work environment, and personal

antisocial forces, this Manual describes

must understand and comply with.

#### Compliance system

We have established a Compliance Committee and Compliance Promoting Committee, and we strive to maintain and improve the Group's compliance system with the Chief Compliance Officer (CCO) appointed as the highest-ranking person responsible for the promotion of compliance at its center.

With the basic policy of strengthening the Group's system for compliance and nurturing the legal mind, we established a Compliance Supervisory Division and Compliance Promotion Division under the control of the CCO in FY 2018. transforming it into a system that contributes to the creation of a foundation for healthy and sustained growth of the company through both promotion and supervision.

#### 07 >> Compliance with environment-related laws and ordinances

#### **Environmental risk** management

#### Framework for activity

In FY 2020, there were zero cases of environmental regulation violations by VALQUA companies involved in production in Japan or overseas. There were also no complaints about odors or noise from neighbors at any of our facilities.

Production-related companies in Japan and overseas have continued to implement environmental activities in accordance with the ISO 14001 system since last year.

In recent years, environmental regulations have become stricter throughout the world but particularly in China and Vietnam, where we have production bases, with the respective adoption of the 14th Five Year Plan and planned enactment of a Revised Environmental Protection Act in 2022.

\* chemSHERPA: Name of a data

entry support tool and information

2015 at the initiative of the Ministry

of Economy, Trade and Industry to

promote the appropriate provision

of information on the chemical substances contained in products

to downstream companies from

the supply chain

upstream companies throughout

transfer files released in October

To stay informed and in compliance with regulations, we are constructing a system that prevents environmental violations by using external agencies to provide corporate support for companies involved in production, together with strict internal audits, newly introduced last year.

#### Compliance



#### Reporting, consultation, and notification system

As a mechanism whereby all Group employees can engage in reporting, consultation, and notification related to laws and internal regulations, we have established several lines of communication: (1) opinion boxes, (2) internal consultation liaisons, (3) Direct Line to CEO, (4) External Corporate Ethics Hotline (in 7 languages), and (5) external attorneys.

This system is operated independently from the ordinary chain of command and ensures that information is anonymized and that no employee will be placed at a disadvantage for making a report, consultation, or notification. The number of times the system was used decreased in FY 2020 because of the pandemic, falling to two compared to 10 or more in FY 2018 and FY 2019. We will continue to handle these cases appropriately while carefully monitoring the trend toward decreased use.

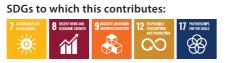
Strengthening of risk management for chemical substances is being called for worldwide. and information on the chemical substances that our products contain is being appropriately provided downstream through chemSHERPA\*.

#### Maintenance, operation, and auditing of legal compliance system for each production-related company

Production-related companies in Japan share a list of laws and ordinances specified by ISO 14001, and they continually engage in activity to prevent oversights and differences in interpretation between companies by verifying points of change monthly. Even with respect to laws specified by each of the overseas production companies, monthly points of change have been shared within the Group as a whole.

Each company has established a system for internal auditing of legal compliance based on this list of laws and ordinances, and operation of this system has begun in FY 2020 with the production companies in Japan as well as those in China and Vietnam, where there have been major changes in legal regulations.





#### 08 >> Prevention and reduction of leakage of environmentally hazardous substances

#### Efforts to prevent and reduce leakage

#### Environmental burden accompanying business activities in FY 2020

In the VALQUA GROUP, we get an overall picture of the environmental burden of our business activities by grasping the INPUT such as the energy and water that goes into business activities and the OUTPUT, including CO<sub>2</sub> emissions from use of energy and the wastes that emerge from production process.

A CSR information collection system has been introduced for swift and accurate collection and central control of information from Group companies, to enable calculation and disclosure with an appropriate greenhouse gas coefficient.

#### Efforts toward practical use of hydrogen energy

To increase storage efficiency in high-pressure hydrogen storage tanks in fuel-cell vehicles, efforts are being made to further pressurize compressed hydrogen, but a problem has been pointed out: the risk of hydrogen leakage increases at higher pressure and lower temperature.

The VALQUA GROUP has succeeded in solving this problem by developing seals for high-pressure hydrogen gas that can be used in a wide temperature range.

The technological capabilities that are VALQUA's strength contribute to the practical application of hydrogen energy.

#### Efforts to reduce CO<sub>2</sub> through renewable energy

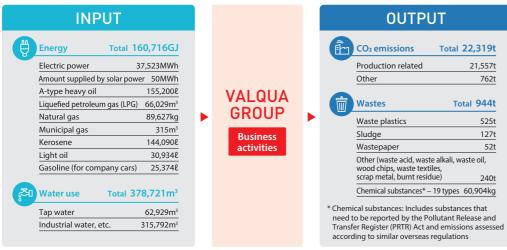
Since 2013, the VALQUA GROUP has been generating renewable energy at a solar power facility on unused company land in Kyushu. This has contributed to reducing CO<sub>2</sub> emissions from thermal power generation using fossil fuels.

#### Reducing environmentally hazardous substances

In addition to reducing the amount of environmentally hazardous substances generated in the course of business, the VALOUA GROUP reclaims used silicon wafers and makes efforts to reduce CO<sub>2</sub> emissions through solar power generation, etc.

#### 09 » Reduction of environmentally hazardous substances in business

#### Material flow



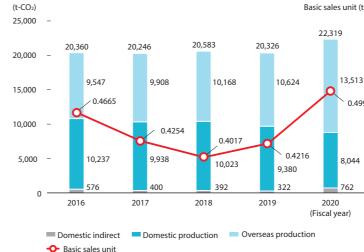
VALQUA GROUP business offices in Japan and overseas (excluding 29 bases with small scale, such as some regional sales offices, representative offices, and oversea sales companies) Period of tabulation April 2020 to March 2021

#### Change in main environmental load

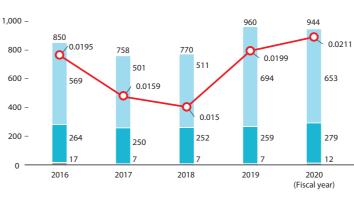
#### Greenhouse gas emissions (Scope 1/2)

In FY 2020, the absolute amount of emissions increased compared to FY 2019 by 1,993 ton. The breakdown was a 1,485 ton reduction owing to the effects of restructuring of production

#### Change in greenhouse gas emissions (production units + indirect units)



#### Change in final disposal volume for wastes (production units + indirect units) Basic sales unit (ton/¥M) (t) 1,200



Domestic indirect Domestic production Overseas production Basic sales unit





ton-CO <sub>2</sub> /¥M)		
	-	0.60
	_	0.55
3	_	0.50
91		
	_	0.45
	_	0.40
		0.40
		0.25
		0.35

- 0.025

- 0.020

- 0.015

0.010

companies and a 218 ton reduction reflecting the effects of revising temperature control management through streamlining and cost reduction activities and updating superannuated facilities. There was a 990 ton increase owing to ventilation for infection control, etc., and a 371 ton increase from expanded scope of data collection. This year's figures reflect electricity emission factors in each country, with a 2,335 ton increase mainly owing to overseas bases. As a result, there was an 18% increase in terms of the basic sales unit.

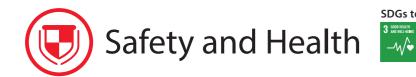
#### Greenhouse gas emissions (Scope 3)

Starting in FY 2014, we began to calculate greenhouse gas emissions for the entire supply chain, and we have now been doing so for 7 years. For details of Scope 3 and other environmentrelated data, please see our website.

#### Final disposal volume for wastes

In FY 2020, the absolute amount of waste discharge decreased compared to FY 2019 by 16 ton. The breakdown was a 62 ton reduction owing to the effects of restructuring of production companies and a 14 ton reduction reflecting the effects of failure improvement through streamlining and cost reduction activities and improvement of yield, but there was an increase of 60 ton owing to the effects of changes in the composition of production items, etc., so there was a 6% increase in terms of the basic sales unit.

\* Greenhouse gas emissions are calculated by annually reconfirming the emission factors for each fuel and electric power in the greenhouse gas emission calculation, reporting, and announcement system based on the "Act on Promotion of Global Warming Countermeasures" (Global Warming Act). Scope 1 refers to direct greenhouse gas emissions from the business itself. Scope 2 refers to indirect emissions accompanying the use of electricity, heat, and/or steam supplied by another company, and Scope 3 refers to indirect emissions occurring from the procurement of raw materials through production, sale, and disposal, excluding Scope 1 and Scope 2. Since the emission factors for electric power are unclear at some oversea bases, a substitute value is uniformly applied, but calculations for FY 2020 used the emission factors for each base



#### 10 >> Occupational health and safety

#### **Education and training of** safety and health supervisors

#### (1) Eradicating legal violations through improvement of legal compliance management and level of supervision

By having external experts conduct health and safety audits of each factory and provide safety training, we are promoting activities that make employees more skilled at discovering dangers in advance.

(2) Eliminating risks through rule formulation and thorough education

By promoting risk assessment for facilities, operations, chemical substances, etc., we are striving to eliminate the risks that accompany routine work and infrequent operations.

#### Safety and health promotion activities

#### VALQUA GROUP Safety and Health Day

The VALQUA GROUP has designated May 18 as "VALQUA GROUP Safety and Health Day" to raise awareness of safety. We have also established SHE (Safety, Health, and Environment) Week to coincide with National Safety Week in July, and events are held to strengthen SHE activities at all Group bases, including those overseas.

#### Activities that proactively promote safety and health

As the VALQUA GROUP's business becomes more globalized, risks accompanying the differences in legal regulations and customs in each country and region have become manifest. We are convinced that the Group's key principle of "Always treat health and safety with top priority" can be realized by meticulously taking action to accommodate the different legal regulations and customs in each country and region without delay. While devoting efforts to promoting employee health from the standpoint of health management, we are proactively promoting health guidance by industrial physicians and the creation of a happy, healthy workplace from the standpoint of both safety and hygiene.

Events to strengthen SHE activities



SDGs to which this contributes:

KYUSHU VALOUA pray for safety at shrine

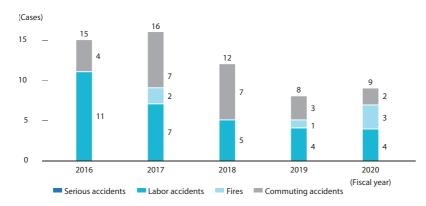


Exhibit on local safety operations in Thailand



Remote SHE activities at VALQUA KOREA. Also, videos to raise awareness of SHE

#### Incidence of accident occurrence



Supply Chain Management

Basic Procurement Guidelines

VALQUA GROUP CSR Procurement Guidelines https://www.valgua.co.jp/

social/csrprocurement/

(Japanese version website)

\* Conflict minerals: Minerals that

provide a source of funding for

rights violations and corrupt

practices in conflict areas

armed groups that commit human

### 11 >> CSR procurement

#### Promotion of CSR procurement

#### CSR Procurement Guidelines

The VALQUA GROUP established the "CSR Procurement Guidelines" in 2016 to promote procurement activities that also give consideration to society, the environment, and human rights, etc. Based on the Corporate Philosophy of "THE VALQUA WAY" and the "CSR Concepts", 5 items have been established as the "Basic Procurement Policy". These guidelines minimize risk throughout the supply chain and promote sound procurement activities.

#### CSR procurement questionnaire

As one of the activities that promote CSR procurement throughout the entire supply chain, a self-evaluation questionnaire is conducted in order to confirm the status of CSR promotion at each supplier.

In a new effort to make evaluations of compliance stricter, the number of questions in

#### Matters confirmed by CSR procurement questionnaire (increased by 10 to 30 items in 2020)

Section	Content of efforts
CSR	Legal compliance, preventing violations     CSR promotion     Extending to business partners
Corporate governance	Internal control      Whistle-blowing      Proper import/export
Fair trade	<ul> <li>Preventing corruption (political donations, bribes)</li> <li>Prevention of abuse of superior bargaining position</li> <li>Ban on offers/acceptance of improper advantage</li> </ul>
Information/security	<ul> <li>Management of intellectual property</li> <li>Personal/confidential information management</li> <li>Prevention of attacks on computer networks</li> </ul>
Supply chain	<ul> <li>Compliance with laws, regulations, social norms, industry norms and standards</li> <li>Use of conflict resources (tantalum, tin, tungsten, gold, and derivatives produced in conflict areas)</li> </ul>
Human rights	Respect for human rights      Prohibition of discrimination
Labor	<ul> <li>Prohibition of discrimination in hiring</li> <li>Providing equal opportunity for employees</li> <li>Compliance with prohibitions</li> <li>Fair application of work hours, breaks, paid leave</li> </ul>
Environment	<ul> <li>Management of legally designated chemicals</li> <li>Management of wastewater, sludge and emissions</li> <li>Sustainable and efficient utilization of resources</li> <li>Reduction of greenhouse gas emissions</li> <li>Green procurement and waste reduction</li> </ul>
Safety and health	<ul> <li>Environment in which employees can work safely and in good health</li> <li>Worker safety</li> <li>Disaster preparedness</li> <li>System for handling disasters and accidents</li> </ul>
ВСР	Business continuity planning efforts

SDGs to which this contributes:



the guestionnaire was increased from 20 to 30 in FY 2020, including questions on corporate governance, supply chain, and the environment. We also expanded the scope of the survey, including suppliers other than the main suppliers to which the questionnaire has been administered thus far.

In the future, we will continue to refine the content of the questionnaire in order to further promote CSR activities, and we will make continued efforts to collaborate with the suppliers and support them in order to realize CSR procurement through individualized support for suppliers.

#### Handling of conflict minerals\*

The VALQUA GROUP considers the proper handling of conflict minerals to be its corporate responsibility, and we have established a related policy in the CSR Procurement Guidelines and conduct investigations of procured items. In cooperation with our suppliers, we will redouble our efforts to avoid involvement in human rights violations.







### 12 >> Ensuring of the diversity of human resources

#### Creating a workplace environment and various systems

#### Creating an environment in which employees of various nationalities can be active

The VALQUA GROUP proactively hires foreign nationals and engages in human resources exchanges among Group companies. In order to promote the creation of an environment in which employees can be active globally, the Group provides employees who are to be posted overseas with advance training and follow-up during their tenure. Foreign nationals working in Japan are also supported with Japanese language education, inclusion of foreign nationals in HR Department, and periodic face-to-face meetings and consultations on problems. Working together with diverse human resources in an environment that transcends language and cultural boundaries is stimulating and leads to new realizations.

#### System that supports flexible ways of working

- Newly established: 2nd job (short work week)
- Remote work system (including allowance) • Family care leave (continuous for maximum of
- 3 years)
- System for obtaining paid leave in 1-hour units Day off on child's birthday
- Special paid leave for child care
- Shortened work hours for child care (until child reaches 3rd year of elementary school)
- Child-care leave (until child reaches age of 2 years and 6 months)
- Flex time system (core time 1:00 pm 3:00 pm) • Shortened work hours for family care
- Career return system

(As of June 1, 2021)

#### Engagement

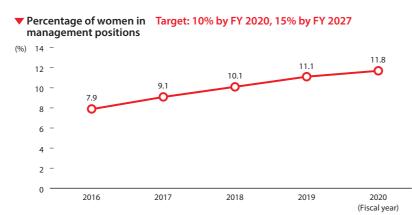
We have defined the goal for our 100th year in business as becoming a "a challenging company that challenges the future and the unknown", but in order to realize this ideal, we need to switch from a passive to an offensive constitution and meet challenges without fearing failure. To this end, we are focusing on "engagement", making proactive efforts to improve all employees' engagement with the company. The 1st Employee Engagement Survey was held throughout the VALQUA GROUP in August 2020, and we have been referencing the survey results in training for managers.

#### Creating an environment in which employees can be active regardless of gender

We promote further innovation by incorporating diverse viewpoints irrespective of gender. In particular, we set targets for the percentage of women in management positions and proactively appoint women to these positions in the management of overseas group companies, etc. to support women's career development and growth.

#### Promoting employment of persons with disabilities

Aiming for harmonious coexistence with the community, the VALQUA GROUP proactively accepts interns with disabilities from special education schools in the community. While communicating the joy and significance of working to persons with disabilities, we support job retention and independence after joining the company.







#### VALQUA GROUP Basic Policy on **Human Rights** https://www.valqua.co.jp/

social/human\_resources/ (Japanese version website)



## 13 >> Respect for human rights

#### **Respect for human rights**

The VALQUA GROUP established the "VALQUA GROUP Basic Policy on Human Rights" in March of 2017 on the basis of the United Nations Global Compact. On the basis of this policy, and with reference to the GRI standards, we have prepared an assessment sheet, and a survey of Group companies is conducted once a year to spread knowledge of the human rights policy throughout the Group, confirm understanding, and check the status of human rights efforts.

The results are analyzed, and while providing support so that each Group company can autonomously grasp, prevent, and handle human rights problems, we promote diversity and further awareness of human rights.

### 14 >> Human resources development

#### Declaration on Human Resource Development

https://www.valgua.co.jp/ recruit/training/#sengen (Japanese version website)



#### Policy on Human Resource https://www.valgua.co.ip/

recruit/training/#hoshin (Japanese version website)



#### A wide variety of

- 1. HR cultivation for globalization
- 2. HR cultivation through
- early selection
- 3. Level-specific training
- 4. Occupation-specific training 5. Self-study
- Capable of speedy judgment and action. Can boldly meet challenges in anticipation of changing times and reforms

philosophy, "THE VALQUA WAY'

thinking for him/herself



In FY 2020, efforts were also made to ensure that even overseas Group companies can autonomously hold manager training on respect for human rights.

ทำไม (Why) ถึงการทำHarassmentจึงไม่ดี ในที่ทำงาน ใครๆก็เท่าเทียม แต่ละคนมีสิทธิเป็นมนุษยเป็นพื้นฐาน การHarassmentไม่ดีเพราะว่าเป็นการเหยียบย่ำสิทธิ ที่หุกคนถืออยู่ถ้าใช้คำศัพท์อื่นสามารถใช้คำว่า "เป็นการละเมิดสิทธิมนษยชน" และการการละเมิดนี้จะส่งผลกระทบร้ายให้แก่ผ้ที่โดนกระทำ และคนรอบข้างที่ทำงานอยู่และบริษัทไปด้วย (หน้าต่อไป)

Human rights education on harassment in Thailand

#### Human resources development

In the VALQUA GROUP, we provide various training programs based on our "Declaration on HR Development" and "Policy on HR Development". Through a balanced combination of methods, we develop and cultivate human resources that match our "Profile of the Ideal Human Resource". Reflecting mid-term plan "New Frontier 2022 (NF2022) initiated in FY 2020, "HR cultivation" has been added to our materiality, and efforts to develop the human resources who will become the corporate officers of the near future and support the management of our bases are being intensified thorough the CEO cram schools, early selection training, and overseas executive training.

#### **Profile of the Ideal Human Resource**

• A person who empathizes with our corporate

 Acts & makes decisions from global perspective • Strongly committed to learning and growth, and can continue to take on new challenges while

#### Enhanced support for self-study (distance learning)

To support the autonomous growth of employees, the VALQUA GROUP is enhancing its self-study program. Special distance-learning courses are set up every year with tuition fully subsidized, etc. There is also a support system including online public seminars and online English conversation lessons.

#### Target management and HR evaluation mechanism

Initial targets for employees in the VALQUA GROUP are set on the basis of annual company policy and the mission of the division. The final targets are then refined through discussion with the superior as the subordinate strives to perform daily duties in accordance with "THE VALQUA WAY" and emulate the level-specific "Profile of the Ideal Human Resource". In ongoing communication, the superior clarifies issues in the subordinate's self-evaluation and identifies points to improve next time. HR cultivation thus supports the sustained growth of the VALQUA GROUP.



SDGs to which this contributes:



#### 15 >> Improvement of quality and customers' safety and peace of mind

#### Quality assurance system and policy

In the VALQUA GROUP, we have organized a "Group Quality Assurance Committee" to construct a global quality system integrating the entire Group. It consists of responsible persons from each unit that is related to quality, such as procurement and production technology units, beginning with the business divisions and groups that exercise control over the production-related companies and sales-related companies in Japan and overseas. The Committee increases the effectiveness of the entire Group by issuing instructions for the concrete deployment of its decisions at the same time that it takes responsibility for their daily execution.

Moreover, the organization, as well as each employee of the company, engages in quality improvement activities by establishing concrete goals on the basis of the "Quality Policy". This provides the basis for complying with related legal regulations and providing safe products and services with the assurance that quality will meet the demands of the customers.

#### Promoting the development and spread of services for the benefit of safety and peace of mind of customers

The VALQUA GROUP not only manufactures and sells seal products but also provides educational support for technicians. Seal training is constantly evolving to meet the demands of customers and reduce leaks from faulty seal installation, which is a cause of accidents at plants.

We are also promoting our seal engineering services, which combine the original technologies cultivated by VALQUA with smart technologies like IoT.

We are contributing to the safety and peace of mind of all our customers by accelerating the development and deployment of services that meet the need for sophisticated safety engineering in plants.

#### **Evaluation technology**

The use environments of seal products are diverse, and in actual practice it is difficult to perform evaluation and verification for all customers. At the VALQUA GROUP, we are addressing this issue by using finite element analysis (FEA) to develop next-generation evaluation technology for reproducing and verifying use environments on computers.

These efforts have made it possible to perform verification for large-diameter devices and under conditions of high temperature and high pressure, where it was previously difficult. We also investigate the cause of seal product defects such as leakage and failure and propose designs that can prevent recurrence. In the future, we will go on contributing to the safety and peace of mind of all customers by proactively engaging in such research and development.

Three-dimensional analysis

#### Search for seal products with website "Seal Quick Searcher"

In response to demand from customers who have difficulty selecting products, we have established a product search site with various portals to prevent trouble caused by faulty selection. With services that make product recommendations according to environment of use (fluid, temperature, pressure, etc.), keywords, and industrial field, or that automatically calculate the necessary tightening force for the application, we solve customers' individual problems in real time, enabling them to select the optimal product right away or prepare technical documentation using only the necessary data. We will continue to improve this site to meet customer expectations from a broad perspective.

#### Quality Policy, Quality Management System

https://www.valgua.co.ip/ social/safety guality/ (Japanese version website)





#### **Promotion and support of sports**

#### Encouraging "ballroom dance" and moving experiences

For long years, the VALQUA GROUP has been involved in promoting and supporting sports to promote health and enrich people's lives. Since 2014, we have been supporting the spread and development of ballroom dancing, which is loved by everyone, regardless of age or physical ability.

In FY 2020, the "All Japan Championships for Primary, Junior and Senior High School Students" and "Japan Blind Dance Championships", the national competition for visually impaired persons,



The "VALQUA CUP All Japan Dance Championships" was held with masks to prevent infection

#### Local Community Thanksgiving Day

In order to reflect on what we can do to build a bountiful future with people throughout the world, we hold the "Local Community Thanksgiving Day" every year.

At the business offices, sales bases, and





VALQUA VIETNAM presents director of protective institution with list of support items

TAIWAN VALQUA ENGINEERING INTERNATIONAL local Planting flower beds in area around head office trash pickup activities

SDGs to which this contributes:



#### 16 >> Promotion of sports, culture, and the arts Coexistence with local community

both of which are supported by the VALQUA GROUP, had to be postponed or held remotely to prevent the spread of COVID-19.

The "VALQUA CUP All Japan Dance Championships", Japan's top pro dance competition, which is held in November each year with special support from the VALQUA GROUP, was held without an audience this year as an infection control measure, but it still was a moving competition overflowing with the participants' passion for dance. As a first experiment, the VALQUA GROUP provided a television terrestrial broadcast of the VALQUA CUP to bring the charms of ballroom dancing to a large number of people.

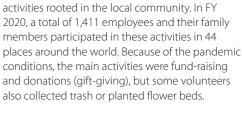




"Japan Blind Dance Championships", held after a half-year postponement. Many duets paired a sighted person with a visually impaired person

throughout the world, we conduct volunteer

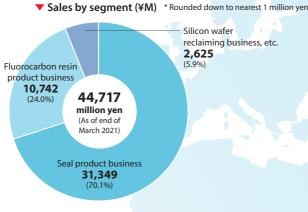
factories of VALQUA GROUP companies



## Aiming to become a truly global corporation **Company Overview and Map of Bases**

Our corporate name represents a fusion of the two words "Value & Quality". True to the words, we deliver "Value & Quality" to everyone throughout the world through our seal product business, fluorocarbon resin product business, and silicon wafer reclaiming business, etc.

#### **VALQUA GROUP businesses**



Seal product business

Sales **31,349** million yen Proportion of sales 70.1%





These products, which take full advantage of the exceptional properties of functional resins, are used in many

fields, including semiconductor devices and industrial machinery. With strategic products for frontier industries

industries. We provide new customer value for the frontier industry, equipment, and plant markets.

The main business line of the VALQUA GROUP is providing seals for use in piping and equipment in various



Fluorocarbon resin product business

Sales **10,742** million yen Proportion of sales 24.0%

and the plant market as our main axis, we provide value globally.



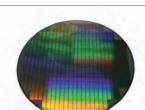


While helping to protect the global environment with our silicon wafer reclaiming business, we will go on contributing to a wide range of industries through the further development of our H&S business as an embodiment of new value creation.

Sales 2,625 million yen Proportion of sales 5.9%

Silicon wafer

reclaiming business







VALQUA KOREA CO., LTD. (Established Consolidated subsidiaries in Japan APPLIED R&D Institute (6 companies) • VALQUA SES CO., LTD. SHANGHAI VALQUA FLUOROCARBON VALQUA TECHNO CO, LTD. • VALQUA SEAL SOLUTIONS CO., LTD. PRODUCTS CO., LTD. (Established 1995) • KYUSHU VALQUA CO., LTD. ADVANCED FLON TECHNOLOGIES • VALQUA METAL TECHNOLOGY CO., LTD. (SHANGHAI) CO., LTD. (Established 2013) VALQUA FFT INC. VALQUA SEAL PRODUCTS (SHANGHAI) CO., LTD. (Established 2000) VALQUA, LTD. VALQUA CHINA RESEARCH INSTITUTE VALQUA (SHANGHAI) TRADING 🔺 CO., LTD. (Established 2002) 🏂 TAIWAN VALQUA INDUSTRIES, LTD. VALQUA VIETNAM CO., LTD. TAIWAN VALQUA ENGINEERING INTERNATIONAL, LTD. VALQUA 📩 LINED TANK TECHNICAL CENTER INDUSTRIES (THAILAND), LTD. VALQUA INDUSTRIES SINGAPORE PTE. LTD. (Established 2017)

Company Overview

#### VALQUA, LTD.

Head Office: ThinkPark Tower 24F, 2-1-1 Osaki, Shinagawa-ku, Tokyo 141-6024 JAPAN

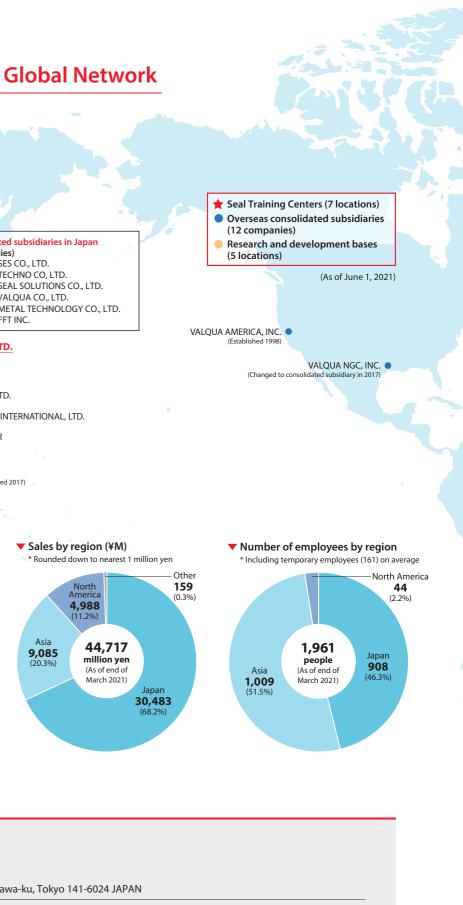
Founded: January 21, 1927 Established: April 8, 1932 Capital: 13,957 million yen

Listed: On the first section of the Tokyo Stock Exchange Employees: 433 (Group employees: 1,800, as of March 31, 2021)

Asia **9,085** 

(20.3%)





- Business: Design, manufacturing, processing, and sale of products made from fibers,
  - fluorocarbon resin, high performance rubber, and other materials to meet the needs
  - of all industries, including industrial equipment, chemicals, machinery, energy,

#### About the cover

The VALQUA GROUP used photographs of children on the cover of this Sustainability Report to reflect our wish to contribute to the "Creation of a Bright Future" through business that provides customers with safety, peace of mind, and prosperity, and through CSR activities such as support for ballroom dance. We would like to see a future in which all children can be active and succeed in safety and peace of mind. The smiling faces of children that grace the cover are photographs of VALQUA GROUP employees' children submitted in response to our invitation for photo contributions.











Value & Quality







### VALQUA GROUP

Address inquiries to VALQUA, LTD. General Affairs and Human Resources Group TEL 03-5434-7370 FAX 03-5436-0560 ThinkPark Tower 24F, 2-1-1 Osaki, Shinagawa-ku, Tokyo 141-6024 JAPAN https://www.valqua.co.jp







