



## Social Supply Chain Initiatives

### Philosophy and Organization

The EKK Group manufactures a wide range of products across five business domains. Their required specifications and applicable laws and regulations differ depending on the customer's industry.

It is therefore important to maintain mutually beneficial relationships with supply chain partners to be able to meet customers' requirements.

The Group currently has some 1,300 registered supply chain partners ranging from raw materials, metal parts and resin parts manufacturers to processing, surface treatment and assembly subcontractors.

Our approach and standards for sourcing are encapsulated in the corporate social responsibility (CSR) philosophy and in the Procurement Policies (Basic Procurement Policy and CSR Procurement Guidelines), which are publicly disclosed on our website. Before conducting business with a new partner, we explain the policies to and obtain understanding from the partner.

Our various procurement guidelines document the Group's approach to sourcing activities, explicitly inform supply chain partners of what is expected of them and disclose the Group's commitment to sourcing goods and services fairly and impartially while building relationships of trust.

### Supply Chain Risk Management

The EKK Group assesses supply chain partners' risks through its divisional corporate offices to ensure business continuity even in the event of supply disruptions due to, for example, a major natural disaster.

For example, we use hazard maps to identify whether partner sites are located in disaster-prone areas and assess whether roads will be cut off during a disaster, causing distribution delays.

We also maintain sufficient inventory and/or line up alternate partners in advance so that we do not have to halt production if one partner stops making deliveries.

As a precaution against overseas supply disruptions, we have arranged to source some raw materials and parts from alternate suppliers in Japan or other overseas regions.

We are currently developing an integrated management system for supply chain information, including such risk information, to rapidly understand the situation and take prompt action in the event of a disaster.

### CSR Procurement Initiatives

The EKK Group is committed to CSR procurement with our partners in order to help resolve ESG issues. This style of procurement is based on policies such as compliance with laws and regulations, mutual benefit, and respect for human rights.

In April 2022, we revised our Procurement Policies, and are working to strengthen supply chain management in our business with partners by conducting CSR self-assessments and human rights due diligence. Regarding green procurement, we have newly established and published the EKK Green Procurement Guidelines in April 2022. Here, we are developing technologies and conducting environmental preservation activities for the resolution of environmental issues and other issues faced by society.

Going forward, we will continue to communicate with our stakeholders and conduct CSR procurement.

Note that we have provided a counseling hotline (complaint processing mechanism) on our website for any compliance-related concerns or other issues as they pertain to business with the EKK Group.

#### Building Partnerships

In April 2021, the Group signed on to the Partnership-Building Declaration led by the National Association of Small and Medium Enterprise Promotion Organizations, part of the Cabinet Office's Small and Medium Enterprise Agency. As a signatory to this declaration, we are actively working toward greater collaboration and mutual benefit with our partners and other businesses trying to create value in efforts to build sustainable relationships for mutual growth.



## Internal Education on Our Procurement Policies

FY2022 Results

116 participants

Our procurement-related personnel at business units and Group companies within Japan are subject to a number of educational programs each year. They receive information on respect for human rights and take tests about their understanding of various laws and regulations as well as procurement policies, including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

Based on the knowledge gained from these educational activities, we are working on CSR procurement in cooperation with our partners.

## Building Partner Engagement through Procurement Policies Briefings

FY2022 Results

89 participants from 58 companies

We invite our partners to join us for briefings about our policies.

In these briefings, we present to partners about the state of the EKK Group's businesses (production, sales, quality, and procurement), as well as status and policy with regard to CSR procurement. In addition, presentations cover the importance of respect for human rights based on the Guidelines on Respect for Human Rights in Responsible Supply Chains published by the Japanese government. We have used these briefings to call for partner efforts beginning from areas within reasonable reach.

The Group is committed to CSR procurement in order to meet the expectations of its stakeholders as we further collaborate and share information with our partners.

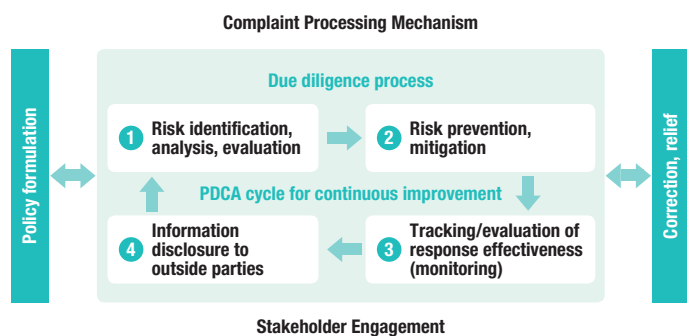
## CSR Procurement Self-Assessment

In order to sincerely address issues faced by our stakeholders, we use the CSR Procurement Self-assessment Questionnaire (SAQ) with selected partners to check their policies, systems and initiatives and actively rectify any issues.

Items for confirmation	Corporate governance, human rights, labor, environment, fair corporate activities, quality and safety, information security, supply chain, coexistence with local communities
Step 1	Issues are identified from the results of the CSR Procurement SAQ evaluation
Step 2	Risks are identified, rectified, assessed and disclosed in the due diligence process

## Human Rights Due Diligence

We are engaged in efforts for the respect of human rights based on international standards such as the UN Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the International Labour Organization (ILO) MNE Declaration. As part of these efforts, we conduct due diligence on issues identified in the CSR Procurement SAQ through the process shown in the chart on the right, and place the highest priority on minimizing and preventing the risks identified.



## Status of CSR Procurement in FY2022

### 1. CSR Procurement SAQ Average Score by Item

Item	Avg. score (%)	Item	Avg. score (%)
Corporate governance	72%	Quality and safety	86%
Human rights	69%	Information security	83%
Labor	83%	Supply chain	71%
Environment	76%	Coexistence with local communities	71%
Fair corporate activities	77%	<b>Overall</b>	<b>77%</b>

### 2. Number of Companies by CSR Procurement SAQ Rating

Rank	Evaluation	No. of companies
A	Maintain rank (work to raise level)	471
B	Rank increase required (voluntary improvement)	139
C	Promote improvement of items not complied with (improvement/guidance)	79