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Reference

Sustainability Initiatives

ESPEC CORP.
November 22, 2023

About ESPEC's Sustainability

Guided by our corporate philosophy,
“THE ESPEC MIND,” ESPEC will help to solve social and
environmental issues through businesses centered on
environmental creation technology, with the aim of achieving
sustainable growth.

Corporate Philosophy

Our important values that have been passed on since our inception
“THE ESPEC MIND” (Excerpt)

The Origin

Aim for better value exchange as a public institution

Mission

Provide more certain Seikankyo (living environment) via environmental creation technology

Style

Progressive, Reliable, Open, Fair

Declaration

What ESPEC promises society

“compliance,” “culture,” “human rights,” “the environment,”
“education/enlightenment.”

Sustainability Policy and Materiality

Looking toward sustainable growth, we formulated a sustainability policy, and identified materiality (important issues) that must be addressed in order to produce social and economic value.

Sustainability Policy

- By putting our corporate philosophy (THE ESPEC MIND) into practice, we are working to create and improve both social value and economic value.
- By maintaining a good exchange of value with our stakeholders, we are aiming for continuing growth.
- Based on ESPEC Vision 2025, we will contribute to solutions for the global environment and social issues through our business activities, centering on Environmental Creation Technology.
- We will engage in active disclosure of information related to sustainability.

Materiality

- | | |
|---|--|
| •Innovations in business structures | •Strengthening functions |
| •Preservation of the global environment | •Strengthening governance |
| •Developing human resources and vitalizing workplaces | •Promoting diversity and respecting human rights |

ESPEC's Contribution to the SDGs

ESPEC will contribute to the realization of a sustainable society by supplying products and services centered on environmental creation technology in a wide range of fields, including advanced technologies.

ESPEC

The Value ESPEC Provides

- Supply products and services centered on environmental creation technology
- Provide environmental preservation services
- Provide plant factories to address global warming and extreme weather

Strengths

- Business domains essential to the development of society
- Global leading brand and high-quality products and services based on a unique technologies
- Global production and sales networks

Customer products and technologies



- Automobiles (EVs and automated driving)
- Electronic components (semiconductors)
- IoT
- AI
- Batteries
- Pharmaceuticals
- Food
- Materials
- Environmental preservation
- Agriculture etc.

Society

Realize a sustainable society



- Realize a safe and secure society through the development of automated driving and preventive safety technologies for automobiles
- Contribute to the solution of environmental and energy problems through the development of energy-saving technologies and EV technologies
- Alleviate personnel shortages and improve productivity through the development of IoT-related technologies
- Preserve biodiversity through the environmental preservation business, including reforestation (tree planting) and waterfront biotope restoration
- Support research on the creation of new plant species to cope with extreme weather and provide a stable supply of food through plant factories. etc.

ESPEC's Businesses and the SDGs

Equipment Business



Contribute to the development of advanced technologies
through the supply of products and services leveraging environmental creation technology

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues

● Environmental Test Chamber

Supply environmental test chambers that artificially replicate environmental factors such as temperature and humidity, thereby ensuring the reliability of products

● Energy Device Equipment

Supply evaluation systems for secondary batteries and fuel cells installed in eco cars

● Semiconductor Equipment

Supply products such as burn-in chambers and systems for semiconductor inspection and measurement and evaluation systems

● Pharmaceutical Equipment

Supply products such as freezers for COVID-19 vaccines and stability test chambers used for quality control of items such as pharmaceuticals and food



Temperature & Humidity Chamber
"Platinous J series"



Drive-In Chamber for Vehicle Testing



Burn-In chamber
for semiconductor inspection



Advanced Battery Tester
for secondary batteries

ESPEC's Business and the SDGs

Service Business



Contribute to the development of advanced technologies through the supply of products and services leveraging environmental creation technology

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues

● After-sales Service and Engineering

Conduct product maintenance and preventive maintenance so that customers can use systems with peace of mind.

● Laboratory Testing Services

Provide laboratory testing services based on technologies and testing expertise developed through environmental tests.



Technical support using IT



Capable of performing various safety tests for secondary batteries compliant with United Nations regulations and other standards
Battery Safety Testing Center

ESPEC's Business and the SDGs

Environmental Preservation Business



Contribute to biodiversity preservation

A business to restore natural environments through projects such as reforestation (tree planting) with local native plant species and waterfront biotope restoration to rehabilitate natural river ecosystems. Contribute to the prevention of global warming and biodiversity preservation.



A forest restored along the approach to Rinno-ji Temple in Sendai



Waterfront biotope restoration on the Sumida River Terrace in Tokyo

Plant Production Systems Business



Contribute to a stable food supply to address global warming and extreme weather

Supply plant factories that artificially replicate plant growing environments and enable vegetables to be grown systematically even under extreme weather conditions.

Contribute to a stable food supply by supplying systems that can be used in research into drought-tolerant plants.



Plant factory using deep sea water
Produce and sell vegetables high in minerals



Experimental System for Analyzing Responses of Dryland Plants to Climate Change
(Arid Land Research Center, Tottori University)

Contribute to SDGs in the Supply Chain

Procurement

- Conduct supplier evaluations, including factors such as the environment and compliance
- Address unforeseen conditions through business continuity management
- Curtail increases in effluents at the time of procurement



Development and design

- Develop and design environmentally friendly products with features such as energy efficiency, low GWP, reduced emissions of chemical substances, and reduced environmental impact during disposal



Production and logistics

- Reduction of CO₂ emissions
- Appropriate management of chemical substances and emissions mitigation
- Reduction of water intake amount and appropriate management of wastewater
- Effluent reduction and recycling
- Environmentally friendly logistics



Sale of products and services

- Supply products and services that contribute to the development of advanced technologies to solve social and environmental issues
- Supply environmentally friendly products and services
- Promote the environmental preservation business such as reforestation (tree planting) and waterfront biotope restoration
- Promote the plant production systems business



Disposal

- Product collection
- Chlorofluorocarbon gas collection
- Recycling and resale



Foundation supporting the supply chain

- Improve customer satisfaction and ensure product quality and safety
- Respect for human rights • Promote the success of diverse human resources
- Provide appropriate information disclosure and communication
- Fair management with transparency



Products and Services that Contribute to Resolving Environmental and Energy Issues

- Product lineup to evaluate the performance and durability of secondary batteries, fuel cells, solar batteries and power devices



Secondary Battery Charge-Discharge Evaluation System



Fuel Cells Evaluation System



Temperature Cycle Test System for Solar Battery Modules



Power Cycle Test System for Power Device

- World's first Battery Safety Testing Center

Supports the implementation of testing and certification application services compliant with United Nations regulations on the safety of automotive rechargeable batteries.



Battery Safety Testing Center

- Laboratory testing services using 100% renewable energies (domestic)

Environment Targets / Mid-term Plan on the Environment

Environment Targets for FY2030

Reduce greenhouse gas emissions

by 60% for SCOPE 1+2, 30% for SCOPE 3 (compared with FY2019 levels)

In July 2023, received Science Based Targets (SBT) certification from the international SBT Initiative*

*SBT Initiative

An international initiative that encourages firms to set scientifically-grounded targets for reducing greenhouse gas emissions so that the goals of the Paris Agreement may be achieved. Jointly managed by CDP, which is an NGO involved in environmental information disclosure, UNGC (United Nations Global Compact), WRI (World Resources Institute), and WWF (World Wide Fund for Nature).



The 8th Mid-Term Plan on the Environment (FY2022-FY2025)

Basic Policy: “Contributing through business with customers involved with developing green technologies”
Strengthening efforts toward combating global warming and conserving biodiversity

■ Environment Targets for FY2025

- Reduce greenhouse gas emissions by 55% for SCOPE 1+2 and 10% for SCOPE 3 (compared with FY2019 levels)
- Contribution of 95t (total) of carbon fixation through 50,000 trees planted by ESPEC MIC Corp.
- Biodiversity conservation activities through the “ESPEC’s 50-Year Forest” in Sanda City, Hyogo Prefecture

Biodiversity Preservation Initiatives

Kobe R&D Center, a hub for biodiversity preservation activities ESPEC Bambi-no-Sato Certified as a “Natural Symbiosis Site” by the Ministry of the Environment

The site has a forest of approximately 30,000 trees comprising native plant species, planted and grown by employees; rooftop green space using plant species native to the northern Rokko region on the roof of the technology development building; and a biotope made up of two ponds and a stream. Certified as “Natural Symbiosis Site” an Other Effective area-based Conservation Measures (OECM) site by the Ministry of the Environment in October 2023.



Received 2022 the Kansai Director-General's Award of a Regional Bureau of Economy, Trade and Industry (FY 2022), at the National Award for Greenery Factory sponsored by METI.



Acquired the FY 2022 ABINC Certification of the Association for Business Innovation in harmony with Nature and Community (ABINC)*.

Promotion of Diversity

Initiatives to promote women's success



From the Ministry of Health, Labor and Welfare:
The Company received the "Kurumin" certification,
which is granted to companies that support child-rearing.
And the highest ranking of the certification mark
"Eruboshi" based on the Act on Promotion of Women's
Participation and Advancement in the Workplace.



The female leadership development program

ESPEC Smile Farm: a plantation staffed by workers with disabilities

- Opened a farm staffed by workers with disabilities within a rented farm operated by a company to support the hiring of people with disabilities in November 2021.
- 4 individuals were hired to work at ESPEC Smile Farm, specifically 3 staff members with disabilities and 1 farm foreman.
- The cultivated vegetables were donated to local children's cafeterias and distributed to employees.



Employees picked vegetables as a team

Employee Education / Donation System

Employee Education System Enhancement

- Implement training sessions to share the corporate philosophy
- Implement a Global Trainee Program aimed at developing human resources who are capable of working in international settings
- Enhance the education program to support management executive education and self-development



On-site training in the Global Trainee Program (U.S.)

ESPEC Smile Club: a donation system featuring employee participation

- The matching gift system in which the company matches donations made by employees as part of activities to promote SDGs.
- Donated to an organization that conducts CSR activities related to children and medical care.
- In April 2023, donated to support the areas affected by the Turkey-Syria earthquake. We donated a total of 860,600 yen to Save the Children Japan and Médecins Sans Frontières Japan.



Contributions to Society

ESPEC Foundation for Earth Environment Research and Technologies

- Provides funding support every year for research, technology development on global environmental conservation
- Grants totaling ¥138.4 million have been provided to a total of 273 groups over the past 25 years since the Foundation was established.
- Held a ceremony to commemorate the 25th anniversary of founding in September 2022



FY2022 award ceremony
and 25th anniversary commemorative ceremony

Tree Planting Ceremony at “Millenium Hope Hills” in Iwanuma, Miyagi Prefecture

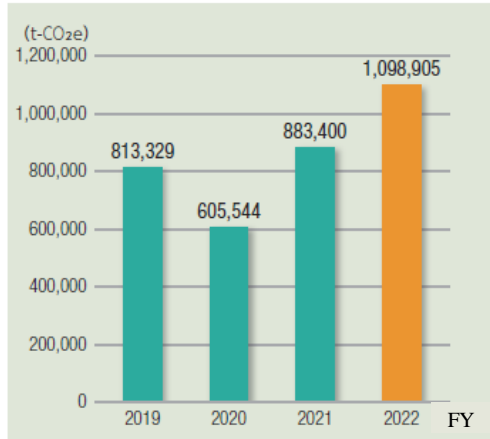
- A disaster recovery project started in 2013
- The project has cumulatively planted about 350,000 trees that will form a forested coastal tide embankment across a roughly 10km stretch of coastline in the city of Iwanuma.
- Group company ESPEC MIC CORP. supported the project.
- The final tree planting ceremony was held in June 2021 (first part) and May 2022 (second part).



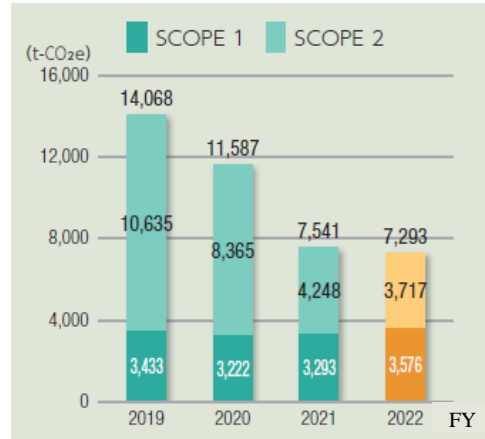
Tree Planting Ceremony

Non-Financial Data (1)

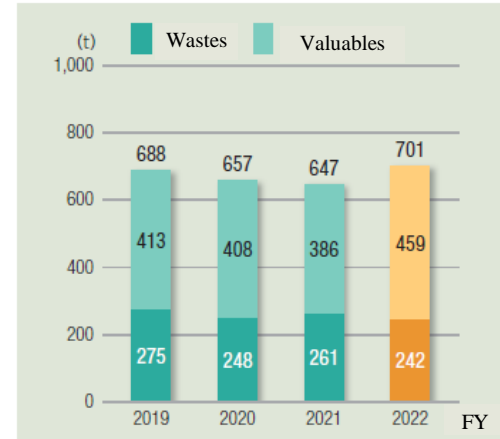
Greenhouse gas emissions
Total of SCOPE 1 + 2 + 3 (consolidated)



Greenhouse gas emissions
Total of SCOPE 1 + 2 (in-house emissions)
(consolidated)



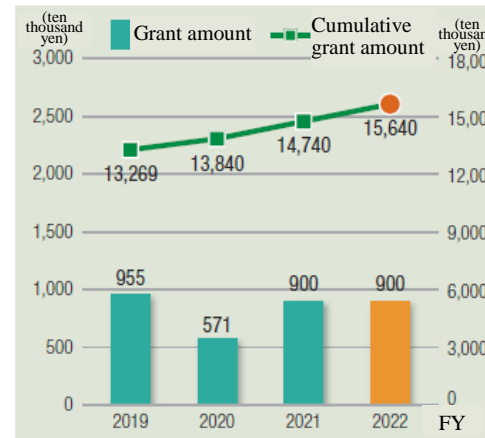
Total amount of Discharge (non-consolidated)



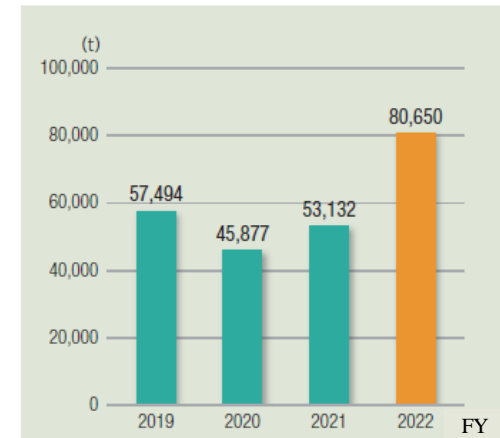
Certification acquisition rate for the
Certification Test for Environmental
Specialists (Eco Test) (non-consolidated)



Grants from the ESPEC Foundation for Earth
Environment Research and Technologies



Number of trees planted through
environmental preservation business

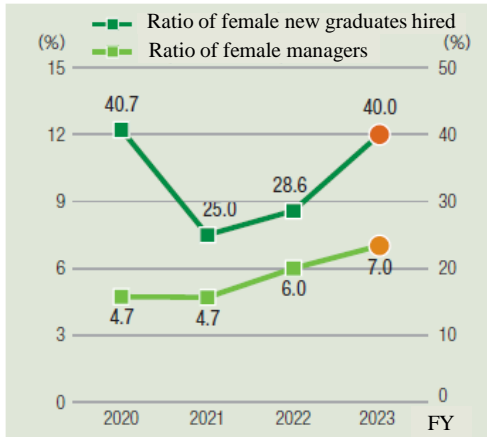


*Actual results for ESPEC MIC CORP.

Non-Financial Data (2)

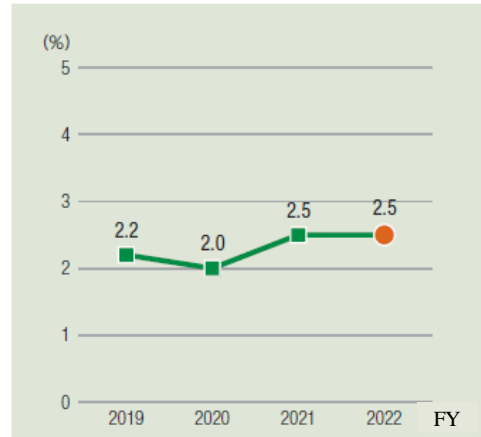
Ratio of female managers

Ratio of female new graduates hired
(non-consolidated)



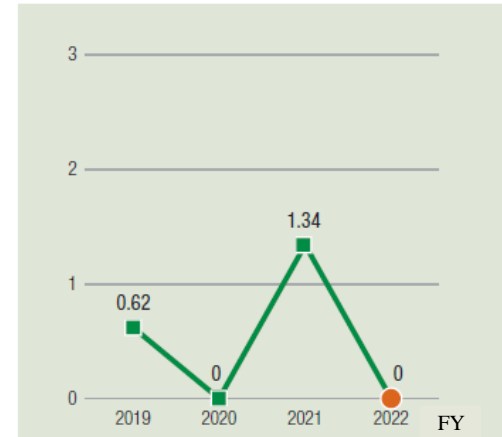
*As of beginning of each fiscal year

Percentage of employees with disabilities
(non-consolidated)



*As of the end of each fiscal year

Frequency rate* (non-consolidated)



*Number of accidents with sick leave
/total number of worked hours × million hours

Non-Financial Data (3)

		Unit	2019	2020	2021	2022
Number of Employees*1	Consolidated total	Persons	1,512	1,526	1,628	1,691
Number of Employees*1	Male	Persons	673	658	643	636
	Female	Persons	113	122	127	142
	Non-consolidated total	Persons	786	780	770	778
Average years of service		Years	17.4	19.2	19.1	17.2
Average age		Years old	41.2	43.1	43.0	41.2
Turnover rate*2		%	2.4	2.3	1.6	1.4
Average overtime hours		Hours	21.2	11.0	15.5	22.6
Average number of paid holidays taken		%	73.4	65.8	69.1	75.1
Ratio of employees taking childcare leaves	Male	%	7.0	12.5	30.8	13.3
	Female	%	None	100	100	100
Occupational accident (excluding cases without lost workdays)		Cases	1	0	2	0
Percentage of health checkups		%	100	100	100	100
Composition of Board of Directors*3	Ratio of independent outside*4	%	25	25	25	40
	Female ratio*4	%	0	0	0	20

*1 The number of employees is as of the end of each fiscal year.

*2 Retirees are excluded.

*3 The Company has transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee in June 2022.

*4 The number of female directors (including executive officers) is as of the end of June of each fiscal year.

External Recognition

■2023

- Nov. • Rated 3.5 stars in the Nikkei's 5th SDGs Management Survey
- Rated 3 stars in Nikkei's 7th Smart Work Management Survey
- Oct. • Ranked 157th in the Nikkan Kogyo Shimbun's 19th Corporate Power Ranking (sponsored by the Ministry of Economy, Trade and Industry)
- Aug. • First Awarded as an excellent company for the second consecutive year in the Gomez ESG Website Ranking 2023 by Broad Band Security, Inc.
- June • Selected for the First Time as an Asia-Pacific Climate Leader by the Financial Times in the UK and German data provider Statista.
- Mar. • Selected for the First Time as a Supplier Engagement Leader, the Top Rank in the CDP Supplier Engagement Ratings
- Feb. • Ranked 372nd in Toyo Keizai Inc.'s 2023 CSR Corporate Ranking



■2022

- Dec. • A score of B for the third consecutive year in the CDP Climate Change 2022 Questionnaire
- Selected as a "GRADE AAA" company website (overall ranking) for the second consecutive year in the All-Japanese Listed Companies' Website Ranking 2022 by Nikko Investor Relations Co., Ltd.
- Awarded a Bronze Prize in the Gomez IR Website Ranking 2022 by Broad Band Security, Inc.
- First Selection as Part of FTSE Blossom Japan Sector Relative Index



**FTSE Blossom
Japan Sector
Relative Index**

■Inclusion in ESG indexes FTSE Blossom Japan Sector Relative Index (First Selection in April 2022)

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