



VALQUA Group

Sustainability Report

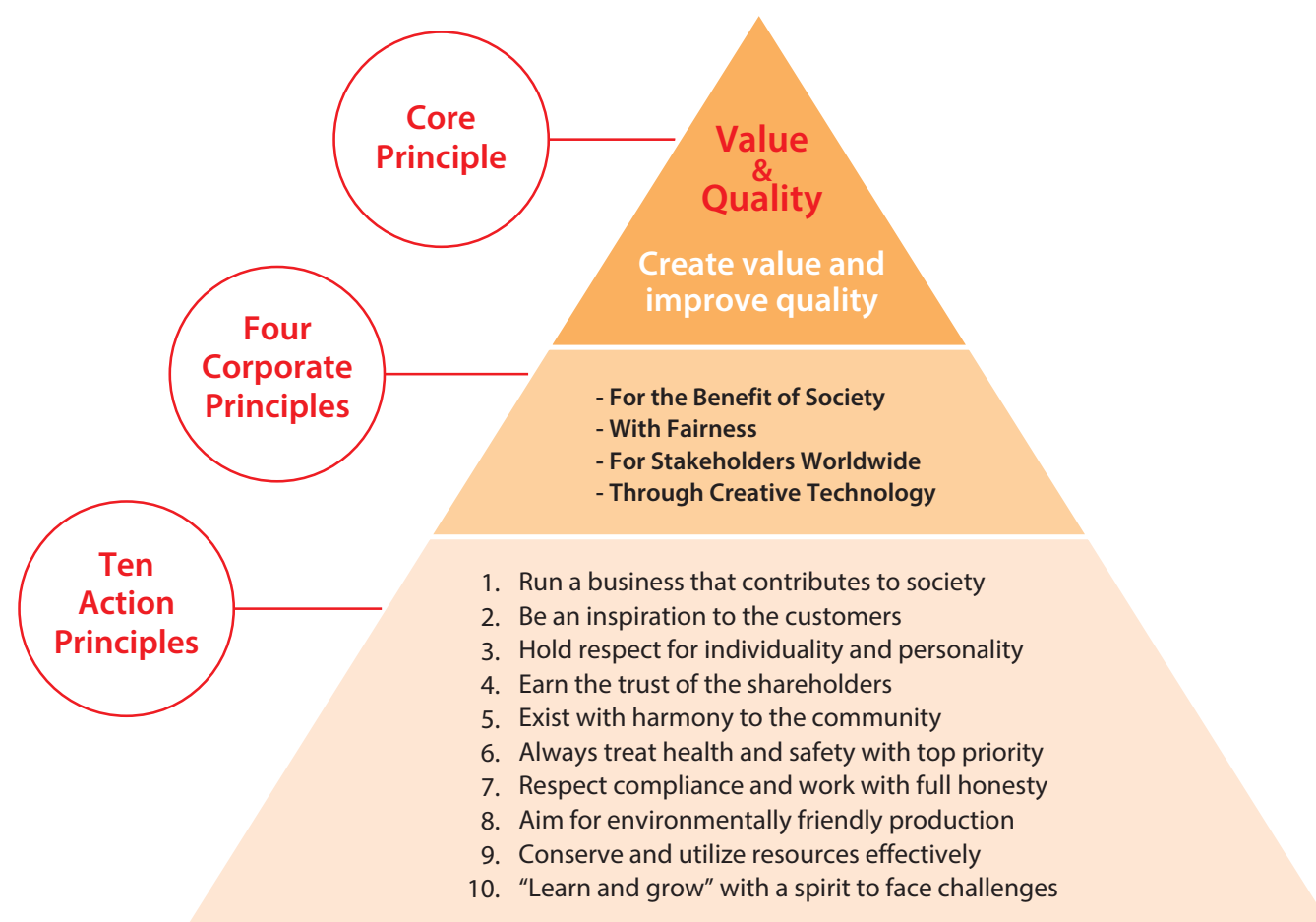
2022



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 basis of the VALQUA Group's sustainability.

The VALQUA Group will continue to pursue the creation of value and improvement of quality in order “To contribute to the richness of human race and global environment”.



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 our sustainability related activities, to all of our stakeholders. Some of the data is disclosed only on our website, and URLs where this content will be posted are included in this Sustainability Report. We also make reference to international standards and guidelines such as the GRI Standards, ISO26000, the UN Global Compact, Sustainable Development Goals (SDGs), and RBA Code of Conduct.

Reporting Period

April 1, 2021 to March 31, 2022

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 2022.



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 2022 (last issued in June 2021)

Reporting Media

Brochure/ PDF edition	Summarizes high-priority sustainability related activities in the form of an annual report. https://www.valqua.co.jp/social/report/	
Web edition	Exhaustive posting of latest information and additional information on our website. Updated frequently. https://www.valqua.co.jp/social/	

Corporate Philosophy	02
Contents, Editorial Policy	03
Top Message	04
VALQUA's Relationship to Society	06
Philosophy and Policy on SDGs	08
Sustainability Management	09
Sustainability Materiality	10

Special Feature 1. Visionary Management	12
--	----

Beyond the 100th anniversary of “THE VALQUA WAY”
Further strengthening of visionary management for sound and sustained growth

Special Feature 2. Promotion of DX	14
---	----

CDO Message
Changing the competitive environment through the power of digital

Special Feature 3. Human Resources Development	16
---	----

Challenges faced by female managers who grow along with VALQUA VIETNAM

Corporate Governance

01. Spread of the Corporate Philosophy	18
02. Strengthening of corporate governance	19
03. Promotion of Group's global activities	20
04. Dialog with stakeholders	20

Compliance

05. Prevention of corruption and bribery	21
06. Legal compliance	22
07. Compliance with environment-related laws and ordinances, etc.	23

Environment

08. Prevention and reduction of leakage of environmentally hazardous substances	24
09. Reduction of environmentally hazardous substances in business	25

Safety and Health

10. Occupational health and safety	27
------------------------------------	----

Supply Chain Management

11. Sustainable procurement	28
-----------------------------	----

Human Resources and Human Rights

12. Ensuring of the diversity of human resources	29
13. Respect for human rights	30
14. Human resources development	30

Customer Satisfaction

15. Improvement of quality and customers' safety and peace of mind	31
--	----

Community

16. Promotion of sports, culture, and the arts Coexistence with local community	32
--	----

Company Overview and Map of Bases	34
-----------------------------------	----

Contributing to the “richness of human race and global environment” by exhibiting VALQUA’s strengths to the greatest possible extent.

“Thinking from a different angle” and taking on the challenge of “bold CX” in order to create value with an eye to the future

Common sense and the things we took for granted as routine have been turned on their head by the events of the past few years, in which all manner of risks have surfaced. The spread of the COVID-19 pandemic since 2020 has been compounded by new problems that emerged this year, including the territorial rights struggles in various parts of the world, human rights violations such as forced labor and child labor, and issues of economic security.

At the same time, action on climate change – an urgent issue for the global environment – has been greatly accelerated by discussion at the climate summit and forums such as G7 and COP26.

The VALQUA Group is strengthening its involvement in “environment, society, and corporate governance” as a reflection of its decision to contribute to the richness of human race and global environment as “a challenging company that challenges the future and the unknown”, befitting the Corporate Image we would like to have by 2027, the 100th anniversary of the company.

In the area of the environment, VALQUA provides environmentally friendly products oriented toward the practical application of hydrogen energy and the silicon wafer reclaiming business while also striving to introduce renewable energy and practice environmentally friendly manufacture, including the installation of solar energy generation facilities, not only within Japan but also at its new factories overseas.

VALQUA sees coping with climate change as an important theme, and while expressing its approval of the May 2021 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), it has joined the TCFD Consortium, a forum for discussion participated in by corporations and financial institutions that have approved the recommendations. In the future, while engaging in activities along the lines of the TCFD recommendations, VALQUA will go on contributing to the global

environment through the proactive provision of environmentally friendly products and cooperation with partner corporations on environmentally friendly products and services.

In the area of society and corporate governance, VALQUA adopted the slogan of “In a rapidly changing global situation, we will uphold our customers’ trust according to “THE VALQUA WAY,” aiming to become a company that continues to create new value through both Hardware and Services (H&S)*1 in its new mid-term business plan “New Frontier 2023” (NF2023) announced in April 2022, through which it has begun to respond immediately to changes in the external environment, and it is accelerating these efforts with the aim of growing by “expanding its existing business areas” and “acquiring new business areas” with a core of H&S.

In this digital age, VALQUA is strengthening promotion not only of DX*2 but also bold CX*3 to promote thinking from a different angle that leads to acquiring new business areas for its products through VALQUA’s advanced technologies, and it is striving to solve social problems in various fields by drawing upon VALQUA’s broad-based strengths in cooperation with corporations that have innovative technologies, products, services, and knowhow.

VALQUA is steadily proceeding with these efforts, and we consider strengthening our management foundation to be more important than anything else in promotion of the sustained growth of the VALQUA Group. To this end, we are making efforts in risk management from the standpoint of ensuring safety and security, developing and strengthening compliance and BCP systems, further promoting human resources development, and expanding into new business fields.

*1 H&S: VALQUA is providing solutions oriented toward the maximization of customer value by adding “S” (services) that take into account the perspective of the customer to “H” (hardware = products) with high added value.

*2 DX: abbreviation for digital transformation.

*3 CX: abbreviation for corporate transformation.

From “CSR” to “Sustainability”

To prepare for the move into the “Prime Market” that accompanied the restructuring of the Tokyo Stock Exchange in April 2022, VALQUA has been enhancing governance and strengthening its sustainability activities to accommodate the June 2021 revision of the “Corporate Governance Code”. We have strengthened our system by reframing the VALQUA Group’s former “CSR” as “sustainability”, which we interpret as “realizing sound, sustained growth and a sustainable society under ‘THE VALQUA WAY’”, and our system for promoting these changes, formerly known as the “VALQUA Group CSR Promotion Committee”, has been newly designated the “VALQUA Group Sustainability Committee”.

We are also currently reviewing our CSR materiality to recast it as “sustainability materiality” that ascribes importance to its relatedness to management strategy and business plans.

Enhanced HR development that enables diverse human resources to exhibit their capabilities to the fullest

The VALQUA Group considers human resources to be its most important asset, and we have established a “VALQUA Group Basic Policy on Human Rights”. We are also reinforcing our HR development to expand into new business areas and promoting the development of core human resources who will shoulder the management of our bases in the near future through our CEO cram schools, overseas executive training, early selection education training, and other training programs. As programs for improving the minds of employees, we have been making efforts to improve engagement on the part of all employees throughout the Group, and it has been possible to give even employees in departments that do not directly come into contact with customers the opportunity to experience learning from the viewpoint of customers, for instance by having our employees participate as staff members in the ballroom dance events that our Group promotes and supports as part of its sustainability activities.

In this way, we are making efforts to educate our human resources from many different angles, and we expect that the development of autonomous employees will lead to the realization of “a challenging company that challenges the future and the unknown” to contribute to the richness of human race and global environment.

The basis of these business activities of the VALQUA Group is our Corporate Philosophy, “THE VALQUA WAY”. Under “THE VALQUA WAY”, the VALQUA Group is continuing to pursue further creation of value and improvement of quality, and is contributing to sound and sustained growth and the realization of a sustainable society.

We hope for your unwavering support and guidance of the VALQUA Group in the future.



June 2022

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Toshikazu Takisawa

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

Basic policy of mid-term business plan, New Frontier 2023 (NF2023)

In a rapidly changing global situation, we will uphold our customers’ trust according to “THE VALQUA WAY,” aiming to become a company that continues to create new value through both Hardware and Services (H&S).

1. Adopt new materials and enter new markets and businesses by accelerating a bold strategy for M&As and business alliances
2. Decisively move forward with supply chain reforms in response to increasing geopolitical risks
3. Establish an AI/IT solutions business that can continuously create value for our customers
4. Accelerate R&D and human resource development in order to expand into new business areas
5. Further strengthen existing businesses by increasing capital investment and enhancing sales channels

VALQUA with Society

VALQUA's Relationship to Society

Our “products & services” play an active role in all sorts of places.

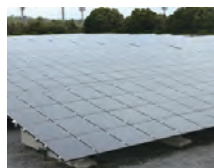
A Rockets and satellites



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 Solar power generation



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.

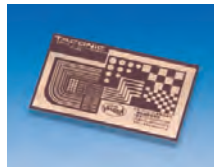
C Transformer



Processed fluorocarbon resin products

The high electrical insulation performance of these products is used to good advantage in devices that eliminate the effect of lightning and control the amount of power transfers.

D High-speed communications equipment



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.

E 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.

F Automobiles



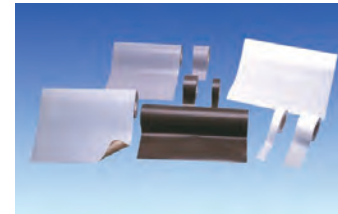
Gasket for automatic transmission (AT)

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.

N 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.



M 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.



L Ships and vessels

Gland packing

These are products that prevent leakage from around the working axis, and they are used mainly in rotary pumps and valves that fulfill the function of conveying fluids or blocking their flow.



Fluorocarbon resin lined ISO tank container

These pipes use the characteristics of fluorocarbon resins – chemical resistance and surface smoothness – to ensure the purity of the fluids that pass through them until they reach their destination.



K Semiconductor plants

Reclaimed silicon wafer

Silicon wafers used in checking the operation of semiconductor manufacturing equipment are polished and cleaned with proprietary know-how, and recycled and provided in the same way as new products, thereby contributing to the reduction of environmental burden.



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 chemicals used in semiconductor manufacture.



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.



J Steel production plants

High performance sheet gasket

With far better performance than conventional products, these sheet gaskets are widely used, particularly in plants that require high temperature resistance.



Spiral wound gasket

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



Low friction seal (LFR SEAL®)

This seal material has outstanding slidability and was developed for use in the rotating and oscillating parts of various kinds of production equipment.



I Seal engineering services

Seal Training Center (STC)

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

Seal Training Vehicle™ (abbreviation: STV)

Seal Training Vehicle™ is a mobile unit filled with training equipment for educating customers on gasket installation.



G Chemical plants

Fluorocarbon resin lined ball valve

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



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.



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.



H Portable media

Fluorocarbon resin tape

It has high insulation and excellent workability, contributing to improved performance and miniaturization of communications equipment.





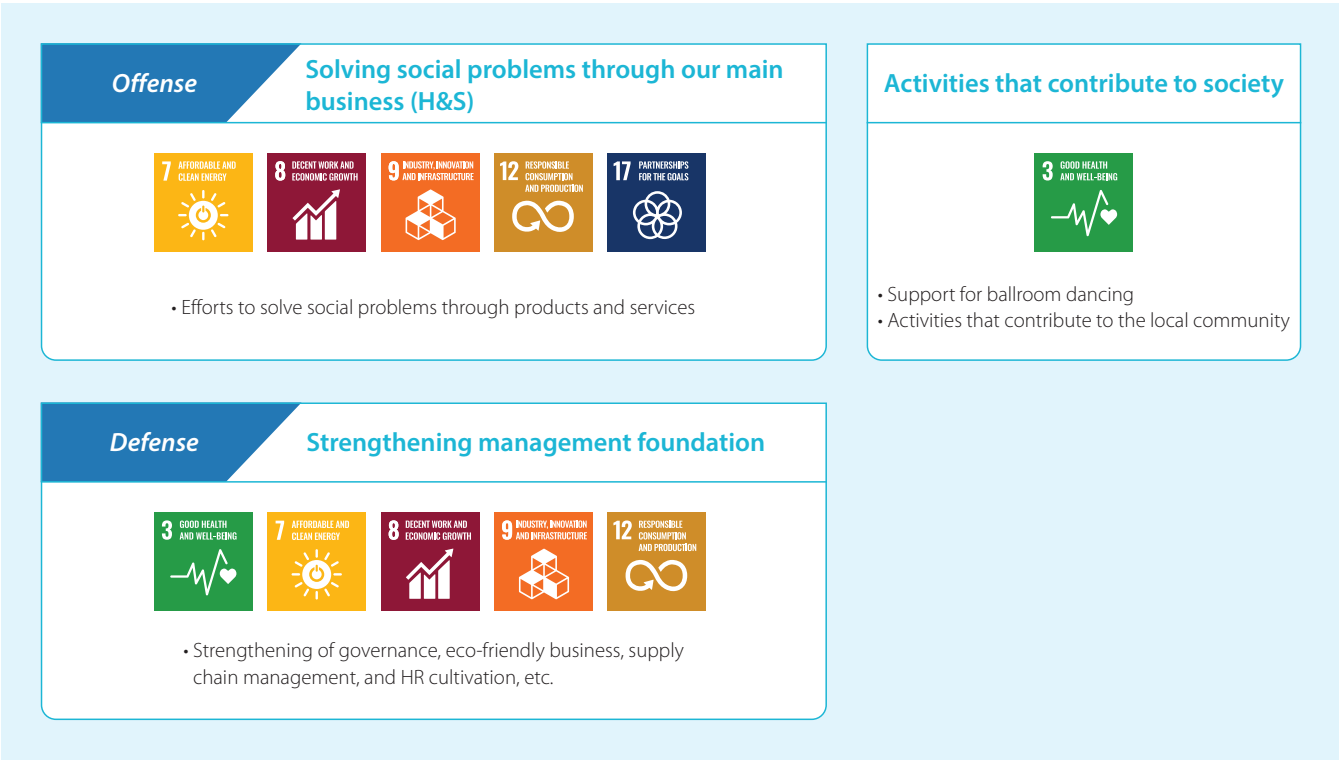
Philosophy and Policy on SDGs

As a global citizen, the VALQUA Group is contributing to the realization of the SDGs and a sustainable society by making proactive efforts to deal with sustainability materiality through business activities.

Efforts to contribute to SDGs

As part of the “active engagement in ‘environment, society, and corporate governance’ in becoming a better global citizen” that the VALQUA Group established as its corporate image for the 100th anniversary of its founding (2027), the Group is addressing the 17

SDGs and has specified 5 goals to which it thinks it can contribute through its main business, as well as 6 goals to which it thinks it can contribute through its corporate activities as a whole, and it is promoting activities with 3 axes, adding “activities that contribute to society” to our offense (“solving social problems through our main business (H&S)”) and our defense (“strengthening our management foundation”).



Sustainable Development Goals (SDGs)

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 and private corporations are expected to contribute.



Sustainability Management

The VALQUA Group has positioned “sustainability” as an important business challenge, and in 2022, it changed the name of the “VALQUA Group CSR Promotion Committee” to the “VALQUA Group Sustainability Committee”. Under the Corporate Philosophy of “THE VALQUA WAY”, the Group is steadily executing “VALQUA Sustainable Action” to contribute to the richness of human race and global environment.

Sustainability for VALQUA

The VALQUA Group considers sustainability to be “realizing sound and sustained growth and a sustainable society under the Corporate Philosophy of ‘THE VALQUA WAY’”. The VALQUA Group will continue to promote sustainability activities through business activities and pursue the creation of value and improvement of quality in order “to contribute to the richness of human race and global environment”.

realize a sustainable society as “VALQUA Sustainable Action”.

1. Rethinking materiality that contributes to sustainability management
2. Setting concrete goals and managing progress for each materiality
3. Expanded disclosure of the status of sustainability activities that lead to management strategy through sustainability reports, etc.

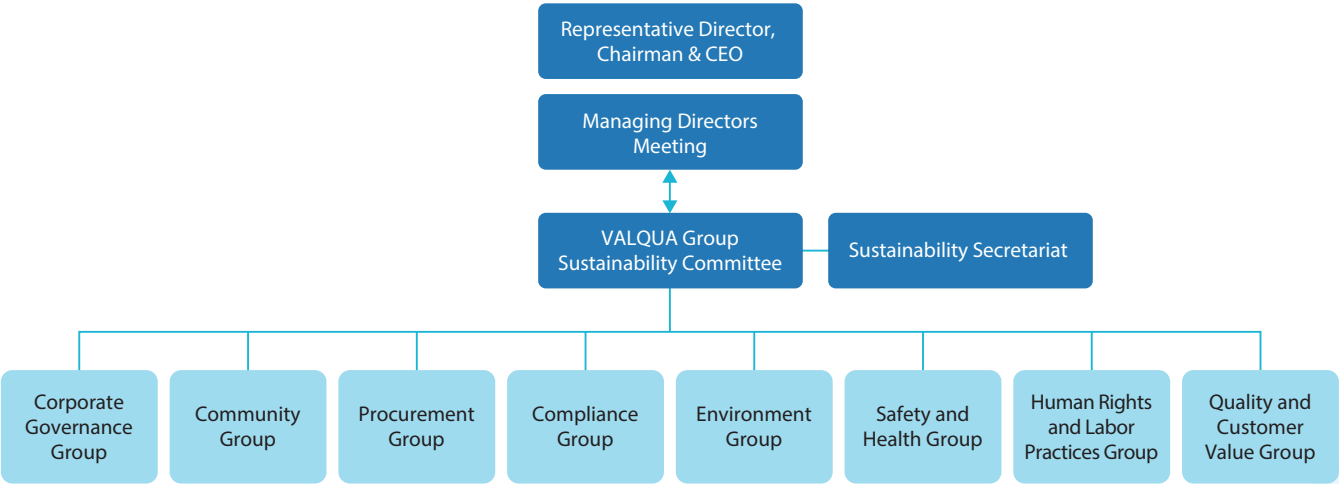
From “CSR” to “sustainability”

In April 2022, in order to accelerate its sustainability activities, VALQUA expanded its former “CSR” into “sustainability” and strengthened its system, changing the name of the system of promotion from the “VALQUA Group CSR Promotion Committee” to the “VALQUA Group Sustainability Committee”. Moreover, in the future it will pursue the following activities, promoting efforts to

Organization for promoting sustainability

The “VALQUA Group Sustainability Committee” is positioned as an important body for discussing the sustainability activities of the entire Group, and it is composed of the executive officers of the VALQUA Group with the Managing Executive Officer as its chairperson. Regular meetings are held every half-year, as well as on an ad hoc basis, and the results are reported at the Managing Directors Meeting every half-year.

▼ Sustainability organization chart





















(As of June 1, 2022)

Sustainability Materiality

The VALQUA Group has established 16 items of materiality with the 8 priority areas of corporate governance, compliance, environment, safety and health, supply chain management, human resources and human rights, customer satisfaction, and community, and it is promoting concrete and proactive efforts along the lines of the materiality items.

In April 2022, the former “CSR” was expanded into “sustainability”, and VALQUA is proceeding to rethink its sustainability materiality, assigning more priority to the relationship between sustainability and management strategy and business plans.

Materiality		Why? For what purpose?	Basic policy	Main efforts	SDGs to which this contributes
Corporate Governance	01. Spread of the Corporate Philosophy	To aim for sound and sustained growth through visionary management with the Corporate Philosophy at its center	Aim for sound and sustained growth through visionary management with the Corporate Philosophy of “THE VALQUA WAY” at its center	1) Activities to spread “THE VALQUA WAY” throughout the entire Group 2) Presentations on personal understanding and practice of “THE VALQUA WAY” at each level 3) Activities to recognize visionary management inside and outside of the company	    
	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	
	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 social problems based on the Corporate Principle of “For Stakeholders Worldwide”	Efforts to promote sustainability activities, contributions to SDGs, and upgrading of information throughout the entire Group	
	04. Dialog with stakeholders	To deepen mutual understanding through dialog and work toward the solution of common social problems	Build relationships of trust with stakeholders and promote cooperation to lead to the solution of social problems in order to fulfill the Action Principle of “Run a business that contributes to society”	Efforts to expand opportunities for dialog with stakeholders	
Compliance	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	
	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	
	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	
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	Provide products and technology that contribute to the solution of social problems under the Action Principle of “Aim for environmentally friendly production”	Combatting pollution and other social problems by developing and deploying products and services	    
	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	
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 various industrial safety and health activities, such as educating human resources to promote safety and health	
Supply Chain Management	11. Sustainable 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” under the Action Principle of “Aim for environmentally friendly production”	Education and promotion of procurement activities based on CRS Procurement Guidelines	
Human Resources and Human Rights	12. Ensuring 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	Create an environment that respects the diversity, personalities, and individuality of employees and makes it easy for them to demonstrate their abilities under the Action Principle of “Hold respect for individuality and personality”	Promotion of the activities of diverse human resources and promotion of flexible ways of working	 
	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” under the Action Principle of “Hold respect for individuality and personality”	Educational activities to promote understanding of various international norms for human rights	
	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 Principle of “Learn and grow” with a spirit to face challenges”	1) Cultivation of the VALQUA Person 2) Development of core Group managers 3) Development of core base managers 4) HR cultivation for each division and company	
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”	1) Information provision and services for product quality management and safe use 2) Deployment of products and services that promote the safety and peace of mind of customers	 
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 sustainability 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”	1) Contributing to society through support for the growth of ballroom dancing 2) Contributing to society through greening of area around office buildings and through donations	

Process of defining the sustainability materiality matrix

Step 1

Recognition of social problems

We first identified social problems by referring to international standards and guidelines such as the GRI Standards, ISO26000, the UN Global Compact, Sustainable Development Goals (SDGs), and RBA Code of Conduct.

Step 2

Identification of stakeholders' priorities

We then identified stakeholders' priorities by analyzing surveys by evaluation organizations and customer questionnaires to index the degree of attention to the social problems identified in Step 1.

Step 3

Identifying materiality through mapping

We created a matrix chart mapping the social problems identified in Step 1 with “stakeholders' priorities” identified in Step 2 on one axis and “VALQUA Group priorities” on the other to extract items with the highest priority as materiality.

Step 4

Defining materiality

The VALQUA Group CSR materiality items were decided upon with the approval of the Managing Directors Meeting in FY 2019.

Step 5

PDCA management and materiality review

In April 2022, the former “CSR” was expanded into “sustainability”, and VALQUA is proceeding to rethink its materiality, assigning more priority to the relationship between sustainability and management strategy and business plans.
In the future, we will promote the formulation of more concrete goals and indices and manage progress toward those goals and indices.

Beyond the 100th anniversary of “THE VALQUA WAY” Further strengthening of visionary management for sound and sustained growth

SDGs to
which this
contributes:



New mid-term business plan starting this fiscal year

In the current business period, when there are only 5 years left until the 100th anniversary of our founding in 2027, the VALQUA Group has begun a new 2-year mid-term business plan entitled “New Frontier 2023” (NF2023) and has established the slogan of “In a rapidly changing global situation, we will uphold our customers’ trust according to “THE VALQUA WAY,” aiming to become a company that continues to create new value through both Hardware and Services (H&S).”

Thanks to positive aspects of the external environment, the previous mid-term business plan “New Frontier 2022” (NF2022) initiated during the spread of the COVID-19 pandemic was able to achieve its goals one year ahead of schedule even under an unstable pandemic business environment that was lacking in transparency. At the same time, this is thought to be in no small way the result of the success of visionary management efforts centered on the Corporate Philosophy of “THE VALQUA WAY” that the VALQUA Group has worked with for long years.

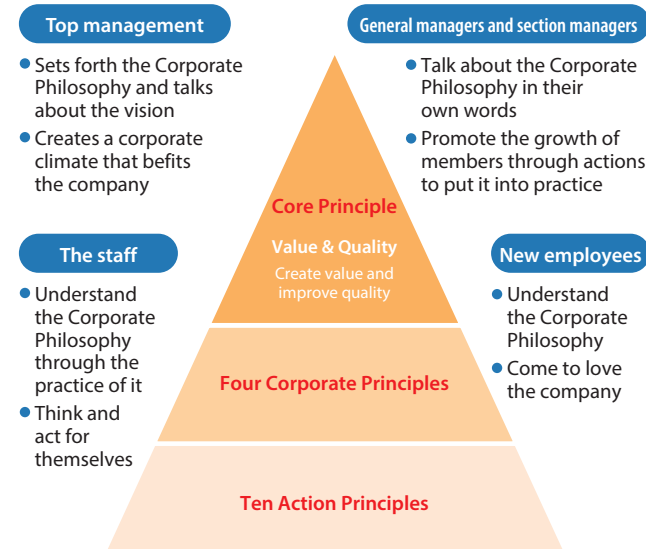
However, the point of departure for NF2023 is the upheaval in the social environment in recent years. Not only have we ceased to be surprised no matter what transpires, we have arrived at an overwhelming sense of crisis over what has happened or is happening now, and that sense of crisis lies at the root of our perception of the current situation.

This situation has made us recognize that in the execution of the strategy of NF2023, we will need to see these changes as new opportunities for value creation and boldly meet the challenge of “CX” (corporate transformation) that rethinks the ideal form of the company from the fundamentals up, so as to flexibly and swiftly follow a course correction that responds to risk.

For sound and sustained growth

The corporate image that VALQUA established in 2020 for the 100th year since its founding is “a challenging company that

▼ Sharing “THE VALQUA WAY”



challenges the future and the unknown” in order to contribute to the richness of human race and global environment. In NF2023, the VALQUA Group will boldly challenge “CX” without fearing failure, and will strive to create a foundation for the next round of growth in order to realize sound and sustained growth at a time when all countries, corporations, and individuals are being required to make proactive efforts to realize a sustainable society.

The “Value & Quality” that has been our Core Principle since our founding is the origin of our corporate name, and it exists as the foundation for continuing to confirm for what the VALQUA Group exists for and what is expected of it by society. The unchangeable principle composed of the “Four Corporate Principles” and “Ten Action Principles” into which the Core Principle breaks down is none other than the Corporate Philosophy of “THE VALQUA WAY”, and it is the foundation of the VALQUA Group.

“THE VALQUA WAY” is an original VALQUA Group concept that combines our company policy, code of conduct, vision, goals, etc. Moreover, it has extremely practical aspects such as criteria for making decisions in our daily activities, a compass for what to do when we are in doubt, and common communication tools that also include the perspective of risk management, and it can also be

considered to be the guiding principles that give our employees peace of mind, pride, independence, and a push toward growth. This is why we have been holding a company-wide competition of “THE VALQUA WAY Understanding and Practice Activities” since 2009 as a place for our employees to share their individual “MY VALQUA WAY”. From aspects of offense that pursue the spirit of challenge and try to move the customers, to aspects of defense that ascribe importance to compliance and the obeying of rules, all employees, including those overseas, establish their own themes of activity and make presentations on that process and the results. To date, 14 of these competitions have been held.

In the future, we will deepen visionary management through the presentations at “THE VALQUA WAY Understanding and Practice Activities”, and we will strive to develop human resources filled with the courage and readiness to work toward social development.

Further strengthening of visionary management For the spread of “THE VALQUA WAY”

In the mid-term business plan NF2022 that covered up until the last fiscal year, 2020 was positioned as the “first year of CX” for the VALQUA Group in order to reconstruct a business foundation that realizes sounder, more sustained growth in the next era beyond the 100th year of our founding. However, this did not take concrete form in new activities in NF2022, so in NF2023, we will take on the challenge of creating a foundation for new growth, decisively taking concrete measures toward the realization of “a challenging company that challenges the future and the unknown” with entry into new materials, new markets, and new businesses through the acceleration of bold M&A and business alliances.

In order to swiftly and unerringly cope with extreme change in the environment and reliably accomplish NF2023, we consider it

necessary to further strengthen the visionary management that we have strived for for long years, and this fiscal year, we have newly established “THE VALQUA WAY Promotion Office” to reform the corporate climate that is the driving force behind the strengthening of this visionary management. As measures for improving the minds of employees, we are promoting remote work that aims to improve the engagement of all Group employees, carry out work-style reform, and improve productivity, and we are proceeding to promote the “strengthening of the understanding and practice of the Corporate Philosophy” and the “development and establishment of corporate culture” while connecting them to the strengthening of visionary management.

The VALQUA Group will continue to promote visionary management, and the entire Group will act as one to contribute to the realization of sound and sustained growth and a sustainable society.



Scene from “VALQUA Group Corporate Philosophy in Practice Presentations” held in Taiwan in 2008

Progress of Practice Presentations



Name changed to “THE VALQUA WAY Practice Presentations” in 2009. The company-wide competition was held in Tokyo.



The company-wide competition in FY 2021 was held online to prevent the spread of COVID-19. Presenters participated remotely.

Through Creative Technology

We create original, advanced technologies in a free and frank corporate climate.

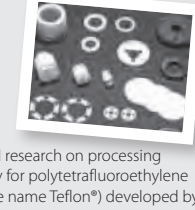
All employees, not only those in technology-related departments, are required to practice self reformation to adapt to environmental changes, which means “doing things differently from the past, from other companies, and from other people”.



1927 Company office building at the time of our founding



1950s Scene of research at the time



1952 Completed research on processing technology for polytetrafluoroethylene (PTFE, trade name Teflon®) developed by E.I. DuPont (US), and manufactured the first Teflon® product in Japan. Began to produce and market under the product name of “VALFLON®”



1982 Largest class of polytetrafluoroethylene-lined tank in Japan at the time

CDO Message

Changing the competitive environment through the power of digital

SDGs to which this contributes:



VALQUA, LTD.
Director, Managing Executive Officer, CDO, Corporate Transformation Division

Gota Nakazawa

I joined the company in March of 2021 and hold the position of Chief Digital Officer (CDO). I will introduce a summary of the DX that is being promoted as one of the CDO's missions. Utilizing digital technology in a way that surmounts the barriers between departments to lead to the creation of new businesses while changing the structure of the organization and the corporate culture is an important flow in DX. With the experience I gained in my career thus far by creating new businesses, I will take on the challenge of reforms that contribute to the further improvement of the company's sustained corporate value.



The reforms that DX brings

The term "DX" (digital transformation) has been around for some time, but real DX has only just begun, not only in our company but throughout the entire manufacturing sector as well. DX is something that greatly changes a corporation's conditions of competition and the competitive environment of the entire industry. Even if we limit our consideration to personal financial services, this was a business that only catered to "persons of property" 20 years ago, and the KPIs of each company (indices that measure target values and degrees of achievement) were transaction values, a kind of investment value. However, with the spread of digital, the lowering of operation costs through elimination of the manual work involved in opening accounts and the need to send out monthly statements greatly and immediately expanded the range of target customers. Moreover, the characteristic of digital that it "continuously connects the business with the customers" makes it possible for the introduction of new products and services (sales) to take place in the context of existing digital services, which further spurs on the expansion of the customer target and changes the important KPIs from transaction values to the number of accounts. DX is not merely the utilization of digital technology but also something that greatly changes the competitive environment. With a shared recognition of these facts throughout our company, we are accelerating the deployment of measures that drive reform in anticipation of reforms throughout the entire industry, including the following efforts.

Expansion of customer base through zero marginal cost

As stated above, one of the characteristics of digital is "zero marginal cost", and its effect creates a great deal of room for



Unified management website for providing plastics materials "Materials Pro". Easily search for available plastics materials, sizes, packing materials, etc. Can also obtain estimates, etc.

growth in our company. Even if we take the example of the plastics business, we grasp customer needs through sales activity and manufacture and sell the needed products. An enormous number of person-hours are generated in this flow. This means that we are forced to concentrate on large customers and cannot accommodate demand from small customers (as used to be the case in the financial industry), and it leads to the loss of sales opportunities. Amidst this situation, we began to deploy a web platform as an integrated means of providing plastics materials, as the first step toward zero marginal cost and the expansion of the target customer. Customers can search the materials we offer, the sizes, the packing material, and other information with one click, and they can request estimates and place orders in one stop. Digitizing the majority of the operations that take place behind the scenes is one way of moving toward zero marginal cost, if only in the single area of material sales.

We are also further expanding these efforts in the plastics materials field and promoting the construction of a similar system in the processed plastics goods field as well. When it comes to processed goods, the work of reading blueprints and creating estimates through digital means becomes more complicated, but in the course of investigation and development over time, we have been planning our market development by the end of this year. Of course, as we look beyond that, zero marginal cost is within our field of view, not only in plastics, but also in the seal products business that is one of the pillars of our business, and we are proceeding with these efforts in an accelerated manner.

Turning AI solutions into business

One other pillar of our business that is separate from the efforts mentioned above to expand our customer base using "zero marginal cost" as our starting point and strengthen existing businesses is the launching and development of the AI solutions business. Through the provision of seal products, which are close to the maintenance field, we are learning about the need for

"maintenance solutions that go beyond hardware" from many customers, and in December of last year, we announced a capital and business alliance with the AI venture "Ridge-i". We will promote the development of solutions based on this alliance, and as a result, we will begin to develop a platform for the remote monitoring of facilities by the end of this year. With this platform, remote monitoring and predictive management solutions for various facilities can be utilized through the same management screen, and the setting of user notifications and management of alerts can be set up for each of the solutions in one stop. Currently, the solutions that our company developed itself through the alliance with "Ridge-i" form the core, but parallel to this, we are simultaneously promoting alliances with external services, and in the future, we will offer a varied lineup ranging from niche to major items.

While utilizing the "connection with customers" that is the characteristic of digital, we will introduce newly expanded solutions within the platform, and step by step we will aim to grow our business by creating an environment in which our customers can easily try our solutions.

Strengthening our organization to further advance DX

As introduced above, the thing that will become more important in the future as we steadily advance our efforts toward DX will be tirelessly improving ease of use based on feedback from customers and enhancing our functions. As the foundation for this, we began last year to organize a digital development team that can complete this development and improvement within the company. We are improving our system by including not only programmers and system engineers but also web designers who can improve ease of use and data analysts who can drive the enhancement of functions. In the future, we will ceaselessly strengthen our organization while expanding our solutions as we promote our evolution into a solutions corporation.



Remote monitoring platform "Smart Facilities Management". Possible to perform remote monitoring of various facilities and get predictive maintenance solutions from the same screen.



Challenges faced by female managers who grow along with VALQUA VIETNAM

SDGs to which this contributes:



(This section is based on an essay written by Ms. Pham Thi Phuong Minh in Japanese, with modifications)

Disappointed with a business climate unbefitting a Japanese company abroad, I resolved to grow along with the company

After graduating from the university, I studied in Japan for 2 years, and in 2013 I got a job at a Japanese company in Ho Chi Minh City. Two years later, when I returned to my birthplace in Northern Vietnam, I started to think that I would like to transfer to a place where I could work for a long time. I was attracted by a classified ad for the Hanoi Branch, which was entering its second year as a sales base of VALQUA VIETNAM. The ad said, "Looking for sales representatives who can work for us a long time and become key persons in the future." I decided to act on it, and I joined VALQUA VIETNAM in April 2016.

When I first joined the company, I found that Japanese was rarely used at the Hanoi Branch, and I got no sense of the culture or manners of Japan. This was very different from the factory I visited at the time of my new employee's interview, and I felt it lacked the atmosphere of a Japanese corporation. At the same time, I recall feeling that the difference in language and culture raised a wall between superiors and subordinates. For me, as someone aiming to work for a Japanese corporation, I worried about whether things were okay the way they were, and when I thought about the future, I asked myself many times over, "Will I be able to work here a long time?"

The turning point came in August 2016, at the "VALQUA ASEAN Conference" held for ASEAN customers. I was appointed to serve as the facilitator for the conference. Through the event, I met with colleagues in Japan, Thailand, and Singapore. I was impressed with their professionalism and enthusiasm for their jobs, and I felt that I would like to continue working there.

I had the opportunity to undergo in-house training in Thailand in 2017 and at the Head Office in 2018, and although I was working in different countries and environments, I felt that VALQUA employees everywhere did their jobs with the shared philosophy of "THE VALQUA WAY", and I found that encouraging. I had had the experience of living in Japan during my student days, so I used the fact that I understood the Japanese language and culture a little more than the rest of the staff to play the role of a bridge between the company and my colleagues. I came to feel more and more that

I would like to increase engagement on the part of all involved.

I was later appointed subsection manager in 2018 and section manager a half year later, and although there was heavy pressure, I was given the environment to achieve the things I wanted to do, and I got so that I wanted to approach my work with greater motivation.

At the time of the inspection by CEO Takisawa in 2019, I had the good fortune to be chosen to become a member of the CEO Learning program. At first, I felt very tense, but the CEO responded to each of my doubts and opinions, and of all the things that the CEO said during the explanation, the message that impressed me the most was this: "The best person to serve as top manager of an overseas production and sales base is a local person who is from that country. Our company gives opportunities for career advancement to highly motivated human resources, regardless of nationality or gender, and we provide them with overall support." I felt fortunate that even I, who was hired locally, had the opportunity for growth, and my spirits rose as I felt myself changing into a forward-looking person who wanted to contribute to the creation of value in society and wanted to move the customers with our products and services.

With CEO Takisawa. Photo taken in commemoration of being awarded the first place at the FY 2019 company-wide competition of "THE VALQUA WAY Understanding and Practice Activities".



Overcoming the business practices of VALQUA VIETNAM to practice "THE VALQUA WAY"

The performance of the Hanoi Branch was not good until 2018. If the business performance of the branch is poor, motivation also suffers. Amidst this situation, I had the ideal opportunity to connect important customers to our business performance in 2019. However, when I finally had the chance to meet with key personnel from our corporate business customers, I was sometimes disconcerted when they suddenly brought up sales channels that did not meet our compliance policies.



Section Manager, Sales Section, Hanoi Branch, VALQUA VIETNAM
Pham Thi Phuong Minh

After joining the company in 2016, I experienced business at the front lines for 2 years as a sales representative, and after serving as subsection manager, I was promoted to section manager in the 3rd year. In my role as the driving force behind the Hanoi Branch, I am working hard every day to expand sales within Vietnam and launch new businesses.

To be honest, I did think that going along with their preferences would be a golden opportunity for getting orders that would lead to better performance and allow us to achieve our goals, but when I considered it from the standpoint of "THE VALQUA WAY" that we always put into practice, I could not just meekly accept it, and I struggled mightily with the situation.

While consulting with my superiors and the related departments, I responded in good faith to each of the points made by the customers, asking them whether it would not be a mistake to simply follow the "easy" path, and if it would be possible to ensure that everything was done "With fairness" so we could "Respect compliance and work with full honesty". This led to orders that both the customers and I could feel at ease with, and that year we were able to achieve our highest results yet.

At this time, I got a real sense that I had not only contributed to our business performance but also served as a bridge for "THE VALQUA WAY" and the Ten Action Principles, and had forged connections within our Group, and I was happy to think that my understanding may have deepened a little.

Aiming to be a next-generation leader

Starting in April 2021, I was given the opportunity to participate in the Overseas Management Training Course. This was an opportunity for two people from VALQUA VIETNAM and a total of seven VALQUA persons from South Korea and Taiwan to spend 2 years learning how to grow as core managers.

In November of last year, during the COVID-19 pandemic, we were visited at VALQUA VIETNAM by an executive who was the director of the Head Office, and I heard directly from him that "Expanding business performance is important, but we expect more from you in terms of human resources development." Hearing that, I keenly felt the truth of what he said. At our branch, I have the longest years of experience as a manager, and I was awarded the prestigious first place at the FY 2019 company-wide competition of "THE VALQUA WAY Understanding and Practice Activities". With the



With the president of one of our customers in 2021

awareness that I have been given lots of opportunities to learn and grow by the company and my superiors, I would like to unpack the company's ideas and strategies and devote energy to constructing relationships of trust between the company and its employees.

Recently I have come to think that in order to help develop subordinates by increasing work engagement, we should have faith in our subordinates and take on the challenge of missions that entrust work to them. I feel that I want to contribute to the further creation of value at the Hanoi Branch and by extension at VALQUA VIETNAM by fulfilling these missions. The ASEAN region has the dream of ultimately standing shoulder-to-shoulder with other regions within the Group network, and I hope to contribute to the development of the region through my own company's growth.

To contribute to Vietnamese society through business

In April 2021, immediately after it was decided that I would participate in the Management Training Course, I was honored to have the opportunity to take part in the second CEO Learning program. I will never forget CEO Takisawa's message during the Learning program: "Since you have gone to the effort of joining VALQUA, I would like you to work here for a long time so that we can accomplish something together!" Out of the recognition of the fact that we will not be allowed to survive if we do not change within a business environment that is changing greatly, I take pride in the fact that the company has expectations for me as a next-generation overseas manager, and I am aware that I am "a human resource that can develop other human resources" in the direction of next-generation leadership, so I am applying myself every day.

As a Vietnamese person, I love the country of Vietnam that I was born in and am now living in, and I would like to contribute to my own country and hometown, if only in some small degree. I worried that perhaps it would have been better had I worked for a government agency or public service company in order to fulfill that hope, but I am strongly aware that I "Run a business that contributes to society" at VALQUA, where I am now working. I have come to think that I can contribute to my own country and hometown through the work I do at VALQUA, and my earlier doubts have completely cleared. Through contribution to the sustained development of VALQUA, I would like to communicate my ardent hope to contribute to the development of my own country and hometown to my other Vietnamese colleagues, and I would like everyone to come together to think and act with "THE VALQUA WAY" as our standard so that we can accomplish bold reforms that take us out of our comfort zone and grow into a VALQUA VIETNAM that shines brightly in the new "CX" age of our Group.



With the staff of the Hanoi Branch at Tet (the old Vietnamese New Year) in 2021



01 >> Spread of the Corporate Philosophy

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

At the VALQUA Group, the Corporate Philosophy common to our Group, "THE VALQUA WAY", forms the foundation for our daily activity as our compass and code of conduct. Each employee of the VALQUA Group in the eight countries and regions where we have a presence determines how the mental outlook of the Group is relevant to their own work and brings a consciousness of problem identification and solution to their work in a way that leads to improvements and reforms in the work itself.

Moreover, in order to further spread "THE VALQUA WAY", we hold the Practice Presentation annually as a place for sharing our activities throughout the year. This Practice Presentation is a forum for making presentations on how each employee has translated "THE VALQUA WAY" down to the level of their own work.

After the preliminary presentations held at the levels of individual countries and levels within the hierarchy, the company-wide competition of representatives who were selected at the preliminary presentations is held every January, and the 14th competition was held in FY 2021. Up until FY 2021, a Practice Presentation of core managers was held every October, but starting in FY 2021 the presentation began to be held in two parts, one for presidents of affiliated companies and the other for personnel at the level equivalent to general manager, after making adjustments so that the activities and the content of the presentation reflected the participants' work responsibilities.

To enhance these activities, it is best to hold the presentation live in person, but there have been numerous limiting factors, such as the continued COVID outbreaks, that made it necessary to hold it online in FY 2021 as well.

However, even under the environment in which communication within and outside of the company is limited by the pandemic and remote work, we are proactively grappling with this environment through the spread of "THE VALQUA WAY", and the entire Group is working on CX (corporate transformation) and DX (digital transformation).

Moreover, in FY 2022, we newly established a promotion department known as "THE VALQUA WAY Promotion Office" under the new mid-term business plan "New Frontier 2023" (NF2023) that aims to further promote visionary management.

The entire VALQUA Group will continue to promote visionary management resolutely.



Scene from the online commendation ceremony

* Certificates of commendation are sent to winners at a later date.



Employees from throughout the entire Group are divided according to department, and the ones selected from each department go on to the company-wide competition. Award ceremony is also held online.



Close look of the FY 2021 Company-wide Competition
* Held online again for the second year because of the status of the COVID-19 pandemic.

02 >> Strengthening of corporate governance

Corporate governance

■ Basic philosophy

As a pioneer in seal engineering, the VALQUA Group has constructed a management system for transparent, fair, rapid, and bold decision-making 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

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 attorney and one certified public accountant, audit the execution of business by the directors and executive officers, supervisory and auditing functions highly specialized to management are fulfilled.

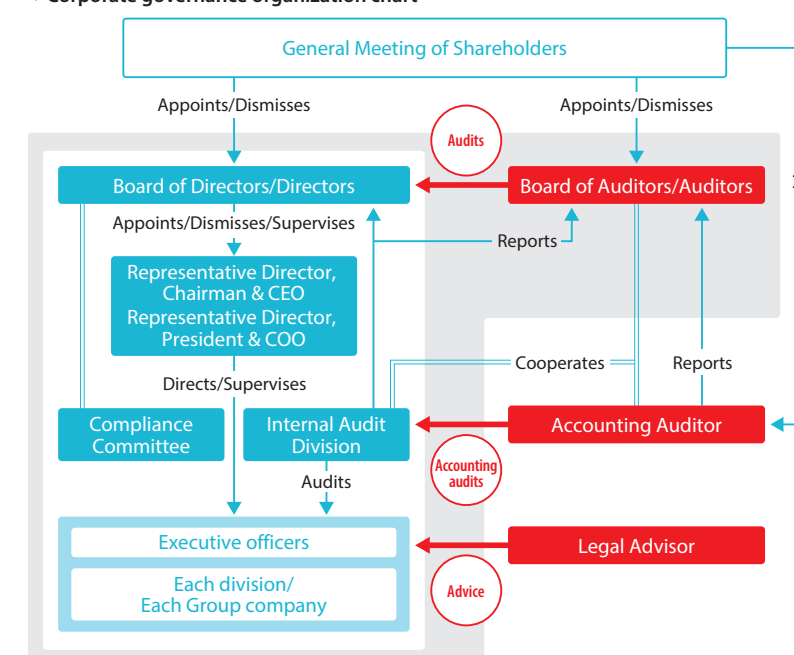
■ Internal Audit Division

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.

▼ Composition of Board of Directors and Board of Auditors (as of June 1, 2022)

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



(As of June 1, 2022)

■ 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

Sustainability activities and SHE activities

■ Promotion of sustainability 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 VALQUA WAY”.

Since 2021, we have been strengthening our efforts to contribute to the SDGs by promoting activities with 3 axes, adding “activities that contribute to society” to our offense (“solving social problems through our main business (H&S)”) and our defense (“strengthening our management foundation”).

In April 2022, in order to accelerate its sustainability activities, VALQUA expanded its former “CSR” into “sustainability” and strengthened its system, changing the name of the system of promotion from the “VALQUA Group CSR Promotion Committee” to the “VALQUA Group

Sustainability Committee”. We are also currently reviewing our CSR materiality, ascribing more importance to its relatedness to management strategy and business plans.

In the future, we will come together as a Group to promote sustainability activities toward the solution of various social problems, and we are making efforts to disclose those activities.

■ Promotion of SHE activities

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.

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

https://www.valqua.co.jp/social/safety_health_environment/



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 style="list-style-type: none"> ● Business activities in general: daily business activities / holding social gatherings for store personnel / holding exhibitions / handling inquiries / conducting CS questionnaire surveys / safety data sheets (SDS) / catalogues of various products / issuing customer support tools and technical data
Shareholders and stock market personnel	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.	<ul style="list-style-type: none"> ● IR activities in general: dialog with stock market personnel / holding General Meeting of Shareholders and meetings to explain settlement of accounts / issuing IR tools and documents
Business partners (suppliers)	The VALQUA Group promotes fair and impartial CSR procurement based on legal compliance, concern for the environment, and mutual trust.	<ul style="list-style-type: none"> ● Purchasing activities in general: meeting with customers / CSR Procurement Guidelines / conducting CSR procurement questionnaires
National governments and local governments	The VALQUA Group strives to obey laws and disclose information.	<ul style="list-style-type: none"> ● Various notifications, various conferences
Employees	The VALQUA Group strives 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 style="list-style-type: none"> ● Employees engagement activities in general: intranet / conducting employee engagement surveys / various types of training / support for self-development training / holding joint labor management conferences / handling notifications through internal whistle-blowing system / establishing Corporate Ethics Hotline
Local community	Aiming for a symbiosis with the global community and the local community, the VALQUA Group strives to reduce our environmental burden and contribute to society.	<ul style="list-style-type: none"> ● 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

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 has constructed a management system that can accurately assess and control diversifying risk and its impact.

We have been 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 have been making efforts to enhance risk management and autonomous compliance at the level of organizational units by codifying them in an annual policy.

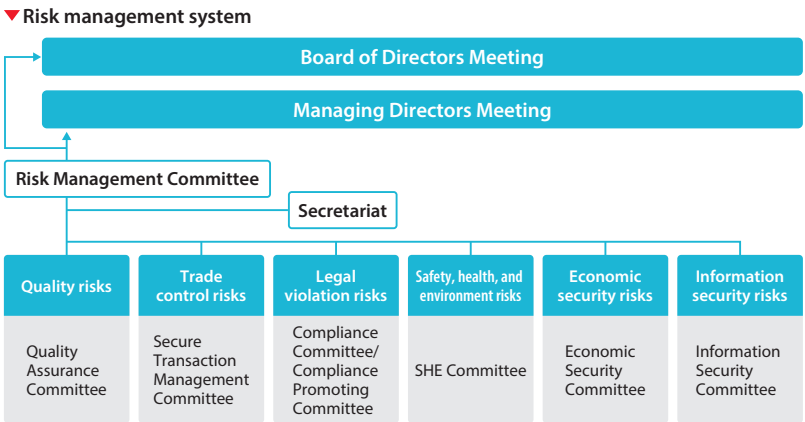
Even in the new mid-term business plan NF2023 that came into effect in April 2022, we are continuing to make efforts to implement risk management at the level of each organizational unit and to strengthen autonomous compliance.

■ 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 2020.

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



(As of June 1, 2022)

■ 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 Handbook

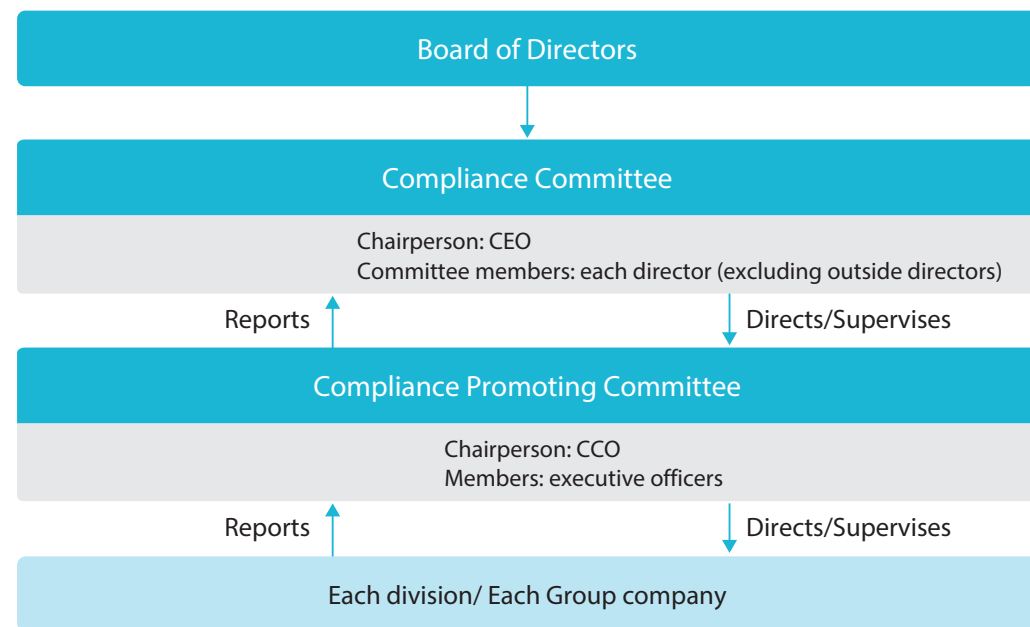
The “Compliance Manual” was established in 2003 as the guidelines for employee duties throughout

the entire Group. It was translated into 6 languages (Japanese, English, simplified Chinese characters, Korean, Thai, and Vietnamese) and has been used as the manual that all employees throughout the entire Group must understand and comply with.

We greatly expanded the content of the Compliance Manual, reissuing it as the “Compliance Handbook” (Japanese Edition) in May 2020 together with the “Action Handbook for the Prevention of Harassment” (For Managers and Leaders). These publications incorporate concrete examples and check sheets to reflect the social environment and changing demands. They were followed up in November 2020 with “Corporate Management and Compliance – Management Responsibilities and Important Issues for Directors and Officers”.

Even at overseas bases, it has replaced the previous “Compliance Manual”, and “Compliance Handbooks” in each language that are based on the Japanese version but reflect local conditions were issued in February of 2022.

▼ Compliance system



(As of June 1, 2022)

■ Compliance system

We have established a Compliance Committee with the CEO as chairperson and Compliance Promoting Committee under it, 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.

■ 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 cases in which this system was used has decreased because of the remote work environment, and while there were over 10 cases in each of FY 2018 and FY 2019, there were only 4 in FY 2020 and again in FY 2021. We will continue to handle these cases appropriately while carefully monitoring the trend toward decreased use.

07 >> Compliance with environment-related laws and ordinances, etc.

Environmental risk management

■ Framework for activity

In FY 2021, with the strengthening of regulations in China under the 14th 5-year plan, the frequency of on-site inspections by the government increased dramatically. There were numerous findings, but we dealt with them immediately, and actually there were no cases in which our company actually produced environmental pollution. There were zero cases of other 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.

At production-related companies both inside Japan and overseas, we are continuing to engage in environmental activities under the ISO14001 system, and third-party certification is continuing.

In particular, as regards compliance with laws and regulations, we are using the internal auditing systems for legal compliance within each company to promote the construction of a system for preventing violations from occurring, which includes preparing to accommodate the revised environmental protection law that is scheduled to come into effect in Vietnam, as well as collecting

information through the utilization of external information agencies in each area, and continuing to support the various production-related companies that utilize Japan's external information agencies.

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.

Internal auditing systems for legal compliance were established in each production company and have begun operations. They are promoting continued improvement by responding to noncompliance discovered in internal auditing.

* chemSHERPA: Name of a data entry support tool and information transfer files released in October 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 upstream companies throughout the supply chain

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

Efforts to prevent and reduce leakage

■ Environmental burden accompanying business activities in FY 2021

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 CO₂ emissions from use of energy and the wastes that emerge from production process.

A sustainability 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 introduce renewable energy

Global introduction of renewable energy by the VALQUA Group began in 2013 with the establishment of a solar power generation facility on unused land owned by KYUSHU VALQUA and the start of renewable energy generation. At VALQUA FFT, whose main business is reclaiming the silicon wafers that become the substrate for semiconductors in Nagasaki Prefecture, a solar power generation facility was established to provide power for consumption by the company itself. Overseas, at the new TAIWAN VALQUA ENGINEERING INTERNATIONAL factory that began operation in January of 2022, a solar power generation facility was established for the generation of renewable energy. These have contributed to reducing CO₂ emissions from thermal power generation using fossil fuels.

■ Efforts to save energy

VALQUA SEAL SOLUTIONS in Nara Prefecture received a commendation for contributing to the realization of a low-carbon society through activities to save energy and reduce CO₂ emissions within the company through more rational and effective use of electric power in FY 2020.

- Nara Committee for the Rational Use of Electric Power, First Prize
- Kinki Committee for the Rational Use of Electric Power, Chairperson's Prize

In the future, we will continue to aim for environmentally friendly production through proactive energy-saving activities so as to realize the kind of corporate image we want to project as we reach the 100th anniversary of our founding (2027).

Sustainability data, beginning with environmental data

In recent years, corporations have increasingly been called upon to disclose information on their efforts to address climate change and resource issues with the goal of realizing a sustainable society. With continued emphasis on compliance, the VALQUA Group introduced a sustainability information collection system in 2019 to accurately and swiftly disclose environmental data and other sustainability data to stakeholders. Every year, various kinds of data are collected from a total of 25 bases (12 in Japan and 13 overseas) and summarized.

In this way, we are striving to improve performance through action plans that make environmental data and sustainability data visible through unified management, while also making efforts to expand information disclosure along the lines of the GRI Standards, TCFD, etc.

Sustainability data control items

- Environmental data (GHG, waste, chemical substances, etc.)
- Employee data (Number of regular employees, separated into men and women; number of temporary employees, etc.)
- Other (human rights, welfare)

(As of June 1, 2022)



* About the TCFD
<https://www.fsb-tcfd.org>
 In response to the demands of G20, recommendations on the disclosure of financial information related to climate were publicly announced in June 2017 by the task force established in December 2015 by the Financial Stability Board (FSB), which comprises the finance-related ministries and central bank of each major country. At present, financial institutions, corporations, and governments all over the world have approved the recommendations of TCFD.

Coping with climate change

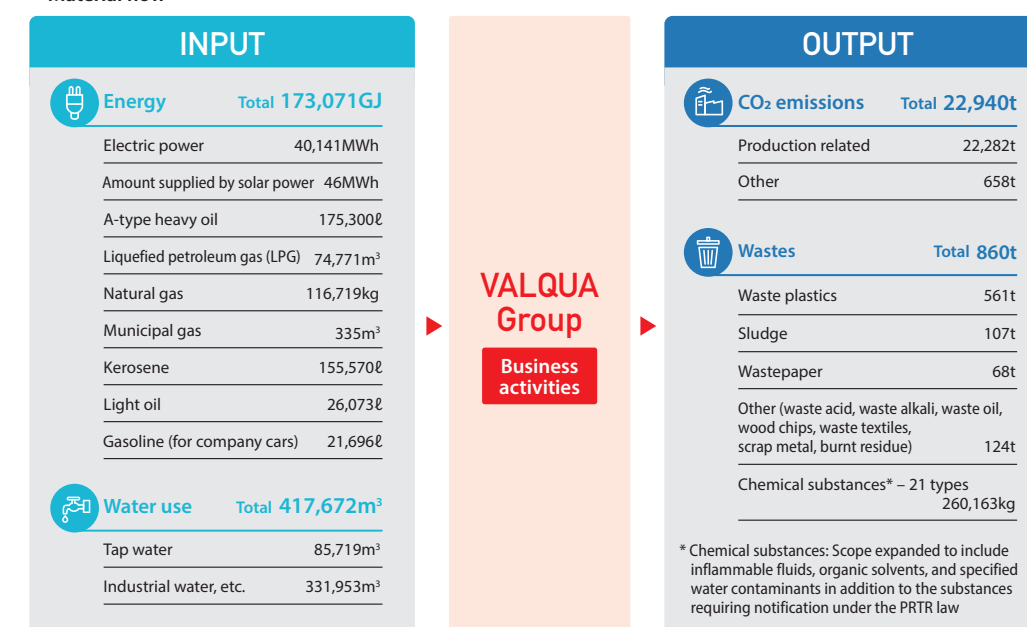
In May 2021, at the same time that it announced its approval of the recommendations of the "Task Force on Climate-related Financial Disclosures" (TCFD*), VALQUA, LTD. joined the "TCFD Consortium" established to promote the recommendations.

The company promotes visionary management based on the Corporate Philosophy of "THE VALQUA WAY", and each employee practices corporate activities with a strong consciousness of the fact that "safety, health, and environment" is an important common theme for all humankind. Moreover, in the long-term management goals that conclude in the 100th anniversary of our founding (2027), VALQUA defined the corporate image it was aiming for as "a challenging company that challenges the future and the unknown—to contribute to the richness of human race and global environment—", and it is proactively making efforts in the areas of "environment, society, and corporate governance" as a better global citizen as it aims to become a corporation that can contribute to the realization of a sustainable society.

At this time, VALQUA approved the recommendations of the TCFD and joined the TCFD Consortium as a concrete step toward proactively addressing environmental issues. In the future, we will first conduct our own analysis of climate-related risk and opportunities and then, based on the results, make disclosures on the items recommended by the TCFD as they arise.

09 >> Reduction of environmentally hazardous substances in business

▼ Material flow



Object: VALQUA Group business offices in Japan and overseas (excluding 16 bases with small scale, such as some regional sales offices, representative offices, and overseas sales companies)
 Period of tabulation:
 April 2021 to March 2022

Change in main environmental load

Greenhouse gas emissions (Scope 1/2)

In FY 2021, the absolute amount of emissions increased compared to FY 2020 by **621 ton**. The breakdown of this was an increase of **3,817 ton** accompanying the increase in production volume, a reduction of **242 ton** owing to the rethinking of temperature control through rationalization and cost reduction activities, and the updating of outdated facilities, and a reduction of **2,954 ton** owing to the effects of other increases in efficiency through production increases and changes in the electricity emission factors of each country. As a result, there was a **14%** reduction in terms of the basic sales unit.

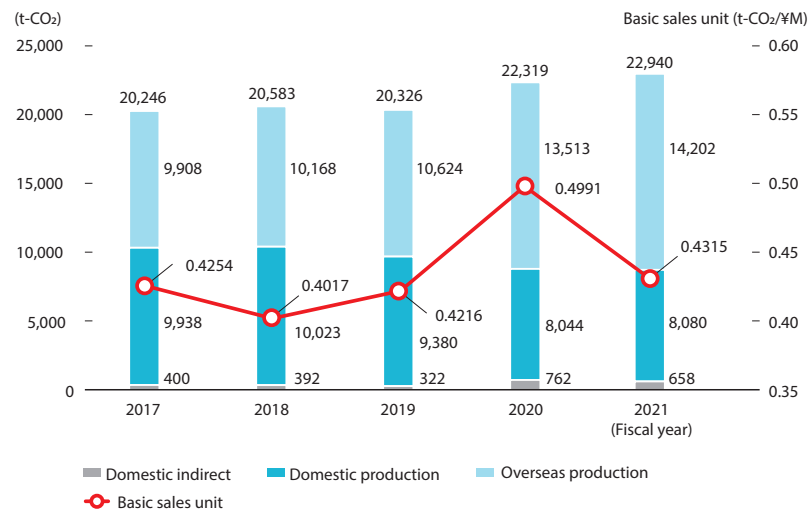
Greenhouse gas emissions (Scope 3)

Starting in FY 2014, we began to calculate greenhouse gas emissions for the entire supply chain, and we have now been doing so for 8 years. For details of Scope 3 and other environment-related data, please see our website.

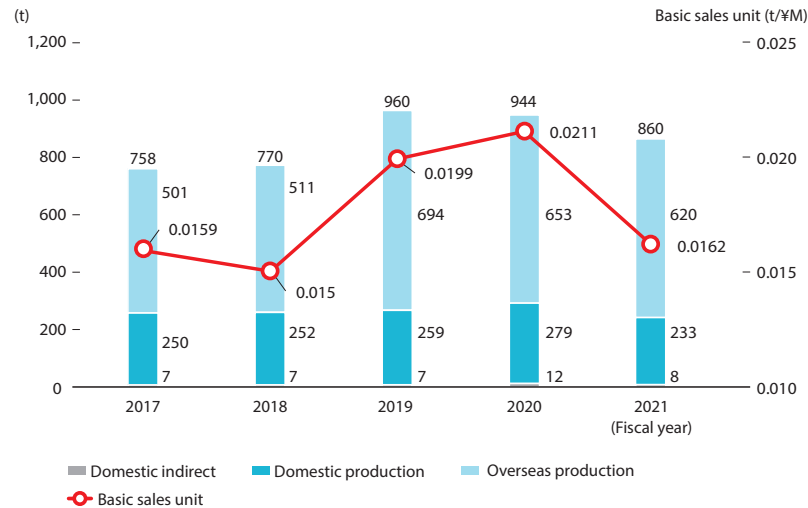
Final disposal volume for wastes

In FY 2021, the absolute amount of waste discharge decreased compared to FY 2020 by **84 ton**. The effects of the production increase were expected to result in an increase of **180 ton**, but a decrease of **9 ton** was achieved through the effect of improving defects and yield through rationalization and cost reduction activities, and a decrease of **106 ton** was also achieved through the convergence of the effects of improvements in efficiency from increased production and the optimal rearrangement of production bases. As a result, there was a **23%** reduction in terms of the basic sales unit.

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



Change in final disposal volume for wastes (production units + indirect units)



* 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. Because the provision of information on electric power from each country has become more robust, we started surveying and calculating emission factors for each base in FY 2020.



Scope 3 (plan to post data in FY 2021)

<https://www.valqua.co.jp/social/environment/>
(Japanese version website)



Safety and Health

SDGs to which this contributes:



10 >> Occupational health and safety

Developing human resources and increasing specialization

(1) Improvement of risk prediction skills and compliance

We provide education to internal auditor candidates by external lecturers and implement mock inspections within each factory. We promote understanding of compliance and the improvement of skills that enable us to predict disasters to ensure sound factory management.

(2) Elevation of safety consciousness through learning and experience

With the objective of improving the safety consciousness of the managerial class, we promote elevation of safety consciousness by using a simulator to allow them to experience mock disasters.

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

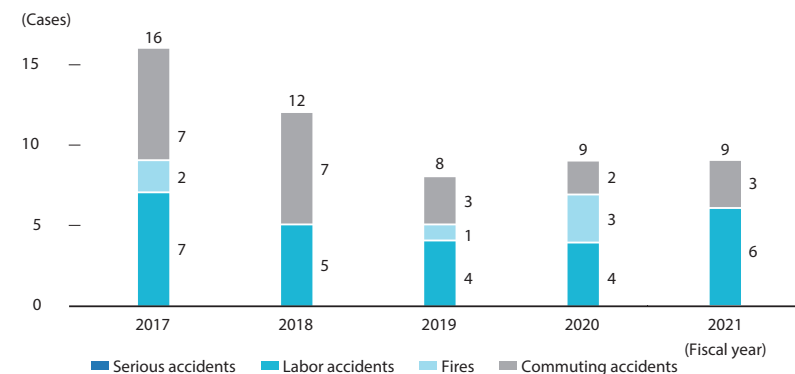
As the VALQUA Group's business becomes more

Management of mental and physical health

https://www.valqua.co.jp/social/safety_health/
(Japanese version website)



Incidence of accident occurrence



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.

In terms of hygiene, 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. Moreover, we have issued guidelines on measures for preventing the spread of COVID-19, and thoroughgoing infection control measures are being taken in each office.

Events to strengthen SHE activities



TAIWAN VALQUA ENGINEERING INTERNATIONAL, prayers for safety at new offices



VALQUA FFT (Nagasaki), placing of a monitor in the lobby and issuing warnings about heat stroke, etc.



VALQUA METAL TECHNOLOGY (Aichi), safety education and training through experiences



Supply Chain Management

SDGs to which this contributes:



11 >> Sustainable 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 the

questionnaire 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.

Basic Procurement Guidelines, VALQUA Group CSR Procurement Guidelines

<https://www.valqua.co.jp/social/csrprocurement/>
(Japanese version website)



* Conflict minerals: Minerals that provide a source of funding for armed groups that commit human rights violations and corrupt practices in conflict areas

▼ Matters confirmed by CSR procurement questionnaire (increased by 10 to 30 items in FY 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	● Preventing corruption (political donations, bribes) ● Prevention of abuse of superior bargaining position ● Ban on offers/acceptance of improper advantage
Information/security	● Management of intellectual property ● Personal/confidential information management ● Prevention of attacks on computer networks
Supply chain	● Compliance with laws, regulations, social norms, industry norms and standards ● Use of conflict resources (tantalum, tin, tungsten, gold, and derivatives produced in conflict areas)
Human rights	● Respect for human rights ● Prohibition of discrimination
Labor	● Prohibition of discrimination in hiring ● Providing equal opportunity for employees ● Compliance with prohibitions ● Fair application of work hours, breaks, paid leave
Environment	● Management of legally designated chemicals ● Management of wastewater, sludge and emissions ● Sustainable and efficient utilization of resources ● Reduction of greenhouse gas emissions ● Green procurement and waste reduction
Safety and health	● Environment in which employees can work safely and in good health ● Worker safety ● Disaster preparedness ● System for handling disasters and accidents
BCP	● Business continuity planning efforts



Human Resources and Human Rights

SDGs to which this contributes:



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 the Human Resources Group, 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

- 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, 2022)

■ Engagement

We have defined the goal for our 100th year in business as becoming “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 the 2nd survey was held in FY 2021. We are promoting efforts to improve engagement to reflect actual conditions in each department.

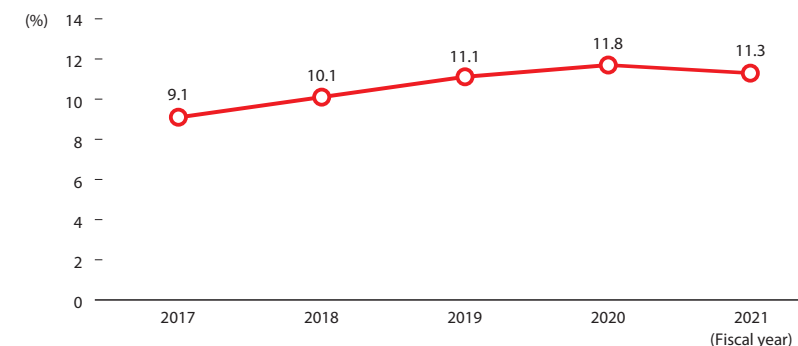
■ Creating an environment in which employees can be active regardless of gender

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.

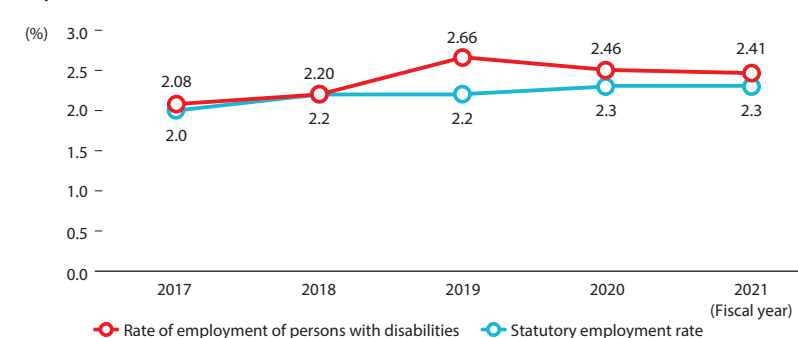
■ Promoting employment of persons with disabilities

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.

▼ Percentage of women in management positions Target: 10% by FY 2020, 15% by FY 2027



▼ Rate of employment of persons with disabilities Target: Meet or surpass the statutory employment rate





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.

At the VALQUA Group, we are making

voluntary efforts to maintain and improve consciousness of human rights by giving out our Compliance Handbook and participating in study groups and external training in each Group company.



VALQUA Group Compliance Handbook

VALQUA Group Basic Policy on Human Rights

https://www.valqua.co.jp/social/human_resources/
(Japanese version website)



Quality Policy, Quality Management System

https://www.valqua.co.jp/social/safety_quality/
(Japanese version website)



New Gaskets and Gasketing Technology

The industry's first “gasket manual”, which provides easy-to-understand explanations of the technological basics of gaskets, bolting, and flange joints

<https://www.valqua.co.jp/technical/gasket-introduction/>
(Japanese version website)



Declaration on Human Resource Development

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



Policy on Human Resource Development

<https://www.valqua.co.jp/recruit/training/#hoshin>
(Japanese version website)



14 >> Human resources development

Human resources development

In the VALQUA Group, we provide various training programs based on our “Declaration on Human Resource Development” and “Policy on Human Resource Development”. Through a balanced combination of methods, we develop and cultivate human resources that match our “Profile of the Ideal Human Resource”.

In FY 2020, “HR cultivation” has been added to our CSR 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 through the CEO cram schools, overseas executive training, and early selection training.

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.

Profile of the Ideal Human Resource

- A person who empathizes with our Corporate Philosophy, “THE VALQUA WAY”
- Acts & makes decisions from global perspective
- Strongly committed to learning and growth, and can continue to take on new challenges while thinking for him/herself
- Capable of speedy judgment and action. Can boldly meet challenges in anticipation of changing times and reforms

A wide variety of training programs

1. HR cultivation for globalization
2. HR cultivation through early selection
3. Level-specific training
4. Occupation-specific training
5. Self-study



Customer Satisfaction

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.

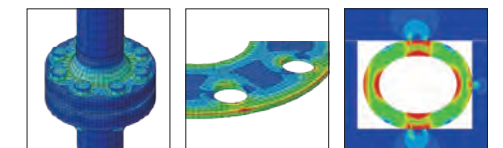
We are contributing to the safety and peace of mind of all our customers by accelerating the development and deployment of services that meet the need for sophisticated safety engineering in plants.

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.

Through these efforts, it has become possible to verify large-caliber apparatus under high-temperature and high-pressure conditions, which was previously difficult to evaluate, and prediction of service life has also become possible. In addition, FEA is used for the efficient evaluation of diverse combinations of configuration and materials in product design, and it is effective as design screening.

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.

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

Promotion and support of sports

■ New efforts to promote “ballroom dancing”

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.

The COVID-19 pandemic continued to spread in FY 2021, and what lies ahead cannot be foreseen, but for the sake of the many athletes and fans, we have encouraged the persons involved to resume these events by supporting various ballroom dancing events, such as the nationwide

“Japan Blind Dance Championships” for visually impaired persons and the “Junior Dance Festival” held on a remote basis.

Our Group lends its special support to “VALQUA Cup All Japan Dance Championships”, Japan's top pro dance competition, and this event was held in November with a live audience. Every possible precaution was taken against the spread of COVID, and the event heated up into a fierce contest among participants.

At the Asian Open Dance Championships held in February 2022, “Dance with Musical”, a collaboration between dance and musicals, was held. This new experiment has highly rated not only by the spectators but also by the many people who watched it on live streaming, and it was one big step toward promoting the spread of “ballroom dancing” and attracting new customers in cooperation with the sponsoring organizations.



Opening ceremony for the “VALQUA Cup All Japan Dance Championships” held with a live audience for the first time in 2 years



Heated competition of top pros in the ballroom category



At the Asian Open Dance Championships held in February 2022, “Dance with Musical”, an experiment in combining dance with musicals, was held to promote the spread of “ballroom dancing”.



Many pairs of a visually impaired person and sighted person took part in the Asian Open Blind Dance Championships, held with precautions against the spread of COVID-19.

For more information on activities to support groups that contribute to society, and on the various activities through which we make contributions, please visit our website.

https://www.valqua.co.jp/social/action_program/
(Japanese version website)



Local Community Thanksgiving Day

We at the VALQUA Group are always thinking about what we can do to build a more prosperous future for the people of the world, based on the Action Principle of “Exist in harmony with the community”, which is part of the Corporate Philosophy of “THE VALQUA WAY”, and every year we hold a “Local Community Thanksgiving Day” to conduct volunteer activities rooted in the local community.

Employees and their families from 44 offices, sales bases, and factories at Group companies throughout the world participate.

In FY 2021, we made it possible to continue these activities in spite of the pandemic by thinking up ways that each base could conduct cleaning activities and flower bed planting mainly through fund-raising and contributions (donations).

■ Osaki Office (Head Office)

At the Osaki Office, we hope to see the city of Osaki filled with flowers, and we have continued to participate in a local beautification activity called “Ohana Ippai Osaki” (flower-filled Osaki), which is held twice a year, in June and December.

The pandemic was still with us in FY 2021, which limited the number of participants, but our employees and their families participated while making efforts to prevent the spread of COVID. Together with students from the local middle school and participants from other companies, we planted seasonal flowers in flower beds along the road that leads to JR Osaki Station.



In June, we planted the seasonal flower of begonia.



In the December activities, the families of our employees also participated in the planting of mini marguerite.

■ VALQUA INDUSTRIES (THAILAND)

At VALQUA INDUSTRIES (THAILAND), planting activities on the part of the BANGPOO HEADQUARTERS and support activities for medical institutions (Samut Prakan Hospital, Rayong Hospital) were held in October of 2021.

In support activities for medical institutions, we presented support funds, medical rubber

gloves, alcohol-based hand sanitizer, and drinking water to the healthcare workers who protected the safety of the local residents by treating COVID-19, etc., as an expression of our thanks.



Spathiphyllum (peace lily), a perennial herb that means “pure heart” and “fresh days” in flower language, was planted.



Donation of materials to support Rayong Hospital



Donation of materials to support Samut Prakan Hospital

■ VALQUA VIETNAM

At VALQUA VIETNAM, the activity called “Rice Porridge for Hospital Love” and the cleaning activities that had been held before the pandemic were discontinued, and a visit to the Chi Linh Social Welfare Center (child care institution) was made in October 2021. In addition to electric water heaters, water cooler-heaters, and food like milk, instant ramen, and sweets, consumables such as hangers and masks were donated.



Support goods were donated to the director of the Chi Linh Social Welfare Center by company President Murakami.



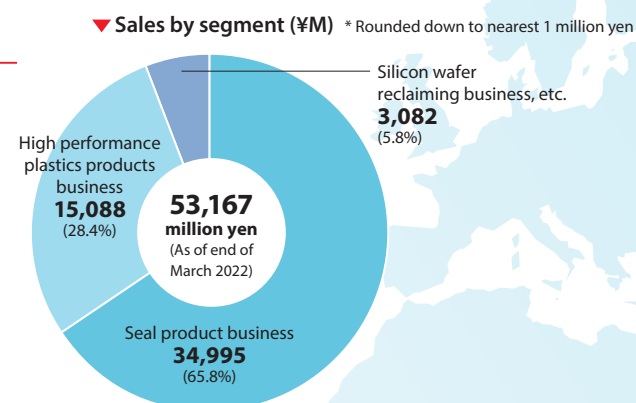
Memorial photograph after presentation ceremony

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 in order to solve social problems in various industries and fields and realize a sustainable society through our seal product business, high performance plastics products business, and silicon wafer reclaiming business, etc.

VALQUA Group businesses



Seal product business

Sales
34,995 million yen

Proportion of sales
65.8%

The main business line of the VALQUA Group is providing seals for use in piping and equipment in various industries. We provide new customer value for the frontier industry, equipment, and plant markets.

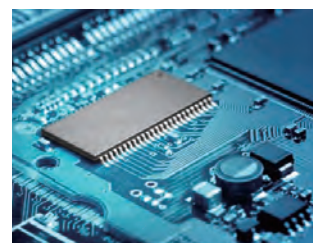


High performance plastics products business

Sales
15,088 million yen

Proportion of sales
28.4%

These products, which take full advantage of the exceptional properties of high performance plastics, are used in many fields, including semiconductor devices and industrial machinery. With strategic products for frontier industries and the plant market as our main axis, we provide value globally.

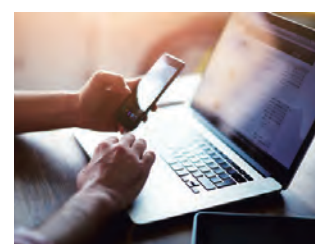
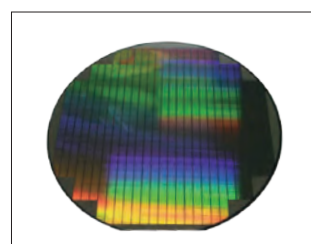


Silicon wafer reclaiming business, etc.

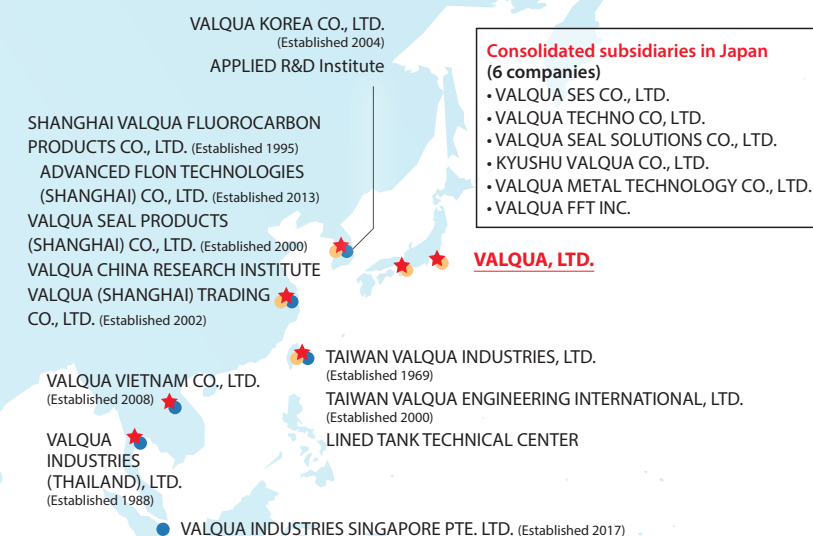
Sales
3,082 million yen

Proportion of sales
5.8%

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.



Global Network

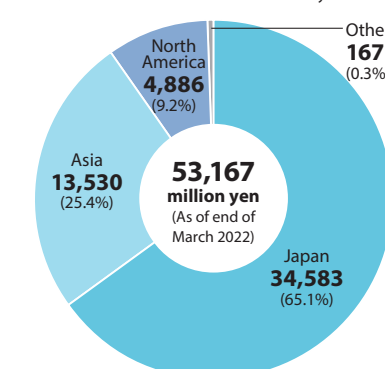


★ Seal Training Centers (7 locations)
● Overseas consolidated subsidiaries (12 companies)
● Research and development bases (6 locations)

(As of June 1, 2022)

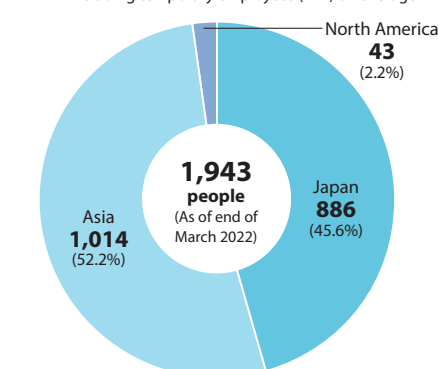
▼ Sales by region (¥M)

* Rounded down to nearest 1 million yen



▼ Number of employees by region

* Including temporary employees (171) on average



For other data, visit our website.
<https://www.valqua.co.jp/>



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 Prime Market of the Tokyo Stock Exchange
Employees: 410 (Group employees: 1,772, as of March 31, 2022)
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, communication equipment, semiconductors, automobiles, and aerospace

VALQUA Group

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Value & Quality

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 sustainability 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.

