

EKK GROUP  
CSR REPORT 2018

Online Edition



# Charter of Corporate Behavior

We, EAGLE INDUSTRY CO., LTD. and the group businesses, are committed not only to being an economic entity that pursues profits through fair competition but also to being an entity that contributes to society at large, according to the following Management Principles, by developing the Management Policies in such a way that all its stakeholders are proud of us and chase their dream with us. We will behave according to the Principles of Corporate Behavior of Ten Articles both domestic and overseas so as to respect human rights, comply with related laws, regulations, and international rules as well as the spirit behind those, while acting independently and sensibly.

## ► Management Principles

1. The Management has to run the Company based on feelings of commitment and trust in its employees.
2. The Management has to run the Company while uniting to ensure full ventilation without forming any cliques.
3. The Management has to run the Company while making absolutely incredible efforts against all odds and risks.
4. The Management has to run the Company while pursuing dreams with management plan.

## ► Management Policies

1. We are committed to be a strong and unique parts supplier while focusing its managerial resources on core business areas.
2. We are committed to be a profitable and robust company while fulfilling company-wide cost reduction programs ranging from front-line sales to manufacturing floor.
3. We are committed to continuously improving our quality while producing and selling our products that are proven to be technologically unique and socially on a global scale.

## ► Principles of Corporate Behavior

### 1. Supply of Socially Useful Products

We will develop and supply socially useful products while giving full consideration to their safety, thereby gaining deeper trust both from end users and customers.

### 2. Fair, Transparent, and Free Trade

We will engage in a fair, transparent, and free trade when selling products and purchasing materials.

### 3. Proper Disclosure and Management of Information

We will disclose accurate and fair information about the Company in a timely fashion and will neither control nor use the information in a manner that may diminish its value. Also, we will neither illegally obtain nor use intellectual property rights and/or confidential information owned by third-parties.

### 4. Removal of Antisocial Forces and Groups

We will not be related with any antisocial forces and groups that threaten the order and safety of civil society.

### 5. Commitment to Environmental Conservation

We will voluntarily conduct environmental conservation activities in a pro active manner while taking into account the fact that commitment to solving environmental issues is a prerequisite for a company to engage in business activities as a going concern.

### 6. Promotion of Social Contribution Activities

As a good corporate citizen, we will actively support community activities and other similar activities.

### 7. Harmony with the International Community

As a global corporation, we will comply with international rules and local laws, respect local cultures and habits, and contribute to the developments in the regions.

### 8. Respect for Human Rights and Provision of a Safe and Comfortable Working Environment

We will promote mutual respect for individuality among employees, draw a line between public and private matters, maintain order in the workplace, and provide a clean and safe working environment.

### 9. Responsibilities of Directors

Taking into consideration their roles as facilitators of this Charter of Corporate Behavior, the Directors will take the lead in achieving the objectives set out therein and ensure that all stakeholders are aware of and abide by the Charter. In addition, the Directors will constantly listen to opinions from both within and outside the company to effectively improve the corporate system and ensure compliance with business ethics.

### 10. Response to Problems

In the event of noncompliance with this Charter, the Directors will commit themselves to solving the problem, while identifying the cause, thus taking measures to prevent the recurrence of similar problems. Moreover, they will publicly disclose relevant information promptly and appropriately, fulfill their accountability requirements, indicate those who are in authority and those who are responsible, and severely punish those involved, including them.

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## ► Editing Policy


This report is intended to communicate the EKK Group's approach to and activities in its CSR programs to its stakeholders in an easily understood manner. To meet the needs for relevant information among many readers, we publish this report annually both in print and online.



**●Online Edition**  
This report.  
A brochure style PDF with  
detailed information added  
onto printed edition.



**●Printed Edition**  
A digest focusing on those  
CSR subjects that we consider  
of particular interest to our  
stakeholders.



**●EKK Group CSR Website**  
Presents the group's Environmental Policy, Risk  
Management Policy, EKK Employee  
Compliance Code of Conduct, Occupational  
Health and Safety Policy, Green Procurement  
Guideline and other relevant information  
to complement the printed and online  
editions.

~Reporting Period~ This issue mostly covers FY 2017 (April 1, 2017 – March 31, 2018) but includes some FY 2018 efforts.

~Scope of Reporting~ Eagle Industry, EagleBurgmann Japan, Okayama Eagle, Shimane Eagle, Hiroshima Eagle, Eagle Service, Eagle Highcast, Eagle Industry Hokkaido, and Valcom.

~Date of Issue~ July 31, 2018

~Public guidelines referred to~ Environmental Reporting Guidelines, 2012, the Japanese Ministry of the Environment; and Sustainability Reporting Guidelines V3.1, the Global Reporting Initiative (GRI)

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**We are committed to the sort of CSR programs that allow all our stakeholders to take pride in the EKK Group, as well as allowing the group itself to help create a “better society”, both on an ongoing basis.**

**Tetsuji Tsuru**  
Eagle Industry Co., Ltd.  
Chairman of the Board and President,  
Representative Director

## Coexisting with Society as a Good Corporate Citizen, And Becoming an Even More Trusted Company

Through manufacturing mechanical seals and providing various related services, Eagle Industry Co., Ltd. has grown to become a global and public company with more than 100 subsidiaries and affiliates in Japan and the rest of the world.

All of us at Eagle Industry Co., Ltd. and the EKK Group strive to become a sealing solution provider in all types of industries, and a superior medium-sized global integral company that is of indispensable value to all stakeholders.

We also ensure that our belief of “a company is owned in common by shareholders, employees, and society,” is directly reflected in every aspect of our operations.

It is our top priority in conducting business to strictly comply with laws and regulations, and to maintain work safety, preserve the environment, and improve product quality.

In regard to health and safety, based on the commitment to “never cause any work-related incident or injury in one’s own division”, we are working with all employees to swiftly make us a company where there are no work-related accidents, and creating a cheerful and comfortable work environment where everyone can work more productively and with a sound mind and body.

Our commitment to environmental protection includes “Muda-han activities”(“eliminating waste by halving everything”) aimed at lessening the environmental impact of our production activities by cutting back on time and production space, reducing

the usage of water, gas and electricity, getting rid of non-conforming products, shortening the travel distance of people and objects, and decreasing CO2 emissions. Based on the commitment to “making unique and useful products backed by technology in a competitive manner and supplying them throughout the globe,” we are also actively developing and expanding sales of eco-friendly products that are compatible with next-generation energy and mobility, and other such features.

As for quality, “Eternal Zero” is our slogan for not producing any defective products or generating complaints.

We do not pursue short-term earnings at the expense of long-term ones, and neither do we provide any products or services for which we cannot take

responsibility for the quality or supply of, or which may be detrimental to the environment, regardless of how lucrative they may be.

It is the EKK Group’s intention to forever remain an excellent company that all stakeholders are proud of, irrespective of changes in management or employees. Everyone at the EKK Group believes that we can help make society better by being such a company; this is our earnest wish and sincere approach to CSR.

The CSR Report 2018 illustrates for all stakeholders the EKK Group’s efforts in environmental preservation and health and safety, as well as its approach to and achievements in quality improvement and social activities.

We warmly welcome the candid opinions and impressions of all readers of this report.

## Mid-Term Management Plan Reinforcing Business Structure for Sustainable Growth – Fly Sky High ! –

### ► 3-year Management Plan

Our new 3-year management plan began at the start of FY 2017, with its final year set as fiscal 2019; fiscal 2018 is the midway year of this plan. It is an extremely important year for achieving the targets of sales of 180,000 million yen and operating income of 18,000 million yen in the plan’s final fiscal year of 2019, and also for looking beyond the plan to targets of sales of 202,000 million yen and operating income of 20,200 million yen in fiscal 2020.

In addition to meeting these targets, we are focusing on reinforcing our corporate structure so that we can continue to achieve sustainable growth regardless of the changing times. Themed on “Reinforcing Business Structure for Sustainable

Growth – Fly Sky High! –,” the new 3-year plan has seven focus initiatives: “Eternal Zero”; Development of Next-Generation products; Thorough and active implementation of TCD, Muda-han activity; BCM; Optimizing management of EagleBurgmann 3-Region (Japan, AP, India); Implementation and full utilization of ERP; and Management that respects human dignity / health and safety.

None of the aforementioned focus initiatives can be postponed; this is because they all are in agreement with the EKK Group’s position that it does not pursue short-term profits at the expense of long-term profits, and also as we believe these initiatives lead to “Profit and Pride for All Stakeholders”.

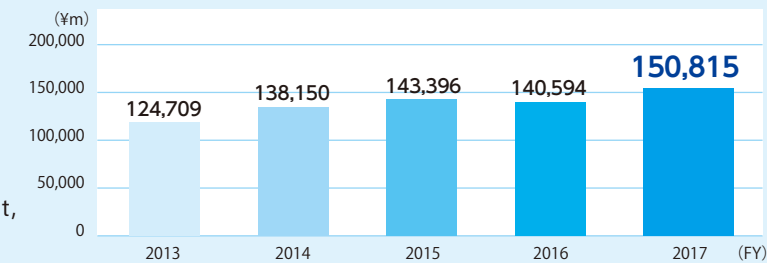
### Main Initiatives

- |   |   |
|---|---|
| 1. Eternal Zero   | Building a quality control structure that does not release even a single defective product to the market            |
| 2. Development of Next-Generation products                            | Product development that leverages our unique technologies for the next-generation mobility and energy market       |
| 3. Thorough and active implementation of TCD, Muda-han activity       | Creating profit through an approach of “Total cost down” and “Eliminating waste by halving everything”              |
| 4. BCM  | Establishing Business Continuity Management (BCM)   |
| 5. Optimizing management of EagleBurgmann 3-Region (Japan, AP, India) | Promoting management that is optimal for the entire Japan, India and Asia Pacific region                            |
| 6. Implementation and full utilization of ERP                         | Completing the implementation of SAP as a core system for distributing and collecting global management information |
| 7. Management that respects human dignity / health and safety         | Creating a truly rewarding work environment, and fostering employee health and safety                               |

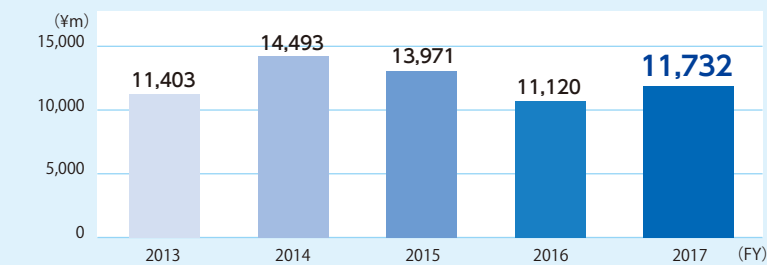
# Company Overview

Name	Eagle Industry Co., Ltd.
Headquarters	2-4-1, Shiba-koen, Minato-ku, Tokyo 105-8587, Japan
Representative	Tetsuji Tsuru; Chairman of the Board and President, Representative Director
Established	October 1, 1964
Paid-in Capital	10,490,981,500yen
Closing date	March 31st
Number of Employees	6,400

## Consolidated Net Sales



## Consolidated Operating Income



## Relationship with stakeholders

- 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 wellbeing.

### Employees

### 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.



### 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.

### 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.

### Suppliers

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

## EKK Group Network in Japan and Overseas

### Domestic

#### Sales Branch

- Sendai Branch
- Kita-Kanto branch
- Mito branch
- Tokyo branch
- Nagoya Branch
- Osaka Branch
- Kobe Branch
- Hiroshima Branch
- Kyushu Branch
- KEMEL Tokyo Branch
- KEMEL Kobe Branch
- KEMEL Hiroshima Branch

#### Plants/ Major facilities

- Saitama plant (Aerospace Division/Engineering Division)
- Okayama plant (AI·CI Division)
- Takasago plant (Marine Division)
- Kure plant (Marine Division)
- Niigata plant (Marine Division)

#### Group Companies

- EagleBurgmann Japan Co., Ltd.
- Eagle Industry Hokkaido Co., Ltd.
- Valcom Co., Ltd.
- Okayama Eagle Co., Ltd.
- Shimane Eagle Co., Ltd.
- Hiroshima Eagle Co., Ltd.
- Eagle Service Co., Ltd.
- Eagle Highcast Co., Ltd.



Eagle Industry Co., Ltd. Saitama plant



Eagle Industry Co., Ltd. Okayama plant



Eagle Industry Co., Ltd. Takasago Plant



EagleBurgmann Japan Co., Ltd. Niigata plant



Shimane Eagle Co., Ltd.



Eagle Industry Hokkaido Co., Ltd.

## Overseas(Group Companies)

### Production and Sales Companies(29)

#### Automotive and Construction Machinery Industries

- Eagle Industry Taiwan Corporation (Taiwan)
- NEK Co., Ltd. (Korea)
- EKK Eagle (Thailand) Co., Ltd. (Thailand)
- Eagle Industry (Wuxi) Co., Ltd. (China)
- Eagle Simrax B.V. (Netherlands)
- Eagle Industry France S.A.S. (France)
- EKK Eagle Industry Mexico S. A. de C. V. (Mexico)
- Eagle Industry Hungary Kft. (Hungary) and 3 companies

#### General Industrial Machinery Industry

- EagleBurgmann India Pvt. Ltd. (India)
- EagleBurgmann Australasia Pty. Ltd. (Australia)
- P.T. EagleBurgmann Indonesia (Indonesia)
- EagleBurgmann Germany GmbH & Co. KG (Germany) and 13 companies

#### Marine Industry

- Eagle Materials Korea Co., Ltd. (Korea)



Eagle Industry Hungary Kft. (Hungary)



EKK Eagle (Thailand) Co., Ltd. (Thailand)



Eagle Industry France S.A.S. (France)



EagleBurgmann Australasia Pty. Ltd. (Australia)

### Sales and Service Companies(42)

#### Automotive and Construction Machinery Industries

- EKK Sales Europe B.V. (Netherlands)
- Eagle Industry Sales (Shanghai) Co., Ltd. (China)
- EKK Eagle Sales America Inc. (U.S.A)
- Eagle Actuator Components GmbH & Co. KG (Germany)

#### General Industrial Machinery Industry

- EagleBurgmann France S.A.S. (France)
- EagleBurgmann Italia s.r.l. (Italy) and 29 companies

#### Marine Industry

- KEMEL EUROPE LIMITED (England)
- KEMEL USA Inc. (U.S.A)
- KEMEL Asia Pacific Pte. Ltd. (Singapore) and 1 company

#### Aerospace Industry

- Eagle Engineering Aerospace Singapore Pte. Ltd. (Singapore) and 2 companies

### Other Companies (15)

#### Automotive and Construction Machinery Industries

- EKK, Inc. (U.S.A) and 4 companies

#### General Industrial Machinery Industry

- EBI Asia Pacific Pte. Ltd. (Singapore)
- EBI Atlantic A/S (Denmark)
- EBI Asia Pte. Ltd. (Singapore)
- EBI Middle East A/S (Denmark) and 6 companies





# EKK Group Supports People's Living and Society

## 1 Petrochemical, Steel, Pharmaceutical, Water, Paper, Food & Beverage

Our extensive product line-up includes dry gas seals for large compressors in petrochemical and other major industrial equipment, mechanical seals for large industrial pumps, process pumps and pumps for home use, as well as seal units for agitators used in a wide range of industries.



API682 Metal bellows seals



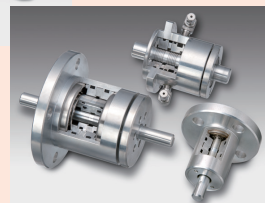
Dry gas seals

## 2 Semiconductor

Our products in this area include magnetic fluid seals and welded metal bellows used in manufacturing equipment for semiconductors and flat panel displays, and rotary joints used in chemical polishers for silicon wafers.



Welded Metal Bellows



Magnetic Fluid Seals

## 3 Automobile, Construction Machineries

We stably supply a diverse range of products in these areas including seals for automotive air conditioners and water pumps, solenoid valves for various equipment, reed valves for controlling emissions, and floating seals used in the drive train of construction equipment.



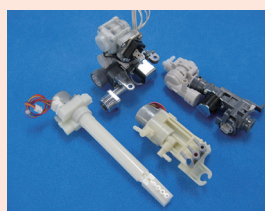
Valve products for Automobile



Seal products

## 4 Housing Equipment

We are helping people enjoy a comfortable life by providing many types of valves for warm water-spraying toilet seats, fuel cells, heat pump water heaters and other equipment for home use, as well as accumulators and other devices used in water supply systems in offices and apartment buildings.



Valves for spray toilets



Accumulators for housing equipment

With technologies in seals, special welding, power transmission, and valves with its major pillars, the EKK Group delivers many types of mechanical seals, special valves, shipboard related products, aerospace products, bellows-related products, and diaphragm couplings, among other products.

These products are used widely as indispensable parts of automobiles, ships, plants, aircraft and rockets, contributing to people's living and industries around the world.



## 5 Aerospace

We supply various seals including those for rocket engine turbo pumps, and in the main shafts and gearboxes of aircraft engines. The bellows accumulators used at Kibo, the Japanese Experiment Module of the International Space Station, are also from the EKK Group.



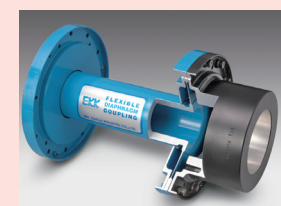
Bellows accumulators



Seals for aircraft gas engines

## 6 Energy

In addition to seals for pumps in various power-generation plants and generators, we also provides a diverse range of seals that can be used under high-temperature and high-pressure conditions. Also, our special valves are used at numerous power plants, and our diaphragm couplings are mainly used in power generation equipment and the propeller shafts of LNG tankers.



Diaphragm Coupling

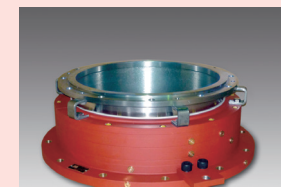


Main Steam Isolation Valve

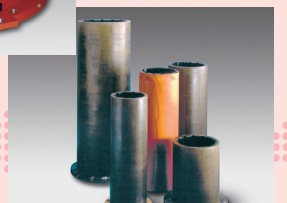
## 7 Marine

We supply stern tube seal products and bearings that are mounted on stern tube shafts to prevent lubricating oil leakages and seawater inflow.

Our pollution-free stern tube air seals that use air to achieve zero leakages are also used on many vessels.



Oil lubricated stern tube seals



Water lubricated rubber bearings

## 8 Others

We are helping to improve the quality, productivity and energy conservation of the automotive, rubber, semiconductor, water processing, industrial machinery, battery-related, food and beverage, pharmaceutical and other industries by supplying them with pressure sensors, load cells, digital controllers and other devices for use in their facilities and equipment.



Pressure sensor



Round type Digital display



## Special Topic

Special Topic : Practicing Management that Respects Human Dignity

# Initiatives for Creating a Comfortable Working Environment

## Work Style Reform(in Japan)

As a part of its commitment to Work Style Reform, the EKK Group is making efforts to reduce overtime work, as well as eliminating wasteful work and effectively using the freed-up time (Muda-han activities).

Our efforts to reduce overtime work include setting a designated weekly “no overtime day” for each office and plant, and making an internal announcement that it is time to leave the workplace at the end of the work day, so as to encourage employees to return home early. We have also set a rule of leaving the workplace by 9pm in principle on weekdays. These efforts enabled us to reduce overtime per employee by 4% in fiscal 2017, compared to the previous year.

Also, all employees are taking part in our ongoing Muda-han activities, and in fiscal 2017 we were able to reduce work time by 52,752 hours.

## Safety Pledge Day

The EKK Group has set March 22 as its annual Safety Pledge Day, and it is striving to ensure safe work practices in all offices and plants nationwide, to prevent work-related incidents and injuries and stop traffic accidents from occurring.

### Eagle Industry Co., Ltd. Marine Division Safety Enhancement Period (March 9-22, 2018)

#### ▶ Afternoon assembly for safety (Eagle Industry Co., Ltd. Kure Plant)

On March 9, 2018, the manager of the manufacturing department gave an advisory lecture on safety.

#### ▶ EKK Group Safety Pledge Day (Eagle Industry Co., Ltd. Takasago Plant)

Each department held an informal and open brainstorming (waigaya) on safety during the Safety Enhancement Period, and the results of these brainstorming were reported on March 22, 2018. The debriefing was attended by the management of all lines, and 10 teams presented reports. Waigaya is a way for employees to freely and frankly share their opinions on a certain theme raised for that meeting, and also a valuable forum for finding out how the workers really feel about the topic discussed.



Scene from a presentation



Award ceremony



General comment  
by Marine division manager



Commemorative photo  
(Special Award: Eagle Industry Co., Ltd. Kure Manufacturing Section /  
Eagle Highcast Co., Ltd. Manufacturing 2 Section)



Consecutive  
No Accident Days:  
729 (over 2 years)



Snapshot of the advisory lecture  
on safety



Banner displayed at each facility  
to raise awareness during  
the Safety Enhancement Period

The EKK Group is carrying out initiatives for creating a comfortable working environment so as to practice the management principle of, “management that respects human dignity based on feelings of commitment and trust”.

To ensure we can continue to be a company that all stakeholders take pride in, it is essential that we cultivate a cheerful work environment where all employees can work enthusiastically.

## Traffic Safety Efforts

Based on the principle of management that respects human dignity, the EKK Group strongly urges all employees to practice traffic safety and awareness not only for work-related driving, but also when driving for private purposes. We consider these activities an important part of preventing traffic accidents from occurring, as the ultimate misfortune would be if an employee is involved in such an accident that either injures others or themselves and their family.

If any employee causes a traffic accident or violation, he or she must submit a “Traffic Accident or Violation Report” to the head of his or her assigned division, and make earnest efforts to not cause such a situation again.

All EKK Group offices and plants nationwide run numerous traffic safety education programs as a part of these traffic safety efforts. Also, at those offices and plants where many employees commute by car, employees assigned to traffic safety duty for the day stand at the car park entrance and exit to vocally remind other employees to be careful when driving to and from work.

### Eagle Industry Co., Ltd. Saitama Plant Traffic Safety Efforts

#### ▶ Lecture by the Nishi-Iruma Police Station



We listened to a report on traffic accidents in the Nishi Iruma district and other information, and also watched a video on cases of fatal traffic accidents. The lecture taught us the importance of checking the surroundings and paying attention when driving. (April 24, 2017)

#### ▶ Lecture by the Nishi-Iruma Police Station



We listened to various information including the danger of taking one's eyes of the road ahead when driving (looking aside while driving), and what to look out for when driving at night and at intersections. (August 3, 2017)

#### ▶ Lecture by Sampo Japan Risk Management Inc



We listened to precautions to take when driving on highways and at intersections. (December 22, 2017)



### My CSR

EKK Eagle Industry Mexico  
S. A. de C. V. EH&S  
Paula Cecilia Martínez Guerrero

I am the contact person in the company with a Benefit Foundation to support for children with cancer. Monthly, we collect caps of beverage bottles with employees of the company and send them to the Foundation. They sell the caps and use that money to pay a part of the chemotherapy. Last year we collect 382,109 caps with the support of our employees, and also donate toys for that Children's in the Christmas party.



### My CSR

NEK Co., Ltd. Manufacturing Department  
Production Technology Section Chief  
Kim Hyeonsu

I am in charge of electricity-related work at the company, and when selecting parts for internal use I choose LED lights and other highly-efficient and energy-saving equipment. I believe these efforts to conserve energy are helping to reduce greenhouse gas emissions, and also a way to show my concern for the environment and the safety of people.

To contribute to global environment protection, the EKK Group established the group-wide environmental policy and operates an environment management system based on ISO14001.

Environmental policy

Basic concept

Considering that a corporate is a part of society and Seal products, Precision products including valve and metal application product, and Accumulators manufactured by our company can contribute to the environment by preventing pollution and saving energy, Eagle Industry Co., Ltd. and its affiliated companies shall be aware that our activities, products, and services are deeply associated with the global environment. Setting "Compliance" as the basis of our corporate activities, we will pursue the preservation of the global environment voluntarily and continuously.

Activity policy

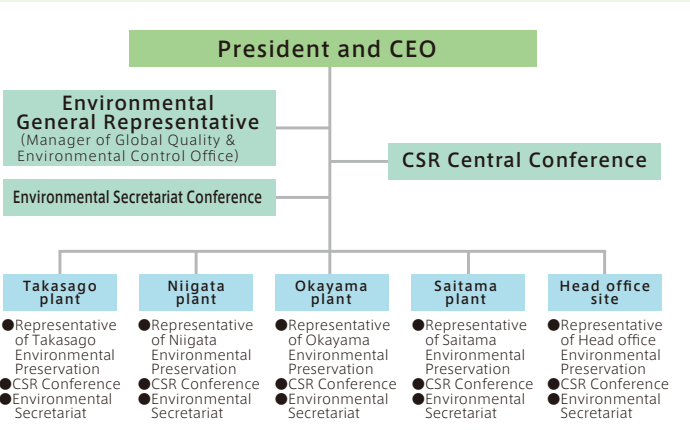
- 1.In the development of products, we will keep in mind how they will affect the environment.
- 2.Taking life cycle into consideration, we will strive to save resources and energy and to reduce greenhouse gas.
- 3.We will endeavor to reduce industrial waste and to promote recycling in order to use sustainable resources.
- 4.Taking biodiversity into consideration, we will make continual efforts to improve environmental effects and prevent pollution.
- 5.We will comply with regulations and other requirements to which a corporate subscribes.(Other requirements such as industry guidelines related to the environment.)
- 6.Through management review, we will set environmental objectives and a target, review them at appropriate intervals, and strive to improve environmental performance continuously.

Revised April 1, 2017

Environment Management System

The EKK Group has a group-wide environment management system in place. At the center of the system is the CSR Central Conference chaired by the president and CEO of Eagle Industry and consisting of Representatives of Environmental Preservation at respective EKK Group plants. Objectives, targets, and activities to those ends determined by the conference are then brought to the respective EKK plants by the Environmental General Representative. In addition, each plants has the CSR Conference chaired by its Representatives of Environmental Preservation. CSR programs adopted at these conferences are reported to the CSR Central Conference and reviewed by the management team.

Environment Management System



**My CSR**  
Eagle Industry Co., Ltd.  
KEMEL Kobe Branch Sales Section  
**Reiko Inoue**

Everyone at the branch tries their best to be eco-conscious, and make individual efforts in their daily work and life to preserve the environment as much as possible. These include adjusting the temperature setting of the air conditioner, saving on electricity usage, reducing the amount of trash, and bringing your own cup and cutlery, as well as saving documents on the server and using the backside of paper, and cutting back on the amount of printing.

States of ISO14001 Acquisitions

Since fiscal 2017, the EKK Group has been operating an environment management system that meets ISO14001:2015 at its domestic facilities. The ISO14001 audit for fiscal 2018 will target Valcom Co., Ltd. and Eagle Highcast Co., Ltd., and the entire EKK Group in Japan will acquire ISO14001:2015 certification.

Company	States of Acquisitions
Eagle Industry Co., Ltd.	Maintained
EagleBurgmann Japan Co., Ltd.	Maintained
Eagle Engineering Aerospace Co., Ltd.	Maintained
Okayama Eagle Co., Ltd.	Maintained
Shimane Eagle Co., Ltd.	Maintained
Hiroshima Eagle Co., Ltd.	Maintained
Eagle Industry Hokkaido Co., Ltd.	Maintained
Eagle Service Co., Ltd. Head Office and Okayama Office	Maintained

(As of July 31, 2018)



ISO14001 audit at Valcom Co., Ltd.



ISO14001 audit at Eagle Highcast Co., Ltd.

Compliance with Environmental Laws and Regulations

Every year, we identify all the environmental laws and regulations that apply to the EKK Group, and every half year we check the state of our compliance with them. In fiscal 2017, we complied with all of the environmental laws and regulations that apply to the EKK Group.

Major environmental laws and regulations that apply to EKK Group	Compliance during FY 2017
Act on Rationalizing Energy Use	Complied with
Waste Management and Pubic Cleansing Act	Complied with
Air Pollution Control Act	Complied with
Water Pollution Prevention Act	Complied with
Soil Contamination Countermeasures Act	Complied with
Noise Regulation Act	Complied with
Vibration Regulation Act	Complied with

Internal Audit

Every year we conduct an internal audit for all departments to ensure that the environment management system is operating effectively. In fiscal 2018 we will conduct a two-way cross-sectional internal audit of facilities, and raise the level of our internal auditors to ensure we are running comprehensive environmental preservation activities.

Environmental Education

The EKK Group provides environmental awareness education for all its employees. The group created a textbook which explains the concept of ISO14001, the objective and target of the EKK Group's environmental efforts, and so that its employees could learn even without expert environmental knowledge.

Emergency Response Training

We have a certain set of procedures for responding to accidents, natural disasters, and other emergencies for the purpose of preventing/reducing environmental pollution. Training sessions for such response are held on a regular basis.

Based on training results, we review those procedures to ensure they are suitable and to keep our preparedness at the best possible level.



Emergency Response Training at Okayama Plant

**My CSR**  
EKK Eagle Products India  
Pvt. Ltd. Administration Department  
**Akshay Basatwar**

Our organization believe on movement (CSR) aimed at encouraging companies to be aware of the approach that contributes to sustainable development by delivering economic, social and environmental benefits for society. We support economically to environmental friendly NGO "SWACH", from which NGO can provide jackets, gloves and likewise to 'waste pickers'. We are also committed to education and nourishment of 'Special Children' by providing economic help to such social trusts.



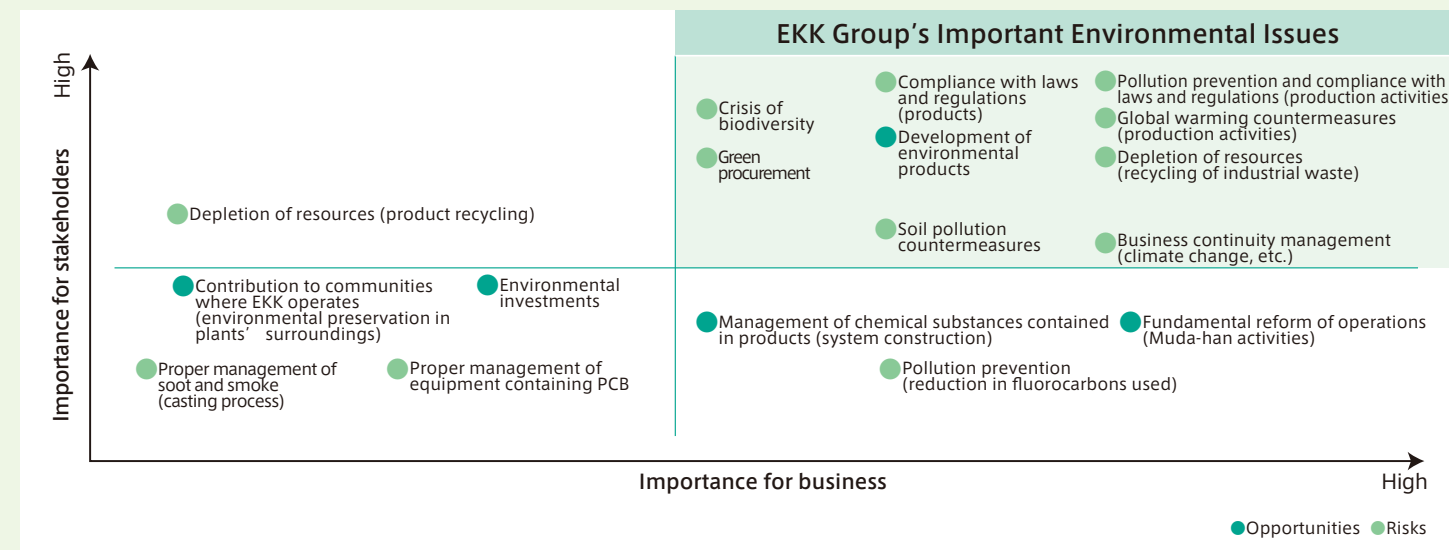
## Environmental Preservation Activities

The EKK Group is aware that our activities, products, and services are deeply associated with the global environment, we pursue the preservation of the global environment voluntarily and continuously.

### Analysis of Important Environmental Issues

The EKK Group works hard to understand the opinions and expectations of its stakeholders, analyzes environmental issues in terms of risks and opportunities, and engages in those issues that have high priority for both the stakeholders and the group's business.

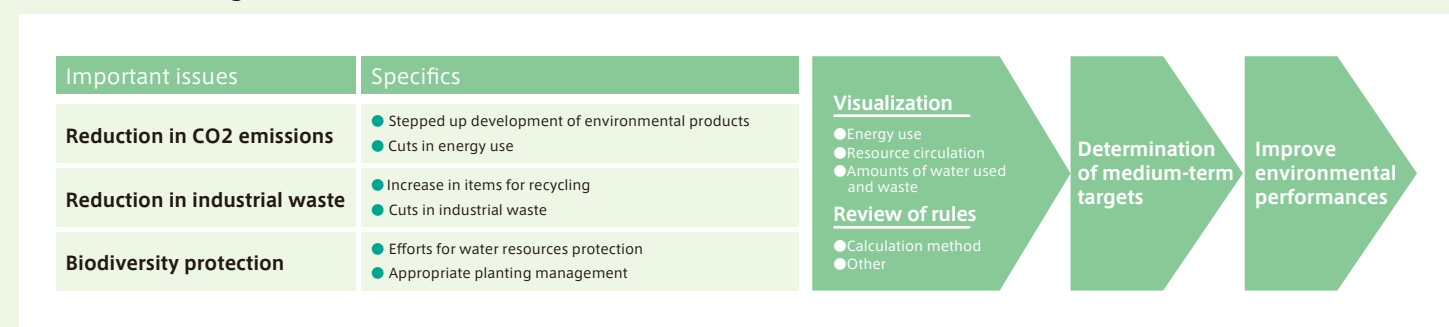
#### Analysis of Important Environmental Issues <FY 2018>



### Medium-and Long-Term Environmental Preservation Activities Based on Important Issues

The EKK Group will engage in efforts to protect the environment from a medium- and long-term perspective. First, we will work to visualize environmental performances such as amounts of energy use, industrial waste, water used, etc. We will then energize activities to improve issues that become apparent as a result and establish concrete medium- and long-term targets to improve our overall environmental performances.

#### Medium- and Long-Term Flow of Environment Protection Activities



### Response to EU Environmental Regulations

To reduce the environmental impact of end-of-life cars and electric/electronic equipment, the EU applies the End-of-Life Vehicles (ELV) Directive and the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive). The ELV Directive bans the use of lead, mercury, cadmium, and hexavalent chromium, and the RoHS Directive also bans those same four substances plus two brominated flame retardants, or polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE), as well as four phthalate esters, or di-ethylhexyl phthalate (DEHP), benzylbutyl phthalate (BBP), di-n-butyl phthalate (DBP), and diisobutyl phthalate (DIBP). Some of the EKK Group's products use some of these substances; we are providing customers with appropriate information and are working with them to come up with alternatives.

### Reduction in Use of Fluorocarbons

The EKK Group uses dichloropentafluoropropane (HCFC-225), an ozone depleting substance, to clean precision parts. We have been working hard to reduce the release of this substance into the air by replacing it with safe alternatives for some products and increasing the maintenance frequency of HCFC-225 recovery equipment. As a result, our HCFC-225 emissions during FY 2017 were down by 65.9% from FY 2003 when our relevant statistics began. We are working with specialized companies to replace HCFC-225 with safe alternatives, with a view to complete replacement by FY 2020.

### Management of Chemical Substances

Observing the pollutant release and transfer register (PRTR) system, the EKK Group reports to the Japanese government the amounts of its emissions and transfers of chemical substances as stipulated by the PRTR Law※1.

#### PRTR Law: Amounts of Emissions and Transfers of Class I Designated Chemical Substances

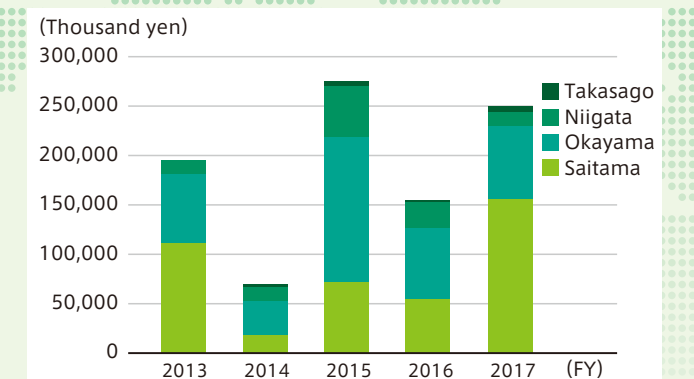
Law No.	Name of Class 1 chemical substance	Amount of emission (kg)				Amount of transfer (kg)	
		Air	Public waters	Plant's soil	Plant's landfill	Sewer	Outside Plant
185	Dichloropentafluoropropane	2,300	0	0	0	0	340
258	Hexamethylenetetramine	0	0	0	0	0	1,000
300	Toluene	6,500	0	0	0	0	1,000
308	nickel	0	0	0	0	0	0
349	Phenol	0	0	0	0	0	680
Total		8,800	0	0	0	0	3,020

※1 : Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

### Major Environmental Investments During FY 2017

● Saitama plant : 157,626,000yen	Soil contamination countermeasures (Biosystem); PCB fluorescent light stabilizer waste disposal
● Okayama plant : 79,690,000yen	Installation of robo cylinders in production equipment (motorization); updating of A/C units
● Niigata plant : 12,124,000yen	Upgrading of hot and chilled water generator; holding tank cleaning
● Takasago plant : 440,000yen	Application of thermal barrier glass film; installation of blinds
● Total of all facilities : 249,880,000yen	

#### Environmental Investment Results





## Environmental Report Objectives and Targets, Results

## Environmental Report Environmental Data

The EKK Group is committed to environmental preservation activities, and accordingly it has set three-year medium-term environmental targets.

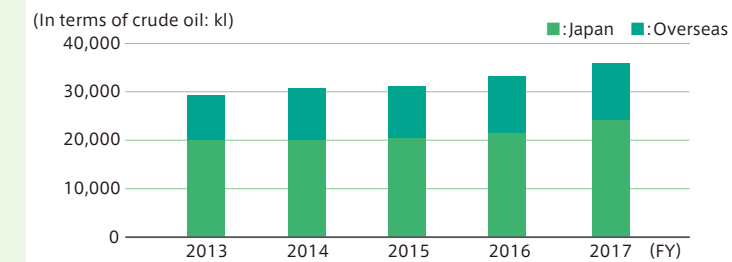
Since fiscal 2017, the Group has been working to lessen the environmental impact of its production activities centered on three major initiatives: reduction in CO2 emissions, reduction in industrial waste, and biodiversity protection.

In fiscal 2017 the Group reviewed its method for tabulating data on the environmental impact of its production activities, in order to continually lower the level of their impact. In fiscal 2018 for domestic facilities and fiscal 2019 for overseas facilities, we will obtain a more detailed picture of the energy usage of and industrial waste generated by our production activities, and clarify areas for improvement. Our aim is to be able to start making individual improvements at all EKK Group facilities by fiscal 2020.

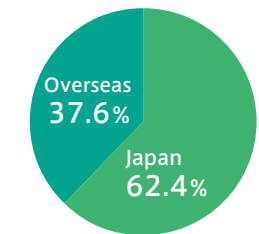
The following is a list of the results of the Group's environmental preservation activities in fiscal 2017.

Environmental Objectives		FY 2017 Environmental Targets	FY 2017 results	Evaluation	FY 2018 - 2019 Environmental Targets
Stepped up development of environmental products.		Done based on design departments' plans at respective facilities.	Followed the plans of each plant's design department.	Good	Step up development of environmental products.
Reduction in CO2 emissions.	Cuts in energy use.	1. Visualize energy used. 2. Make CO2 emission calculation method into a rule. 3. Determine mid-term plan target. 4. Cuts in basic unit in terms of crude oil by 1% from previous year.	■ Determined the CO2 emissions calculation method and mid-term plan targets, in an effort to make energy usage more visible. ■ Considered ways to improve each facility, and reviewed the items of data collection. ■ Reduced the basic unit in terms of crude oil by 2.7% from the previous year.	Good	1. Visualize energy usage that is linked to improvements. 2. Reduce CO2 emissions by over 1% on a production amount unit. 3. Introduce and implement a tabulation system at domestic and overseas facilities.
	Reduction in industrial waste.	1. Visualize resource circulation. 2. Determine mid-term plan targets. 3. Maintain 98% recycling rate. 4. Cuts in industrial waste amount.	■ Considered ways to improve each facility, and reviewed the items of data collection, in an effort to make resource circulation more visible. ■ Determined mid-term plan targets. ■ Achieved the recycling rate goal at 99.3%. Expanded the range of recyclable items by seeking out and starting transactions with new processors.	Good	1. Visualize resource circulation that is linked to improvements. 2. Maintain 98% recycling rate. 3. Cuts in industrial waste amount. 4. Introduce and implement a tabulation system at domestic and overseas facilities.
Biodiversity Protection.	Protect water resources.	1. Visualize volumes of water used and drained. 2. Determine mid-term plan targets.	■ Set the volume of water used as an item for monitoring.	Good	1. Monitor the volume of water used. 2. Formulate a reduction plan and apply it in management.
	Manage plantings properly.	1. Manage plantings properly. (determine rules) 2. Manage green areas at sites.	■ Determined 16 types of plants for management within the list of introduced species. ■ Continued to monitor the rate of green areas in order to comply with the ratio of green areas required in the Factory Location Act and the local regulations of each facility.	Good	1. Manage plantings properly. (determining rules to applying them) 2. Manage green areas at Sites.
Comply with laws and regulations, and other requirements.		1. 100% compliance. 2. Prevent the occurrence of serious problems, such as the violation of environmental laws and regulations.	■ Achieved a 100% compliance rate. ■ No occurrence any serious problems, such as the violation of environmental laws and regulations.	Good	1. 100% compliance. 2. Prevent the occurrence of serious problems, such as the violation of environmental laws and regulations.

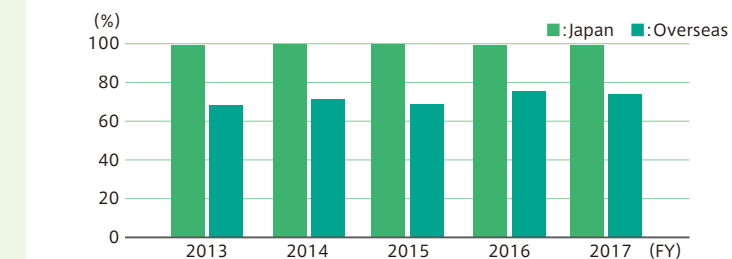
## Trends in Energy Use



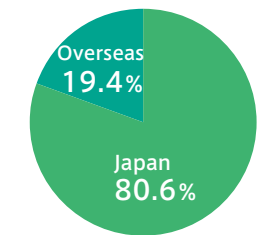
## Ratio of Energy Use in Japan and Overseas(FY 2017)



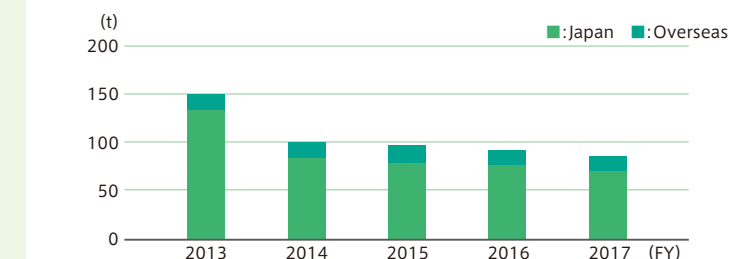
## Trends in Recycling Rate



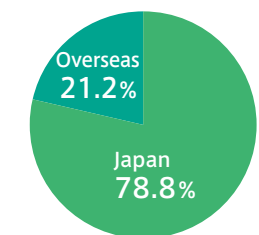
## Ratio of Industrial Waste in Japan and Overseas(FY 2017)



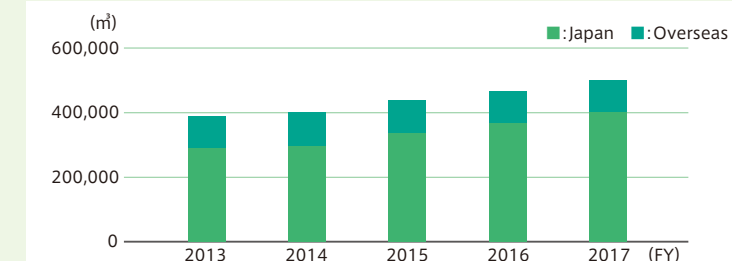
## Trends in VOC emissions



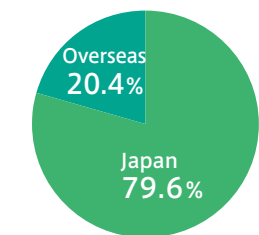
## Ratio of VOC output in Japan and Overseas(FY 2017)



## Trends in Water Use



## Ratio of Water Use in Japan and Overseas(FY 2017)



## Number of Group facilities and sites included in Environmental Data

## Energy use, VOC output and water use

Facility		2013	2014	2015	2016	2017
Japan	Head office	1	1	1	1	1
	Production facilities	11	11	11	11	11
	Sales branches	15	16	16	20	19
Overseas	Production facilities	8	9	9	9	9

## Recycling rates, Industrial waste

Facility		2013	2014	2015	2016	2017
Japan	Production facilities	10	10	10	10	10
Overseas	Production facilities	8	9	9	9	9

## Social Report Approach to Quality

It is the EKK Group's mission to continue providing trusted quality by standing in customers' positions. To this end, we make resolute group-wide efforts for quality improvements under the solid belief, "Eternal Zero."

### "Eternal Zero" Movement

Fiscal 2018 is the second year of the "Eternal Zero" activity, as directed by the President and CEO. Upon realizing the difficulty of achieving zero complaints simply by using existing methods and extending current processes and equipment, we have fundamentally reformed our approach to quality and are carrying out innovative initiatives aimed at building a quality control system that does not release even a single defective product to the market.

### Quality Control System

The innovative initiatives envisioned by the EKK Group to build this quality control system include introducing and utilizing a range of tools in the development and design stages, as well as production reforms incorporating IoT, AI and other new technologies into the design of production processes and equipment and on the production site. It also refers to setting up automated and other processes that don't require manpower. The Group will also launch a quality information management system and build a database that will enable information to be shared among facilities, so as to standardize quality around the world.

### Awards for Quality

Regarding awards for quality in fiscal 2017, we have broadened the scope of areas eligible for awards so that recommendations can also be made for group and projects. Subsequently, we were able to discover teams, groups and others that previously did not appear on the list for eligibility, even though they had done outstanding work on quality improvement.

The highest award went to the Cost Reduction Mini Project Team of Okayama Eagle Co., Ltd. This cross-divisional project focused on reducing non-conforming, and naturally achieved zero complaints. It was also successfully reduced the rate of non-conforming and significantly cut back on and lowered the amount of scrap cost. The project was highly rated for these outstanding results, which stood out compared to the overall quality performance in fiscal 2016.

#### ► Interview

It was quite a challenge searching for the causes of non-conforming, due to the many items and parts and also lengthy production processes. So this activity became a project involving other divisions, engaging in multifunctional collaborative work that returned to the basic principles and rules; I believe everyone working together toward a goal is immensely significant. It is important to maintain such a good collaboration, so we will step up our efforts to not produce any non-conforming items, and keep striving to reduce the wastage of money in the company overall.



Okayama Eagle Co., Ltd.  
Manufacturing 1 Department  
Head of Inspections  
Takashi Morishita

#### ► Quality improvement activities

In order to find the cause of non-conforming, we monitor the production processes using the video cameras we have installed; we check the recorded images. We are using this original and self-developed production monitoring system to check for any equipment malfunctions.

Members of the Cost Reduction Mini Project in a strategy meeting. The project team includes employees from TCD, production technology, and equipment management, and other departments.



Quality Award System; This system was launched in fiscal 2008 to revitalize quality improvement activities, and evaluate the efforts and results of such activities at a divisional and sectional level.

#### Areas of Quality EKK Group Should Address

##### Off-Line Quality

- Quality of R&D & design phase
- Quality of production process & equipment

##### On-Line Quality

- Manufacturing quality in production site

##### Market Quality

- Quality after delivery to customer/market
- Change in market and customer
- Feedback on design quality

##### Global Quality

- Standardized quality around the world

Building a management system for anticipatory and preventative quality control covering off-line and on-line quality to market quality. We will standardize quality around the world through the global roll out of our domestic management system.



Okayama Eagle Co., Ltd. Manufacturing 1 Division Mechanical Valve Section  
Cost Reduction Mini Project Team members

## Social Report Together with our Employees

The EKK Group is dedicated to practicing its management principle of "management that respects human dignity based on feelings of commitment and trust", and creating a rewarding working environment where each employee can work to his or her full potential.

### Commitment to Personnel Training

As the environment surrounding companies continues to change rapidly with the progression of globalization and other factors, we have developed and launched a new personnel education program of off-the-job training (off-JT), comprising teaching systems and curriculums designed to maintain the happiness of employees and achieve growth as a company.

#### ► Personnel Training Program

Every five years, all employees - from new recruits to the management level - take part in a range of training comprising 33 subjects (at the start stage) roughly grouped into three education categories (basic, management, advanced skills improvement). The training is mainly conducted by company lecturers with extensive experience, who carry out the training on site wherever possible.

The training is run using our internal portal, which allows each employee to manage his or her training from their own PC. Employees can browse the scheduled training programs, participation records and other information, as well as easily apply to take part in training sessions and submit reports, etc.



### Initiatives to Support Diversity

The EKK Group practices Management that Respects Human Dignity, as it strives to be a company with a rewarding working environment where all employees can work to their full potential. We also engage in Diversity Management, including encouraging women to participate more actively in the workplace.

#### ► Promoting the Participation of Women

Specific initiatives aimed at women include expanding the range of work through training and guidance based on the skills and motivation of female employees, and actively supporting their career path in moving toward a managerial position. We also regularly follow up on the progress of female employees in managerial positions, and identify any workplace issues they are encountering while working to resolve them. Additionally, we offer a comprehensive flextime system and support for taking paid leave for childcare and nursing, which has created an even more comfortable work environment for everyone. In assisting female employees to participate more actively in the workplace, we are able to leverage the unique sensitivities and perspectives of women and use them as an asset for creating corporate value by revitalizing the organization and raising its productivity.



#### My CSR

Eagle Burgmann Japan, Co., Ltd.  
Niigata Plant Health and Safety Environmental Section,  
Administration Department  
Rio Shida

The Niigata Plant has the most expansive grounds among all plants in the EKK Group, and we are located in lush natural surroundings. This is why four times a year, everyone in the plant takes part in activities to beautify the surrounding area and protect the natural environment. We also take great care to preserve resources by conserving electricity and water.



#### My CSR

Eagle Industry France S.A.S.  
Human Resources manager  
Laura Mayer

We recruit 50 operators for our new machining activity, we made one efficient partnership with the employment agency and a training organization. The « deal » was to recruit unemployed people, train them by one program adapted to the EIF needs and obtain a financing from the authorities. The advantages for workers: learn a new job, have an occupational retraining opportunity and find a permanent job.



Social Report Efforts in Health & Safety

If an EKK Group's employee left home in the morning for work to support his family but came home seriously injured, the group's greatest management objective, to make employees and their families happy, would not be met. We make ongoing efforts to ensure that our employees' worksites are safe and healthy.

Occupational Health and Safety Policy

We revised the Occupational Health and Safety Policy on May 1, 2018, under the direction of the Chairman's Safety Basic Concept of "Safety is the Basis for Management that Respects Human Dignity. My Desire, My Mission" ("My" refers to each employee, and the efforts of all employees to ensure safety while carrying out their work). In 2018, we will make carry out even further resolute occupational health and safety activities in order to realize the basic principle of "developing dynamic human resources who are both physically and mentally healthy, while also creating workplaces that are comfortable and motivating and with no accidents or incidents."

**WEB** You may read the Health & Safety Policy on the Eagle Industry website: <https://www.ekkeagle.com/jp/csr/safe.html>

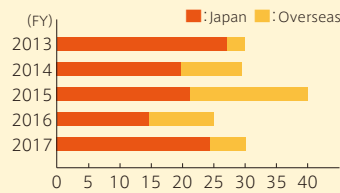
Occupational Health & Safety Management System

The heads of each plant act as health and safety managers, and establish line-and-staff-type health and safety management organizations, in which employees engaged in line management and staff departments with dedicated health and safety employees work together through the heads of these different departments. The OHSAS18001 approach is also incorporated into our occupational health and safety activities.

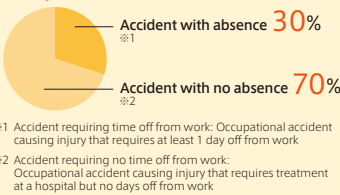
Means to Prevent Occupational Accidents

Occupational accidents are said to occur due to unsafe conditions (the absence of safety devices in equipment, etc.) and/or unsafe behavior (human behaviour that violates rules). Therefore, we inspect new equipment and machinery when they are installed, in order to prevent and remove any real or potential unsafe conditions. We also have demonstration machines that allow employees to experience the dangerous conditions caused by unsafe behaviour in order to deter them from such actions. These demonstration machines are programmed to sense as many potential dangers as possible, including body parts being tangled up in a rotating object or caught in equipment or by the swing of a crane load, as well as simulated experiences of electrical accidents. We have strengthened our training on predicting near misses and other dangers during normal work, while also enhancing the risk sense of employees, and effectively linking these efforts to risk assessment.

Trends in Number of Occupational Accidents



2017 Breakdown of Occupational Accidents



Physical and Mental Health

The EKK Group provides a free 24-hour phone health counselling service in Japan to promote the physical and mental health of its employees. The Group actively supports the overall health of all employees with its system of industrial physicians, public health nurses, nurses, and EKK managers working together to care for the mental and physical health of its workers.

Telephone Health Counseling Results, FY 2017

Contents	No. of calls
Physical checkups	8
Maintenance/promotion of health	2
Worrying symptom (s)	316
Care for recuperation at home	87
Existing treatment (s)	284
Mother-child health	2
Parenting	92
Information on healthcare providers open at night/on holidays	28
Stress/mental health	116
Healthcare providing facilities	38
Other	67
Total	1,040

※Note: Above are totals of NOK and EKK Group.

Traffic Safety Efforts

Those employees who have unfortunately been involved in a traffic accident or committed a traffic violation are required to submit an Accident Report or a Violation Notification, irrespective of whether the driving was for business or personal reasons. The report is used as an example to remind employees to always use caution when they drive, and to help prevent the same accident or violation from reoccurring. Each office is also cooperating with the prefecture and police of its location, and running the regional traffic safety program "Challenge 200" as well as actively entering numerous teams in drive contests. These teams consist of several members who are all aiming for no accidents and no violations during a set period (the contest/team names may vary by locality). Combined with company awards for employees who have no accidents and no violations, the EKK Group is making concerted efforts to raise awareness of traffic safety among all employees.

Major Safety-Related Equipment Investments and Statutory Inspection Costs	
Major FY 2017 spending (including repairs;71,000,000yen in total)	
①Saitama plant (9,000,000yen)	● Anti-drop measures for B Building cranes ● Seismic strengthening of room air conditioners and ducts ● Statutory firefighting equipment inspection and repairs
②Okayama plant (44,000,000yen)	● Safety measures for vulcanizing molding machines ● Safety measures for blast machines ● Improvement of work environment at mist collecting process
③Takasago plant (5,000,000yen)	● Countermeasures for near misses ● Work to integrate dust collectors ● Remodelling of surface plates for intermediate bearings
④Eagle Burgmann Japan. Co., Ltd. Niigata plant (13,000,000yen)	● Replacement of LPG supply equipment ● Regularly scheduled annual inspections

Social Report Commitment of Employees

Each employee works with an awareness of compliance, health and safety, environmental preservation, and quality improvement.

Voluntary Activities of Employees

Every fiscal year, we run various planned and voluntary improvement-focused initiatives for ensuring compliance, health and safety, environmental preservation and quality improvement. These activities are carried out in each

department and also cross-departmental groups, and this not only achieves results but also raises the awareness of employees.

► Commitment to eco-friendly and safe driving  
(Eagle Industry Co., Ltd. Tokyo Branch, Chiba Sales Office)

We have four sales staffs who visit customers at petrochemical, oil refining, steel and other plants in the Keiyo Rinkai Industrial Zone; so driving a company car is essential for them to do their work. That's why at the start of each month, these staffs hold a meeting to promote eco-friendly and safe driving, and share information on the distance driven, fuel consumption, traffic rules, and personal experiences of near misses. For example, at the meeting the staffs reconfirm traffic laws and regulations on points such as if the car's tires must come to a complete stop at a "Stop" sign, and share information on efficient driving routes to reach customers. The meetings encourage employees to keep driving safely and maintain and improve vehicle mileage. We will continue to practice eco-friendly and safe driving as we expand the sales of EKK products that are essential to the environmental preservation activities of our customers.



Sales staffs(drivers)at their monthly meeting



Company cars of the Chiba Office

► Lessening safety risks with countermeasures for heavy loads  
(Hiroshima Eagle Co., Ltd. Manufacturing 2 Department, Section 2, Manager 2)

We manufacture coils winding of wire around a bobbin during the automated winding process. One can of wire weighs 27kg, and we use 32 cans or around 864kg of wire a day – that's quite a heavy load. There is a risk of lower back pain for the workers by lifting the cans of wire onto a transport cart, carrying them, and lifting them off at the production line. The QC circle members worked on ways to improve this process so as to lessen the amount of heavy lifting. By changing the layout and trying out various other ideas, eventually they were able to adopt smaller pallet for delivering wire from our supplier so that it can be directly transported to the production line without transferring a cart by the workers. The passion of the QC circle members to "absolutely improve the process" enabled them to eliminate any risk of lower back pain, and also lower the safety risk while making section workers more safety conscious.



Before the countermeasures for heavy loads, the workers transported the heavy wire to the production line.



The QC circle members who worked on improving the process. The wire can now be delivered to the production line without transferring a cart by the workers.



Social Report **EKK Group all over the World**

The EKK Group promotes CSR activities globally.

**EKK Eagle (Thailand) Co., Ltd. (Thailand)**

► **Energy saving with solar power generation**

We are located in Chonburi Province. It is about 80km southeast of Bangkok. Thailand is located in the tropics, the temperature is high throughout the year and blessed with sunshine. By using this environment, we installed solar power generation on the factory roof in October 2017. Annual power generation forecast amount is 877MWh, cover about 16% of electric power for factory. A monitor at company reception shows the solar power roof and it improves the image of company. We check the result of power generation and energy saving is reported by Safety &

Environment meeting every month. In the Safety & Environment meeting, efforts on safety, investigation of environmentally hazardous substances contained in wastewater, other resource conservation, energy saving is reported. We aim to become the company that not only good to employee but also good for environment.



Solar panels installed on the roofs of plants



Monitor at the company reception



Presentation at Safety & Environmental meeting



Employees from the Production Technology Department and Safe Environment Section, who were involved in installing solar panels

**EagleBurgmann India Pvt. Ltd. (India)**

► **Total cost down (TCD) activity with Cellular Manufacturing System**

We are the leading manufacturer of Mechanical Seals and Seal Support Systems in India. Driven by its virtue of excellent competence, it has developed a state of the art facility for manufacturing a wide range of Mechanical Seals and Seal Support Systems over the last 40 years. In order to cater to increasing production demand, we decided to revamp the production facility by moving towards CELLULAR manufacturing system from the conventional production planning control system. Our company in its Pune factory has created 11 manufacturing

cells. In manufacturing facilities which make parts in small batches and require frequent changes in production setups, forming small machine cells based on type, size and complexity of the parts to be manufactured, self-supported by a dedicated team (called the cell team) helps to improve productivity and create a competitive environment in the shop floor. This new manufacturing concept has helped us to move forward in order to meet the challenges of producing parts faster and maintaining the required quality standards.



Image of a process in the cell production system



Before the 5S improvement



After the 5S improvement



Ravindra Mohite, Cell Coordinator

**Eagle Simrax B.V. (Netherlands)**

► **Risk assessment and evaluation for improvement in work environment**

We are located in Kerkrade, Limburg Province, the Netherlands. Because of the implementation of two new departments, PTFE and Stamping, we have conducted a full study on Risk assessment and evaluation of the Kerkrade plant last year. This study is a legal requirement in the Netherlands and shows potential work related hazards that can be improved. With this study we examine the safety of all the workplaces. After the study has been conducted, the management team together with the works council and Health & Safety coordinator set up a

plan of action to eliminate and solve potential threats. We value our employees very much and in this way we can make sure that they all have a safe and healthy work environment.



PTFE machine



Stamping machine



Risk assessment and evaluation group



Floortje Landstra, Human Resources advisor and Health & Safety Coordinator

**Eagle Industry Hungary Kft. (Hungary)**

► **Cooking as donation** ► **Bus excursion** ► **Visit in a home** ► **Trees planting in our Company**

Some our employees were cooking „Székely” cabbage (typical Hungarian dish) on the „City days” event in Maglód in 2017. This was a charity sale and supported the local needy families.

The Maglód Family Assistance Service has been low on budget to organize excursions to the families of 6-12 year-old children living in the city for years. We supported them in August 2017 to organize a family trip.

We visited a home for handicapped people and took them the donations (creative tools, books, clothes, toiletries) which were collected by the colleagues of us. We were very pleased with everyone.

Every year in the autumn we held in our Company „Safety Day”. On this day the programs are about the health, safety and environmental protection. In 2017 one of the program was tree planting in groups. In the garden of the company the colleagues were planting 12 trees.





# Together with Customers and Business Partners

The EKK Group establishes partnerships of mutual trust with the business partners that comprise its supply chain. This enables the Group to deliver products and services from the customers' perspective, as it strives to provide the reliable quality that society requires.

## Relationship with customers and business partners

### ► Awarded Excellent Supplier by Hitachi Construction Machinery Co., Ltd. (Eagle Industry Co., Ltd. Mito Branch)

Each year, Hitachi Construction Machinery Co., Ltd. (HCM) evaluates its more than 600 suppliers and holds an award ceremony for the top companies. The areas evaluated include the rate of on-time delivery, achieving targets for reducing costs, and for cooperating with the FTA and EPA. These rates are quantified and the totals tabulated, with the top companies receiving awards from HCM. Eagle Industry Co., Ltd. received an award for being an excellent supplier in fiscal 2016 for the first time. The Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA) are agreements aimed at economic revitalization through free trade. When a company exports EKK Group products that are subject to tariff reductions to export partners that have a FTA and EPA with Japan, Eagle Industry conducts the prescribed inspections and reduces the costs associated with exporting the products. We will continue to ensure that our customers' products can be used extensively throughout the world.



An Award Ceremony was held on October 31, 2017, at the Tsukuba International Congress Center (Right) (then) Operating Officer Motoi from Hitachi Construction Machinery Company Co., Ltd./ (Left) Operating Officer Yamamoto Eagle Industry Co., Ltd.

## Social Report Engagement with Investors

Eagle Industry Co., Ltd. fulfils its duty as a listed company regarding the timely disclosure of appropriate information in accordance with the relevant laws and regulations and rules of the securities exchange, while also ensuring ample opportunities for dialogue with all investors.

## Relationship with Investors

### ► Overview of Investor Relations and the General Meeting of Shareholders in fiscal 2017

The Investor Relations of Eagle Industry Co., Ltd. are in accordance with its Disclosure Policy. We hold on financial results briefings and One on One meetings for institutional investors understanding of the company's financial information and business trends. and we also disclose business and financial reports for investors twice a year ,these information uploaded on our website. We strive to hold its general meeting of shareholders in compliance with the corporate governance code, including informing investors about the meeting prior to sending out the notice of convocation, and translating the notice of convocation into English.

#### ( 1 ) Financial results briefing and One on One meeting

Activities	Details
Financial results briefing	The President and CEO outlines the company's financial information and business trends at the results briefings that are held twice a year (second quarter, full-year results) for institutional investors.
One on One meeting	These meetings are held 70 times a year.

#### ( 2 ) The general meeting of shareholders

Activities	Details
Setting the meeting date to avoid days with other companies meetings	The meeting was held on June 26. (The meeting concentration date was June 28)
Early notification prior to sending out the notice of convocation	The meeting was announced on May 28 (Mon.) [Notices were sent out on June 6 (Wed.)]
Translating the notice of convocation into English	We translated reference documents of general meeting of shareholders and disclosed on Tdnet and our website.

# Working with Local Communities

Aiming to become a trusted corporate citizen of communities where it operates, the EKK Group carries out local community activities on an ongoing basis. The fact that our employees lead these activities deepens communication with the local communities even more.

## Relationship with the Community

### ► Community-based Fall Festival (Eagle Highcast Co., Ltd.)

On November 11, 2017, Eagle Highcast Co., Ltd. hosted its third Fall Festival, which was attended by over 300 members of the local community, junior and senior high school students from nearby schools, employees and their families, and others. In addition to a food and drink corner, this year's festival featured a performance of Iwami Kagura (traditional art of ancient Shinto music and dancing) by high school students and a brass band performance by junior high school students, both of which were well received by the audience. A tour of the plant is always popular with the Eagle Highcast employees' family members, who look with great interest at the large bearings and shiny liners that the employees work with. We will continue to plan and hold such community-based events for families and locals to enjoy and also learn more about our company.



Performance of Iwami Kagura (traditional art of ancient Shinto music and dancing) by the Kagura Club of the Shimane Prefectural Nima High School



Brassband performance by the Brassband Club of the Shimane Municipal Kohto Junior High School of Goutsu City

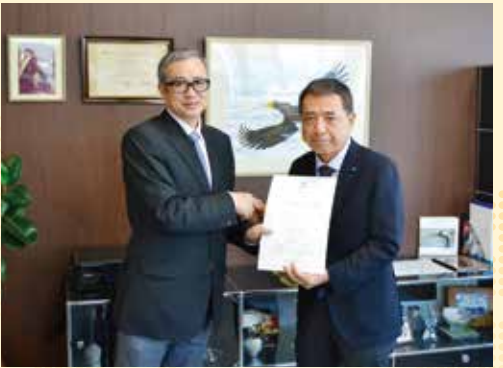
## Social Report Together with International Society

In recognition of its corporate social responsibility as a global company, the EKK Group make donations to organizations and offer support for activities to address the problem of an escalating number of refugees and environmental issues, and also to help alleviate poverty in the world.

## Relationship with the International Society

### ► Donations in fiscal 2017 to the Japan for UNHCR

Currently, there are tens of millions of refugees and evacuees around the world who have been forced to flee their homeland due to conflicts, persecution and other reasons. Activities to support these refugees and evacuees in each region are expected to become even more necessary and important from here on. Since fiscal 2013, Eagle Industry Co., Ltd. has been supporting aid for refugees through our donations to the Japan for UNHCR. In fiscal 2017, we also contributed to emergency humanitarian aid for the Syrian crisis and Rohingya refugee crisis in Myanmar. We will continue to share information with the Japan for UNHCR, and support efforts to resolve the refugee problem going forward.



Eagle Industry Co., Ltd. President and CEO Tetsuji Tsuru (right) receives a Certificate of Appreciation from Mamoru Hoshino (left), Secretary-General of Japan for UNHCR. (February 2018)

※ Japan for UNHCR is the official contact aid agency in Japan for supporting the activities of the United Nations High Commissioner for Refugees (UNHCR). It is a specified non-profit corporation that conducts PR and fundraising activities in Japan for assisting refugees.

Management Organization CSR Management

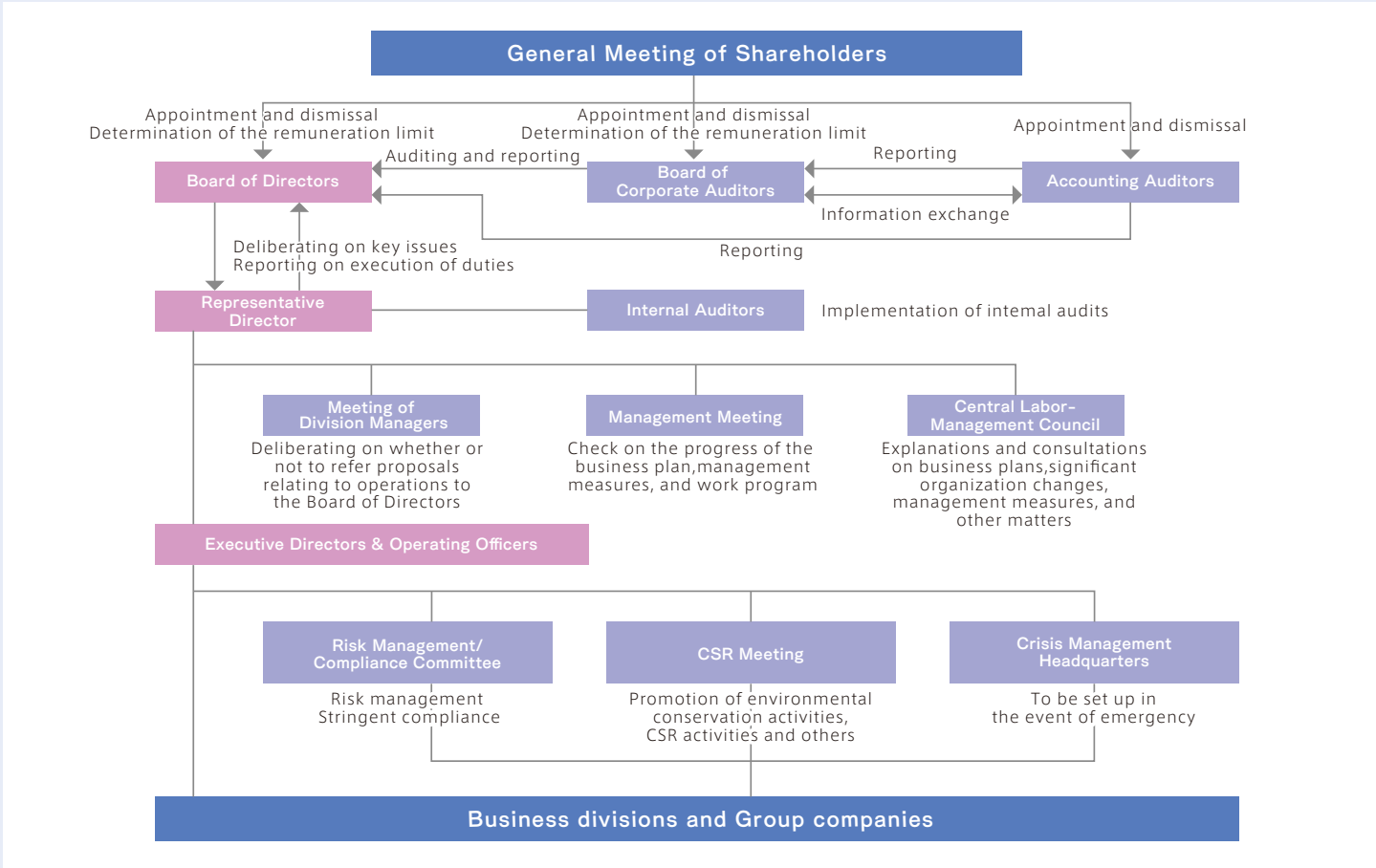
For the EKK Group to remain a corporate group that is trusted by society and continues to improve its corporate value, we strive to establish a fair and efficient management system and operate it on an ongoing basis.

Corporate Governance

The EKK Group constantly reviews its organization and endeavors to boldly delegate authority and clearly define responsibilities, so that it can implement management decisions immediately; we are continually striving to establish an organization that will allow the greatest possible results. Particularly in management and other corporate meetings, in accordance with the importance of the meeting, we request the participation of auditors and worker’s union representatives as a way of maintaining management transparency. Moreover, in regard to head office and business division decisions made by top management, we are working to

ensure there is an understanding and common awareness in the organization of issues at the management level. Corporate risk management is becoming increasingly important as the businesses activities of companies become even more diverse and globalized. Accordingly, the EKK Group has set up a Risk Management and Compliance Committee to spearhead preparations for contingencies. Additionally, we have set forth a Code of Conduct for all employees, which we use along with other initiatives to encourage all employees to act with even greater morality.

Corporate Governance System



Risk Management

To identify potential risks in business activities and prevent them from manifesting themselves, as well as determining concrete response in emergencies, Eagle Industry Co., Ltd. established in 2003 the Risk Management Policy and the Risk Management Rules.

Based in the Risk Management Policy, Divisions and affiliated companies work to ensure exhaustive observance of corporate ethics and laws and regulations, as well as promoting risk management. Through these activities, they strive to generate higher-order corporate ethics.

► Risk Management Organization

~The Risk Management and Compliance Committee~

The Risk Management and Compliance Committee identifies and evaluates potential risks in EKK’s business activities and work to establish preventive measures in an organizational recognition.

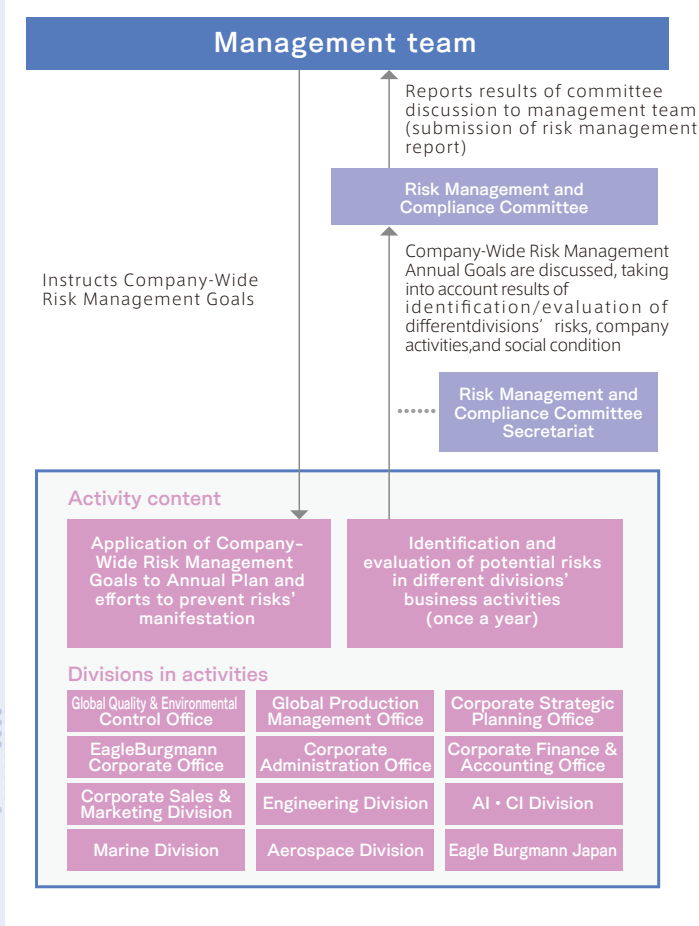
~Emergency Command Center~

In case of emergency, the Emergency Command Center makes an all-out effort to understand the situation immediately and establishes an initial response setup based on a quick and accurate judgment, thereby preventing a spread of damage.

~Whistleblower’s Contact Office~

This service is for the purpose of solving ethical questions (e.g., whether certain business conduct violates laws, industry rules, or social norms) brought by employees and maintaining appropriate corporate behavior. The service represents EKK’s self-corrective approach: rather than responding to external, compulsory accusations, employees’ or other internal parties’ charges, or external criticisms, it is designed to discover, by EKK’s own ability and with cooperation from its employees, any suspected unfair business practices, illegal acts, and problematic transactions before they become full-blown and voluntarily solve them.

Risk Management Organization





Compliance

EKK’s Approach to Compliance

The EKK Group’s Charter of Corporate Behavior establishes the Principles of Corporate Behavior of Ten Articles to help us realize management that allows all stakeholders to be proud of the EKK Group and feel they can pursue their dreams with us, and to also enable us to be of greater use in the wider society. The Group has also set forth Compliance Rules with the Charter of Corporate Behavior as its basic policy. The EKK Employee Compliance Code of Conduct is the concrete guideline for the Compliance Rules, and it specifies the following items that all employees must generally observe. We have also designated every October as Compliance Enhancement Month to raise the awareness of employees and encourage them to make a habit of adhering to the EKK Employee Compliance Code of Conduct every day.

EKK Employee Compliance Code of Conduct

- 1.Ethical Spirit

2.Respect for Employees and Prohibition of Discrimination and Harassment

3.Fair and Appropriate Trading

4.Insider Trading Regulations

5.Import and Export Procedures (Security Trade Control)

6.Laws Concerning Intellectual Property

7.Severance of any Relationship with Antisocial Forces
- 8.Environmental Protection

9.Provision of Useful Products

10.Appropriate Management of Information

11.Prohibition of Acts that Undermine the Company’s interests, etc.

12.Appropriate Accounting

13.Accurate Reports

14.Compliance and Whistle-blowing

Defining compliance as strict observance of laws and regulations, the EKK Group considers noncompliance a risk. As such, the group employs steps similar to those for risk management and every year treats the prevention of those noncompliance cases that pose a major risk (e.g., violation of the Antimonopoly Act and bribery) as one of risk management purposes. We also check compliance awareness improvement and related education by internal audit, as well as determining certain supervisory sections by nature of noncompliance as contact points to which any noncompliance cases should be reported. Furthermore, the Whistleblower’s Contact Office is in place, consisting of an internal report accepting section (Head Office Administration Department) and an external attorney at law. This office is capable of receiving reports by telephone or email.

Compliance Education

Eagle Industry Co., Ltd. is running ongoing education at its Japan and overseas facilities to inform employees about compliance and deepen their understanding of this area, so that they become more compliance conscious in their daily work.

~Within Japan~



Introduction to Compliance Version 2

So far we have distributed the second edition of “An Introduction to Compliance” in an effort to inform employees about compliance. This fiscal year we are planning to enhance the content of our compliance education and continue with our efforts to ensure being compliance conscious is deeply rooted in the minds of all employees.

~Outside Japan~

“An Introduction to Compliance-English Edition” is based on the Japanese version. It revises the compliance content based on Japanese laws, culture and customs, and adapts it to suit the culture and circumstances of each country.



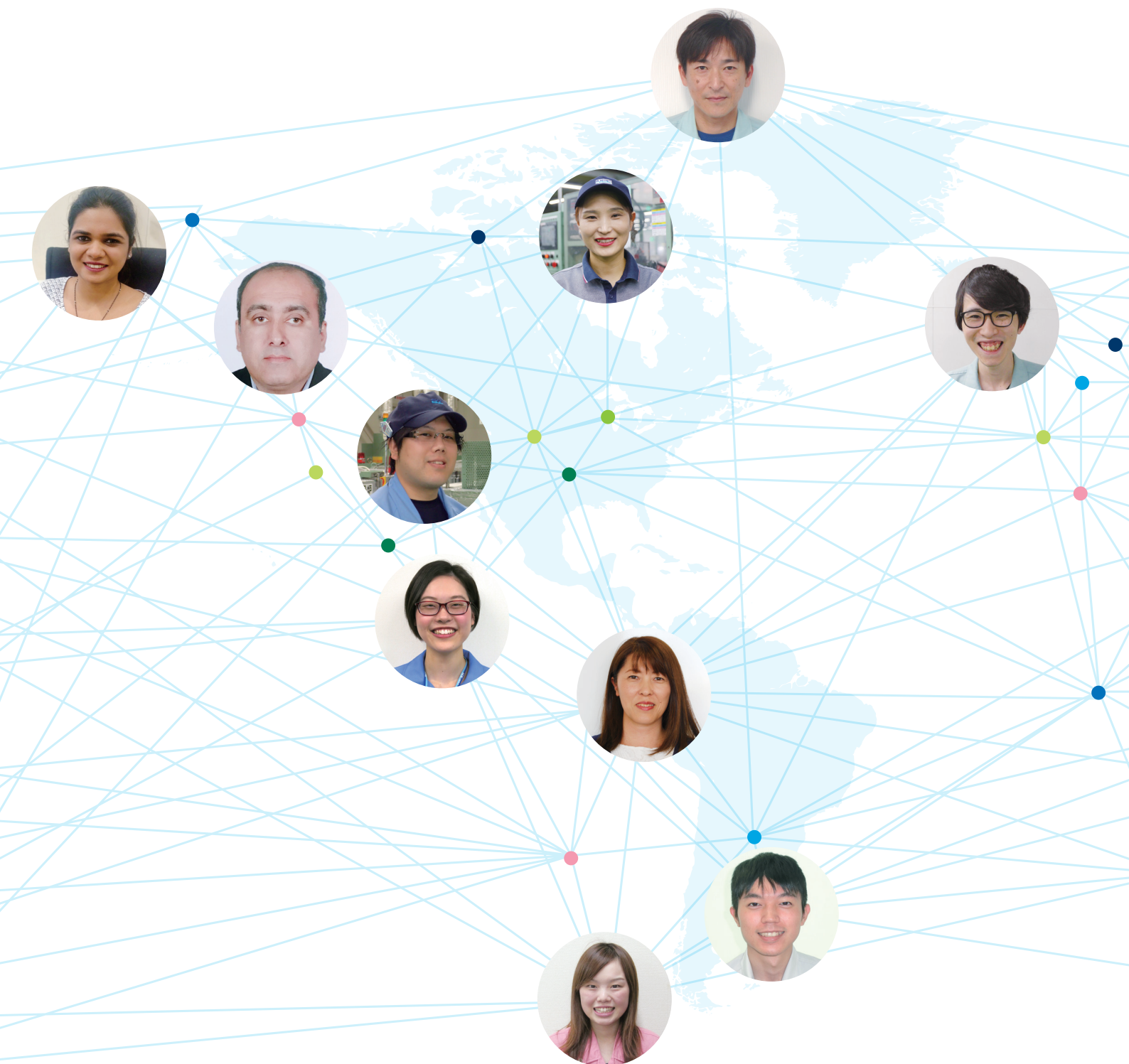
English Edition of “Introduction to Compliance”

Rules on Antimonopoly Act Violation Prevention, and Rules on Bribery Prevention, and Their Guidelines

The EKK Group declares that all its members conduct fair and proper business transactions in its Charter of Corporate Behavior and Employee Compliance Code of Conduct. To respond to the sophistication of economic systems, increased needs for more stringent response to noncompliance, and increased potential risks, the group established and enforced in April 2016 the Rules on Antimonopoly Act Violation Prevention and the Rules on Bribery Prevention, as well as guidelines for both. We provide relevant education within Japan, and we dispatch our qualified Japanese employees to our overseas facilities to educate local personnel in order to ensure that they conduct business by observing these rules and guidelines ,also manage and respond to risks while taking local conditions into account.



Compliance education at Eagle Simrax B.V. (The Netherlands)



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