

Our ESG Management

Approach to Sustainability

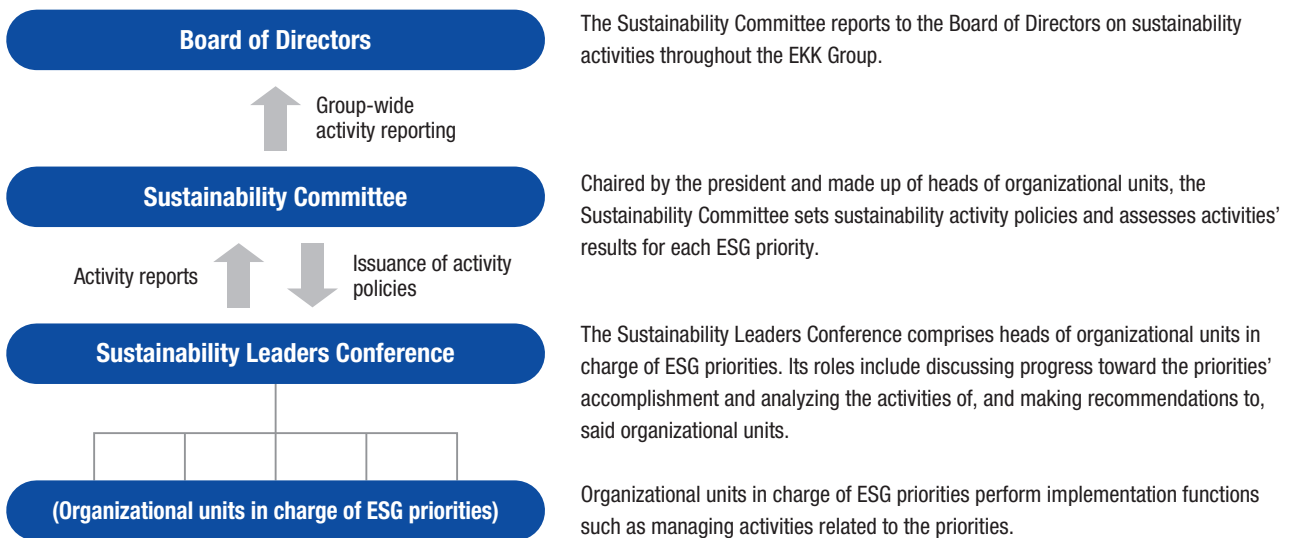
The idea that companies belong to not only their shareholders but also their employees and society has long permeated every aspect of the EKK Group's management. Given the imperative of taking action toward realizing a sustainable society, including by addressing climate change, we established the Sustainability Committee in April 2021 and have been advancing activities accordingly.

Referencing sustainability guidelines, environmental, social and governance (ESG) ratings and other relevant inputs, the committee will discuss and decide on priority ESG issues (materiality) on behalf of the EKK Group and promote business activities that take into account not only economic principles but also societal mores by, for example, developing environmentally friendly manufacturing processes.

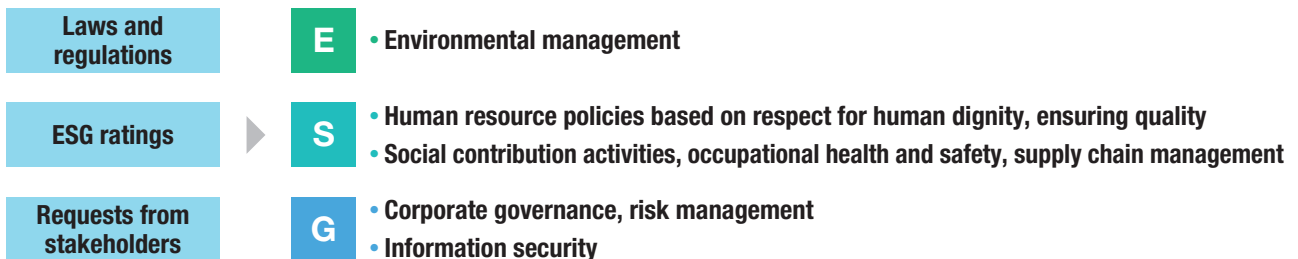
Additionally, we will expedite development of environmentally friendly products with a focus on environmental preservation and energy efficiency while contributing to attainment of the Sustainable Development Goals (SDGs) through growth in our core businesses.

Sustainability Initiatives

The Sustainability Committee's Composition and Activities



The EKK Group's Priority ESG Issues (Materiality)



We will contribute to achievement of the SDGs through growth in our businesses alongside initiatives to address our ESG priorities.



The EKK Group's Business Environment

In its five business segments, the EKK Group provides mechanical seals and various mechanical products for land, sea and air mobility, plant equipment and semiconductor manufacturing equipment.

We are the only organization in the world that provides mechanical seals to all of these industries. Furthermore, we are developing and expanding sales for new products for the next-generation mobility and energy markets leveraging our surface texturing and other proprietary technologies.

In the area of next-generation mobility, not only is electrification progressing for EVs but also potentially for construction machinery, ships and aircraft. We will focus further efforts on development and sales expansion with particular respect to these areas.

Meanwhile, in the energy market, while demand for petroleum is expected to increase for the time being, the renewable energy market is also expanding. We will continue to expand sales of our respective products in these areas.

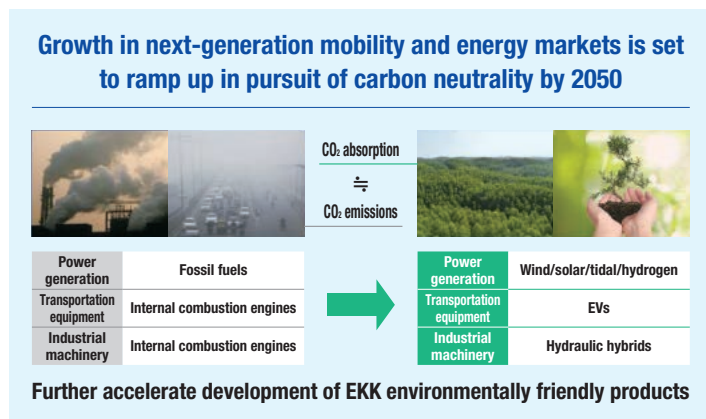
The semiconductor market is also expected to grow alongside these markets with advancements in IoT and digital transformation (DX), and we will focus here as our next driver of growth.

R&D Activities—Development of New Products Conducive to Environmental Preservation and Energy Efficiency

Mechanical seals, the EKK Group's core product, protect the environment by preventing leaks from rotary machinery.

Upgrading these seals' functionality will improve the performance and energy efficiency of the machinery in which they are installed. We are advancing the proposal of our proprietary technologies and the development of new products toward this end, and to address the expansion of the next-generation mobility and energy markets. Additionally, there is now a growing need for our products and technology in conjunction with the pursuit of carbon neutrality to mitigate climate change, an issue that needs to be addressed on a global basis.

Our Business Environment: Medium- to Long-Term R&D Trends



Using a wide range of analytical techniques, the EKK Group conducts R&D in specialized fields required for seal technologies. Our R&D activities are based mainly on tribology, materials engineering, and fluid dynamics.

In particular, we place priority on developing minimal-friction technologies for every application in light of the recent societal imperative of reducing environmental burden.

The EKK Group's R&D Spending and Staffing

FY2023 R&D expenses	¥3,456 million
R&D staff headcount	197 (3.1% of total workforce)

R&D Status by Business Segment

Segment	Main R&D initiatives	R&D expenses (Millions of yen)
Automotive and Construction Machinery Industries	<ul style="list-style-type: none"> Continuing to develop and expand sales of products for EVs and gathering technical information through collaboration among R&D centers in China, Germany and Japan in response to the auto industry's migration to EVs Mechanical seals: Continued development and mass production of high-speed mechanical seals for EV drive motor shaft coolant, developed a small-diameter lip seal for electric water pumps Mechatronic and metal bellows application products: Continuing to develop thermal management system products and work on mass producing hydrogen check valves for FCVs as next-generation automobiles Products for construction machinery: Developing the hydraulic hybrid system "HyBEKSTER" for reducing construction machinery's fuel consumption 	2,165
General Machinery Industry	<ul style="list-style-type: none"> Industrial mechanical seals: Actively developing longer-life mechanical seals for machinery used under high-pressure/high-speed conditions by using surface texturing technologies to substantially reduce frictional force and heat generation Diaphragm couplings: Continuing to develop large couplings for power plants 	947
Semiconductor Industry	<ul style="list-style-type: none"> Magnetic fluid vacuum seals: Developing hybrid seals and motor-integrated products combining metal bellows seals and rotary joints Metal bellows: Developing longer-life models for semiconductor production equipment 	194
Marine Industry	<ul style="list-style-type: none"> Oil-lubricated stern tube seals: Continuing to mass produce seals compatible with various oils, particularly biodegradable oils Continuing to develop environmentally protective stern tube seals for small ships and adapt seals to electric propulsion systems in addition to developing large-ship stern tube seal systems that are more reliable even in a water-lubricated environment 	22
Aerospace Industry	<ul style="list-style-type: none"> Products for aircraft: Applying surface texturing techniques to develop low-torque seals for engine gearboxes Products for rockets: Continuing to help develop turbo-pump, high-pressure pipe and fuel tank seals for reusable launch vehicles and commercial launch vehicles, including the H3 launch vehicle, Japan's new flagship rocket 	125

Our ESG Management

Key Themes and Specific Initiatives Addressing Societal Issues

	FY2024: Important issues (Materiality)	Policy themes	Relevant SDGs
E	<p>Environmental management</p> <p>Based on our Environmental Policy, we work to maintain an environmental management regime and carry out environmental preservation activities.</p>	<ul style="list-style-type: none"> Development of environmentally friendly products Global warming mitigation measures Effective use of resources and management of environmentally hazardous substances Preservation of water resources Preservation of biodiversity 	
	<p>Quality assurance</p> <p>To us, product quality problems risk the loss of stakeholders' trust and are even an existential threat to the organization. Therefore, we are constantly striving to improve the quality of our products toward maintaining a level of product quality that customers can rely on and guaranteeing the same quality level all over the world.</p>	<ul style="list-style-type: none"> Eternal Zero (Maintaining a level of product quality that customers can rely on and guaranteeing the same quality level all over the world) 	
	<p>Human resource policies based on respect for human dignity</p> <p>"Management that respects human dignity based on commitment and trust" is part of the EKK Group Management Philosophy. To put this into practice, we endeavor to create fulfilling workplaces where all employees can give full play to their respective capabilities. We place priority on human resource development with a suite of training programs for everyone from new hires to management. In addition, we have set indicators and targets and are working toward the realization of diversity and a society with equal opportunity for women.</p>	<ul style="list-style-type: none"> Respect for human rights Realization of diversity and a society with equal opportunity for women Promotion of workstyle reforms Training and development of human resources 	
S	<p>Social contribution activities</p> <p>We carry out a range of activities to benefit society on an ongoing basis with the aim of being a trusted corporate citizen by the local communities where we have our Group locations. We host community events at our sites and sponsor events open to local residents. We also proactively support activities of NPOs and academic organizations and sponsor local sports teams.</p>	<ul style="list-style-type: none"> Promotion of social contribution activities 	
	<p>Occupational health and safety</p> <p>Based on a core conviction that safety is not only fundamental to management that respects human dignity but also a personal desire and mission of all Group personnel, we strive to create safe workplace environments with a top priority on employees' health and safety. We also promote occupational health and safety management activities based on the concepts found in ISO 45001 with regard to occupational health and safety management systems.</p>	<ul style="list-style-type: none"> Occupational health and safety Employee health Promotion of traffic safety management 	
	<p>Supply chain management</p> <p>We conduct sourcing activities fairly and impartially in accord with policies we have established on doing business with partner companies, including manufacturers of product materials, metal parts and resin parts and processing, surface treatment and assembly subcontractors, to enable us to meet product liability and other requirements for the EKK Group's diverse products.</p>	<ul style="list-style-type: none"> Promotion of sourcing activities in accord with the Procurement Policies Partner management Promotion of green procurement activities 	
G	<p>Corporate Governance</p> <p>We are committed to organizational governance and appropriate disclosure in accordance with Japan's Corporate Governance Code, as well as fair competition and business execution.</p> <p>Furthermore, we are advancing education to ensure compliance with laws and regulations in accordance with each business activity, as well as management for individual laws and regulations within each organizational unit.</p>	<ul style="list-style-type: none"> Organizational governance and appropriate disclosure Initiatives for fair competition and business execution 	
	<p>Risk Management</p> <p>Risk management becomes increasingly important for a company as its activities become more diverse and globalized. We have accordingly established the Risk Management Subcommittee under the Sustainability Committee and are working to improve risk-preparedness. Additionally, we have organized internal auditing functions across every node in our global footprint and periodically check the state of governance and legal/regulatory compliance at both domestic and overseas nodes.</p>	<ul style="list-style-type: none"> Identification of and countermeasures against latent risks inherent in business activities, prevention of risk manifestation, etc. 	
	<p>Information security</p> <p>With advances in DX in business activities and other factors, information security is growing in importance. Therefore, we are working to strengthen our information security management regime, educate our employees to raise their security awareness and take countermeasures both during emergencies and to address vulnerabilities in our systems.</p>	<ul style="list-style-type: none"> Strengthening the information security management regime Information security education Emergency response procedures and countermeasures, countermeasures against vulnerabilities 	

EKK Group Stakeholders

The idea that companies belong to not only their shareholders but also their employees and society has long permeated every aspect of the EKK Group's management.

We believe that building strong bonds of trust through dialogue with all stakeholders, including customers, suppliers and financial institutions, leads to fair profits and supports the EKK Group's perpetual growth.



Customers

- Supply high-quality products that meet customer needs at reasonable costs, with effective delivery times, and in an appropriate manner.
- Provide appropriate maintenance, repair and other after-sales services for products delivered.
- Act as a reliable partner with technical strength that supports new product development and expansion to new fields.

Shareholders

- Increase corporate value in a steady manner.
- Achieve and maintain a balance between dividends and internal reserves to strengthen our corporate standing and ensure appropriate dividend payments to shareholders with stability over the long term.

Suppliers

- Deliver products and services in a reliable manner to earn appropriate compensation for them.
- Increase technical capabilities and open new fields, and boost corporate reliability through transactions.

Financial institutions

- Carry out credit offerings and other financial transactions repeatedly and consistently to earn appropriate profits commensurate with risks.
- Increase applications in financial trading through transactions and boost corporate credibility.

Communities

- Ensure stable tax payments and create job opportunities through sound corporate activities.
- As a Group, develop extensive ties with communities and contribute to the revitalization of local communities.
- Help to protect the environment through our products.

Employees

- Enable employees to earn appropriate remuneration through their effort.
- Contribute to communities through production activities.
- Provide employees with opportunities to acquire the resources to achieve their goals at high levels and enjoy physical and mental well-being.