

The cover features a vibrant blue background with a sky and ocean scene. Large, stylized circular graphics in various shades of blue are scattered across the page. The text is centered in the upper left quadrant.

EKK GROUP
Corporate Report
2020



EAGLE INDUSTRY CO.,LTD.



Introduction




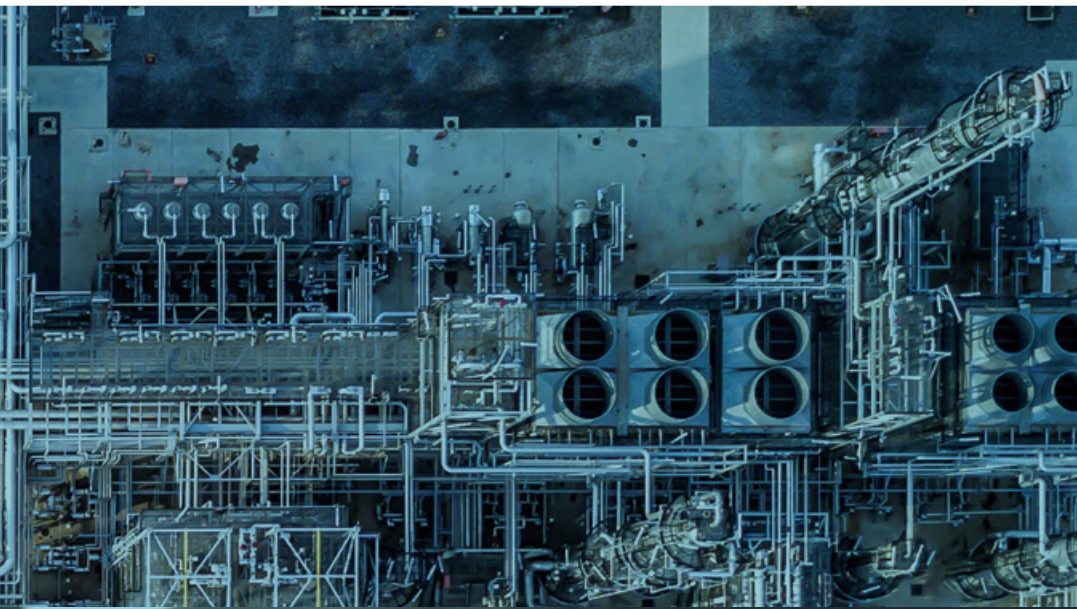
The EKK Group Management Philosophy

1. Management that respects human dignity based on commitment and trust
2. Open management with a firm solidarity without factions
3. Management that withstands adversity without sparing extraordinary efforts
4. Systematic management that always seeks the ideal



The EKK Group Management Policy

1. Concentrate management resources on priority areas to become a parts manufacturer with rising strength and originality.
 2. Reduce costs in all functions, ranging from frontline sales personnel to the shop floor, to further solidify the earnings structure.
 3. Study ways to improve quality to produce and achieve worldwide sales of unique and socially useful products backed by our technologies.
- 



Contents

- History 04
- Our Businesses 06
- Topics 08
- Message from the Management 10
- FY2019 Performance and Outlook by Segment 13
- The EKK Group's ESG Initiatives 14
 - Environment 16
 - Social 22
 - Governance 26
- Consolidated Financial Statements 30
- EKK Group Network 32
- Corporate Data 33



EKK Group Milestones

Eagle Industry Co., Ltd., was established on October 1, 1964, pursuant to a joint venture agreement between NOK Corporation and Sealol Inc., a U.S. company. Originally named Nihon Sealol Co., Ltd., the Company was renamed in 1978.

Eagle Industry has since grown into a global “EKK Group” that supplies components such as mechanical seals, specialty valves and bellows for transport equipment, including automobiles, ships and aircraft, and for rotary machinery, most notably pumps and compressors.

Corporate History

■ = Group event ■ = Product/business-specific event

1964 Nihon Sealol Co., Ltd. (presently, Eagle Industry Co., Ltd.) is established.



Nihon Sealol Co., Ltd. is established.

1965 The Saitama Plant begins operation.



Saitama Plant

1971 The Okayama Plant begins operation.



Okayama Plant

1975 Develops and delivers non-contact seals for primary coolant pumps for PWR nuclear power plants



Non-contact seals

1978 The Company name changes to Eagle Industry Co., Ltd.

1982 Lists the Company's shares on the Second Section of the Tokyo Stock Exchange



Listing ceremony at Tokyo Stock Exchange

1985 Develops and delivers lip seals for automotive air-conditioning systems



Lip seals

1986 Supplies engine seals for Japan's H-I rocket



Rocket engine seals

1989 Establishes Eagle Machine Works Co., Ltd.

1990 Develops and delivers control valves for automotive air-conditioning systems

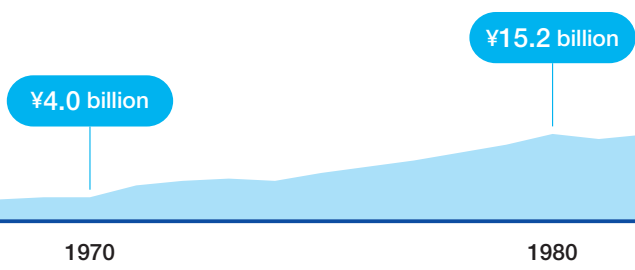
1991 Lists the Company's shares on the First Section of the Tokyo Stock Exchange

1992 Develops high-speed bi-directional dry gas seals

1998 Merges Eagle Machine Works Co., Ltd. and Eagle Precision Co., Ltd. into Niigata Eagle Co., Ltd. (presently, EagleBurgmann Japan Co., Ltd.)



EagleBurgmann Japan Co., Ltd.



1960

1964

1970

1980

1999 Develops and delivers compact seals for automotive water pumps



Compact seals for automotive water pumps

2002 Commences sales of global cartridge seals and magnetic fluid seals



Magnetic fluid seals Global cartridge seal

2004 Acquires Kobelco Marine Engineering Co., Ltd. (presently, the Marine Division) to better serve the marine industry

2005 Executes a business alliance agreement with Germany-based Burgmann (presently, EagleBurgmann)

2005 Commences automotive solenoid valve business



Automotive solenoid valves

2010 Establishes Eagle Holding Europe B.V. to strengthen European operations

2012 Commences accumulators and household valves businesses



Accumulators

2012 Establishes EKK Eagle Industry Mexico S.A. de C.V.

2014 Opens R&D Center at the Saitama Plant

2015 Acquires French subsidiary ABC Technology (presently, Eagle ABC Technology S.A.S.)

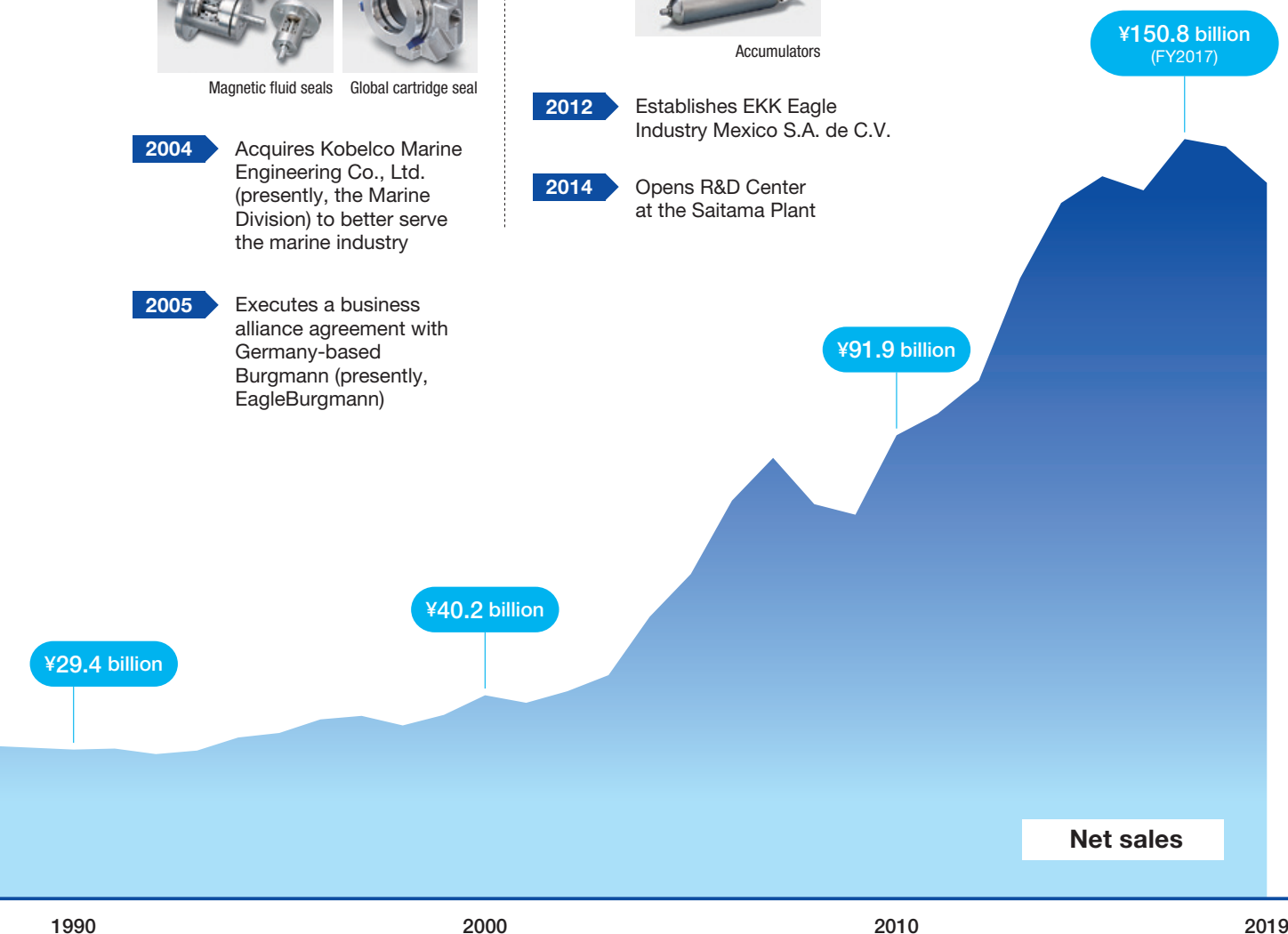


Eagle ABC Technology S.A.S.

2016 Establishes KEMEL Sales & Service (Shanghai) Co., Ltd., in China

2017 Establishes Eagle Sealing R&D (Wuxi) Co., Ltd. in China to strengthen product development for next-generation automobiles

2018 Establishes ESM Co., Ltd. to expand semiconductor-related operations



1990

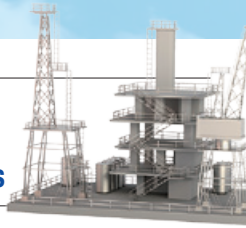
2000

2010

2019

Net sales

1 Petrochemicals, Steel, Pharmaceuticals, Water, Paper, Food & Beverages



Our diverse product line most notably includes dry gas seals used in large compressors at petrochemical plants; mechanical seals used in large industrial pumps, process pumps and household pumps; and seal units for agitators widely used in industry.

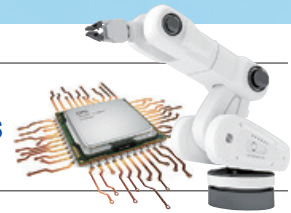


API682 metal bellows seal



Dry gas seal

2 Semiconductors



Products include magnetic fluid seals and welded metal bellows used in semiconductor and FPD production equipment; and rotary joints used in chemical polishers that polish silicon wafers.



Welded metal bellows

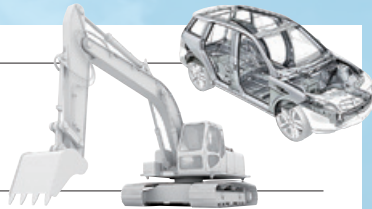


Magnetic fluid seals

EKK Group Businesses and Products Supporting

The EKK Group's core strengths are seal, valve, specialty welding and power transmission technologies. aerospace products, bellows and diaphragm couplings. Widely used as critical components of automobiles, better globally.

3 Automotive, Construction Machinery



We stably supply a wide range of products, including seals for automotive air-conditioning systems and water pumps, solenoid valves and sensors for machinery, and floating seals for construction machinery undercarriages.



Automotive products

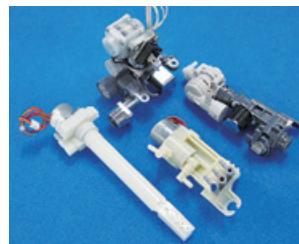


Seals

4 Housing Equipment



We make home life more comfortable with products such as valves used in bidet toilet seats, household fuel cells and heat-pump water heaters; accumulators used in well pumps and water supply systems for commercial and residential buildings.



Valves for bidet toilet seats



Accumulators for housing equipment

5 Aerospace



We supply seals used in rocket engines' turbo pumps and aircraft engines' main shafts and gearboxes. Our reach extends even to the International Space Station, where the Japanese Experiment Module is equipped with our bellows accumulators.

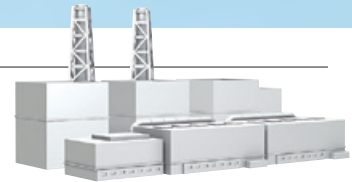


Bellows accumulators

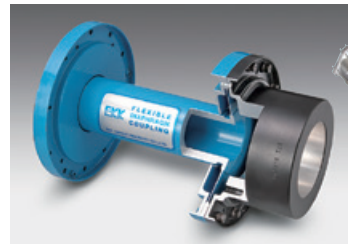


Seals for aircraft engines

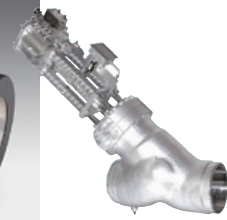
6 Energy



We offer seals that can withstand high-temperature, high-pressure environments in addition to seals for generators and power-plant pumps. Our specialty valves are likewise used at many power plants. We supply diaphragm couplings also, mainly for power plant machinery and LNG tankers' propeller shafts.



Diaphragm coupling

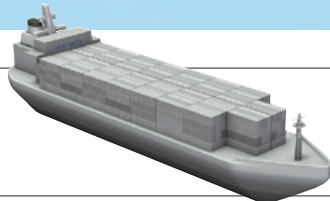


Main steam isolation valve

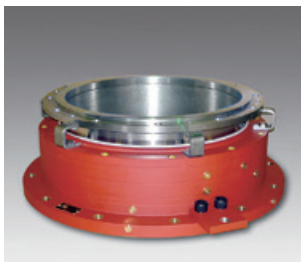
People's Lives and Society

Its products run the gamut from mechanical seals and specialty valves to marine products, ships, various types of plants, aircraft and rockets, its products benefit industries and make people's lives

7 Marine



We supply stern tube bearings and stern tube seals that attach to ships' propeller shafts to prevent lubricant leakage and seawater infiltration. Many ships are equipped with our non-polluting stern tube air seals that use air to completely suppress oil leakage.

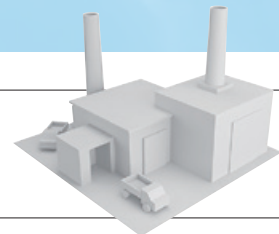


Oil-lubricated stern tube seal



Water-lubricated rubber bearings

8 Other



We contribute to energy efficiency and help improve productivity and customers' product quality with products such as pressure sensors, load cells and digital controllers used in machinery across a broad range of industries (e.g., automotive, rubber, semiconductors, water treatment, industrial machinery, batteries, food, beverages, and pharmaceuticals).



Pressure sensors



Round digital pressure gauges

Next-Generation Proprietary Technologies Contributing

Preparing to Mass-Produce Motor Seals for EVs

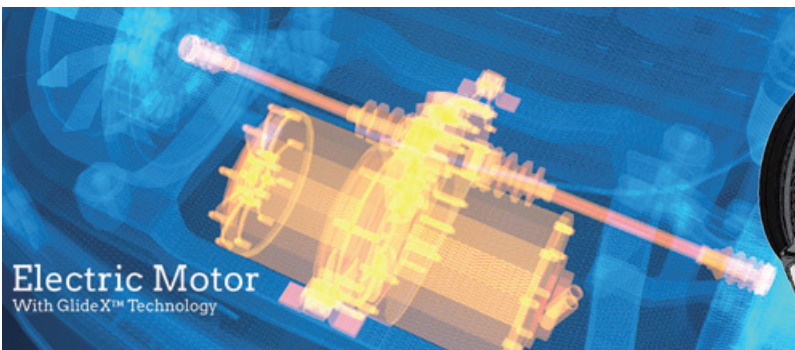
The automotive industry has come to revolution of CASE (Connected, Autonomous, Shared, Electric), and Electrification (EV) is proceeding rapidly.

Using our own “Surface Texturing Technology”, we have developed some seals for EV drive motors and reduction gearbox systems.

Their superior sealing performance and low torque will improve reliability of EV and its power efficiency.

We have received many inquiries from automotive companies.

Currently, we are setting up a production line specifically to mass-produce such seals.



GlideX™-EMS seal for EV drive motor



GlideX™-RGS seal for EV gearbox

Accumulator/Intensifier Unit Developed for Construction Machinery

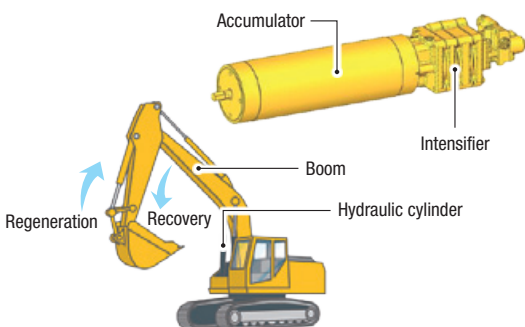
The Company supplies many seals and other components for construction machinery, and has recently developed an energy regeneration system that uses a hydraulic hybrid accumulator.

This hydraulic hybrid system’s output can be applied to multiple hydraulic lines, including the boom, arm and bucket lines. The system is also compatible with electric hybrid

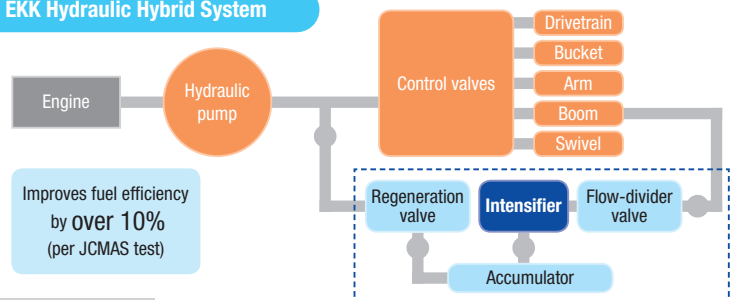
machinery. When field-tested in actual machinery, we got the prospect that the system can improve fuel efficiency more than 10%.

We have been promoting this system to customers and have so far received a very enthusiastic response.

Accumulator/Intensifier Unit (Inline Model) Hybrid Accumulator



EKK Hydraulic Hybrid System



How the System Works

A portion of the oil recirculating back from the boom cylinder is collected in an accumulator via a flow-divider valve. While in the accumulator, it is pressurized to a specified pressure by a proprietary self-pressure-actuated intensifier. This process effectively generates high-pressure energy through a regeneration valve while simultaneously reducing pump output, thereby lessening exhaust emissions and improving fuel efficiency.

to Energy Efficiency and the Environment

Mechanical Seals for Tidal and Ocean Current Turbines Now Undergoing Testing

Since September 2019, MAKO Turbines Pty Ltd of Sydney, Australia, has been conducting a one-year tidal energy turbine demonstration project at Sentosa Boardwalk in Singapore. The tidal turbine used in the project is equipped with mechanical seals that incorporate our proprietary surface

texturing technology. We are remotely monitoring test data (e.g., power output, turbine shaft rotation speed, tidal flow rate, temperature readings, leakage) and live video of the turbine in real time from Japan.

Tidal and ocean current turbine

Equipped with EKK mechanical seals

Installed turbine

Turbine in operation underwater

These mechanical seals incorporating our proprietary surface texturing technology have realized superior sealing performance and extremely low torque using seawater alone instead of oil. By combining environmental friendliness with high efficiency, this seal technology is expected to maintain turbine performance over the long term while dramatically boosting turbine efficiency even when the tidal flow rate is at the low end of its range.

Freshwater-Lubricated Stern Tube System Under Development

Large cargo ships have long used oil-lubricated stern tube systems. Our Marine Division is developing stern tube seals and bearings that can be used with water, the ultimate environmentally friendly lubricant, as their sole lubrication source.



Ship: Aki Maru, a 1,650 DWT cargo ship
 Owner: Aki Marine K.K.
 Equipped with freshwater-lubricated stern tube seal since June 2019

Diagram of freshwater-lubricated stern tube

Stern tube seal for freshwater lubrication

New bearing materials for freshwater lubrication

PTFE bearing

Resin bearing

Even in the face of a bleak business outlook, we will never slacken in our pursuit of medium- to long-term growth.

Tetsuji Tsuru

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



FY2019 Business Environment and Operating Performance

Global economic conditions deteriorated in FY2019 in response to multiple factors, including geopolitical risk in the Middle East and East Asia, Brexit-related uncertainties and a downshift in global trade due to U.S.-China trade tensions.

Japanese economic conditions were relatively stable in the fiscal first-half. In the second half, however, the economy slowed sharply under the weight of a domestic consumption tax hike in addition to the U.S.-China trade tensions. The slowdown was compounded by the global COVID-19 pandemic that erupted in January and further undermined the global economy by disrupting production activities globally.

Amid such an operating environment, our net sales and income were down year on year and fell short of our forecast, mainly because of sluggish sales in the Automotive and Construction Machinery Industries segment, which accounts for some 60% of total sales, and delayed recovery in demand in the Semiconductor Industry segment. The Automotive and

Construction Machinery Industries segment's net sales and income were below both our forecast and their year-earlier levels as a result of increased variable expenses and decreased sales in the wake of steep automobile production cutbacks globally, particularly in China.

The General Industrial Machinery Industry segment, which is geographically limited to Japan, India and the Asia-Pacific region under the terms of our EagleBurgmann alliance, saw its net sales decrease in response to a Japanese demand downturn and second-half headwinds in India. The segment's operating income also declined year on year, partly because of a provision booked in conjunction with an investment in a petroleum-related project in Southeast Asia.

The Semiconductor Industry segment's net sales and income both decreased, depressed by a continued industry-wide clampdown on investment. A newly consolidated subsidiary also detracted from the segment's operating performance.

The Marine Industry segment grew its net sales and income, largely by virtue of year-on-year growth in replacement parts sales and after-sales service revenue. Additionally, demand from the newbuild market embarked on recovery, though it remained at a low level.

The Aerospace Industry segment grew its sales through continued involvement in domestic space development projects and large sales to satellite manufacturers. Its operating income, however, decreased from the previous fiscal year as a result of sales-mix deterioration.

FY2019 Performance Summary

Net sales and income decreased, mainly because of sluggish sales in the Automotive and Construction Machinery Industries segment and delayed recovery in demand in the Semiconductor Industry segment.

Operational Stance Going Forward

Pursue initiatives that place top priority on generating positive cash flow while focusing on the safety of our employees and their families across all operations
Focus on developing proprietary next-generation technologies and products conducive to environmental preservation and energy efficiency

Business Outlook

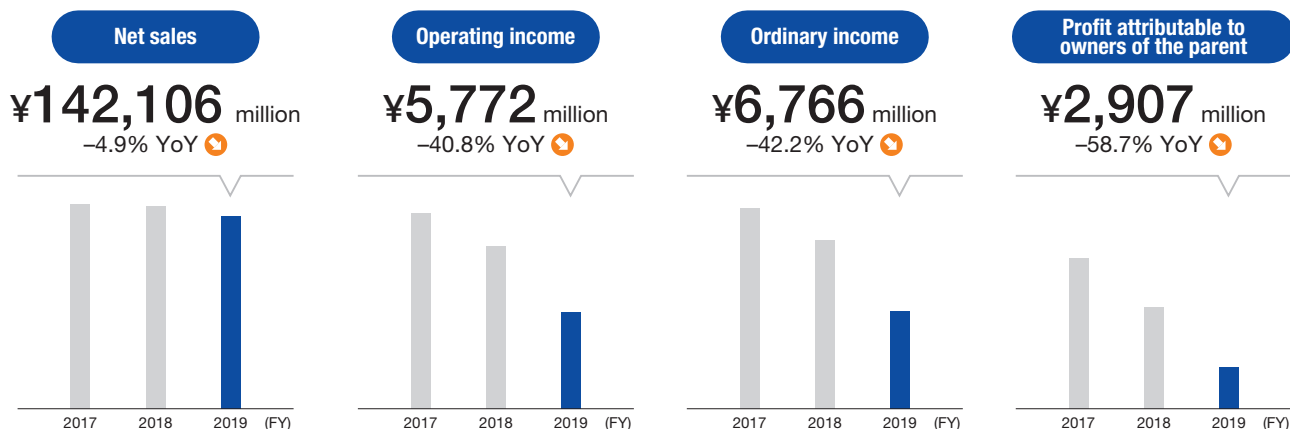
Our previous medium-term management three-year plan term was marked by technological innovation in the automotive industry under the CASE* banner and a distinct economic slowdown due to the US-China trade conflict. Attainment of the plan's initial targets was thwarted by a sales decline concentrated in the Automotive and Construction Machinery Industries segment.

Currently, the outlook for our Group's business environment is heavily clouded by the COVID-19 pandemic. In response, we will pursue initiatives that place top priority on cash-flow positivity in FY2020 while focusing on the safety of our employees and their families across all operations.

From a longer-term perspective, we anticipate further growth in demand for our Group's technologies amid growth in global energy demand and pursuit of environmental sustainability. We will accordingly focus on developing proprietary next-generation technologies and products conducive to environmental preservation and energy efficiency with the aim of growing our businesses. Prospective sales growth drivers include continued progress in developing and marketing products for EVs, steady growth in sales to the Semiconductor Industry segment and growth in the General Industrial Machinery Industry and Marine Industry segments' after-sales service revenue. We will endeavor to capture revenue while carefully monitoring near-term developments in our businesses.

*CASE: Connected, Autonomous, Shared & Services, Electric

FY2019 Earnings Highlights



Companies belong to not only their shareholders but also their employees and society

We will contribute to building a better society as a perpetually good corporate citizen in which all our stakeholders can take pride.

The EKK Group's Management Vision

Over the five-plus decades since its founding in 1964, the Company has grown into a corporate group with global operations. Its history has been punctuated by periods of adversity, but its operating environment has perhaps never been more adverse or had less forward visibility than it does today.

Meanwhile, the idea that companies belong to not only their shareholders but also their employees and society has long permeated every aspect of the Group's management. In other words, the Group continuously endeavors to increase employee satisfaction and gain societal acceptance through such means as thoroughly complying first and foremost with all applicable laws and regulations, practicing environmentally conscientious management and proactively contributing to environmental preservation, implementing a strict occupational health and safety regimen and conducting an expanding array of product quality assurance activities.

Such practices embody good corporate citizenship in society, foster company pride, boost employee morale and garner trust by continuously improving the quality of products supplied to customers. As such, they lead to fair profits, a

business's primary objective, and, in turn, perpetual corporate growth.

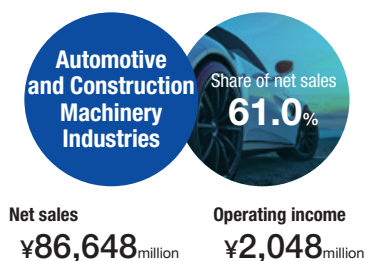
In short, the Group aims to generate long-term profits through its business activities and absolutely refuses to pursue short-term profits at the expense of longer-term interests.

The Group would never provide products or services that pose a serious environmental threat, do not meet its quality standards or fail to fulfill its responsibility as a supplier, no matter how much it could profit monetarily by doing so. No matter how many times its management team changes or its workforce turns over, the EKK Group is committed to always and forever remaining a good company that elicits pride among all stakeholders and is admired by society. Moreover, it manages its operations with a constant focus on contributing to building a better society.

The times are changing incessantly and ever-more rapidly. While such change calls for swift and agile responsiveness on a short-term basis, the Group will maintain a single-minded management focus on ultimately contributing to society and its stakeholders through perpetual growth and development.

We hope to continue to enjoy our stakeholders' undiminished understanding of and support for our Group management policies and initiatives.

FY2019 Performance and Outlook by Segment



FY2019 Performance

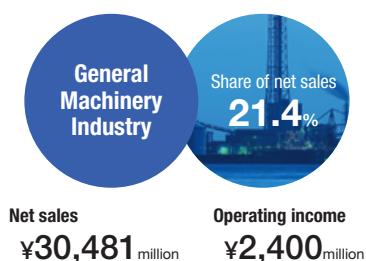
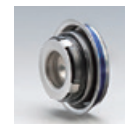
Net sales and operating income both fell far short of the initial forecast as a result of a steep reduction in global automobile production.

Outlook

Global automobile production will presumably fall further in response to COVID-19 pandemic.

The segment's product plants will appropriately adjust production in response to market developments as they occur.

Some products newly developed for next-generation automobiles will enter mass production; mass production will continue based on long-term sales outlook.

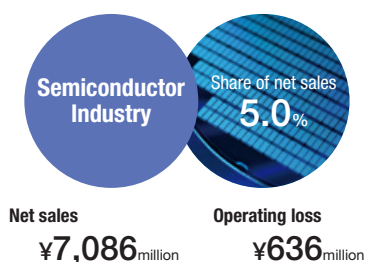


FY2019 Performance

Net sales were below the initial forecast because of decreased demand in Japan and India. Operating income declined as a result of a provision booked in conjunction with an investment in a petroleum-related project.

Outlook

In India, oil refinery and petrochemical projects will likely be suspended or postponed in the wake of crude prices' decline and economic disruptions due to lockdowns. The segment will continue production and sales as warranted by resumed economic activity and demand.



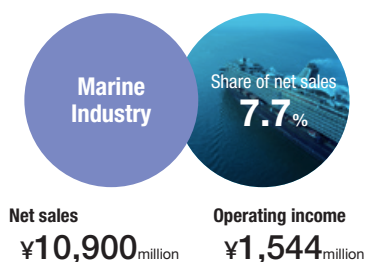
FY2019 Performance

Net sales fell short of initial forecast amid a continued clampdown on investment throughout the semiconductor industry.

Outlook

Increases in data communication speeds and traffic ensuing from the 5G rollout are expected to drive growth in semiconductor demand.

The segment will expand existing products' market shares and propose new product development ideas by effectively utilizing production facilities in Japan and overseas.



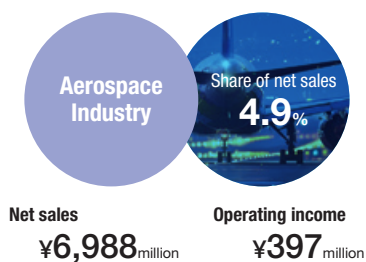
FY2019 Performance

Sales for newbuilds fell short of the initial forecast. Demand for after-sales service and repairs was in line with forecast.

Outlook

The segment plans to generate revenue primarily by winning contracts for after-sales service of already delivered products.

New product development plans include water-lubricated stern tube seals and bearings. The segment aims to increase product sales to the tidal and ocean current turbine market.



FY2019 Performance

Net sales fell short of the initial forecast despite growth in sales of products for satellites.

Outlook

A major contraction in the aircraft industry is projected due to the COVID-19 pandemic.

The segment plans to keep selling products for domestic space development projects, gas turbines and power generators while continuing to cut costs across all of its businesses in response to demand trends.



The EKK Group's ESG Initiatives

Contributing to society by developing and supplying products based on proprietary technologies conducive to environmental preservation and energy efficiency

The EKK Group is committed to preserving the global environment and realizing a sustainable society through both its business operations and societal contribution activities.

It aims to reinforce the business structure for sustainable growth to contribute to industries' long-term growth with its world-renowned precision seal technologies.



Our globe-spanning corporate activities aim to contribute to attainment of Sustainable Development Goals (SDGs).

Key Themes and Specific Initiatives Addressing Societal Issues

	Theme	Specific initiatives	Relevant SDGs	Related pages
E	Development of environmentally friendly products and technologies	We are committed to leveraging proprietary technologies to develop innovative next-generation technologies and products conducive to environmental preservation and energy efficiency. Specifically, we will help drive next-generation mobility and energy markets' growth by developing highly wear-resistant, extremely low-torque mechanical seals with improved sealing performance to realize more fuel-efficient, longer life and more compact rotary machinery.	     	▶ P6–9
	Environmental management	We conduct environmental preservation activities on an ongoing basis in light of the EKK Group's seal technologies' direct contribution to environmental protection and in recognition that our business activities, products and services are inextricably linked with the global environment.	   	▶ P16–21
S	Quality assurance	The EKK Group's products fulfill important safety functions in the equipment or plants in which they are installed. Through "Eternal Zero" activities to ensure not even a single defective product is ever shipped, we endeavor to ensure the quality of the products and services we provide to society as an utmost priority.	    	▶ P22
	Human resources and diversity	To practice management that respects human dignity based on commitment and trust in accord with our the EKK Management Philosophy, we manage diversity with the aim of offering career fulfillment by enabling all employees to give full play to their respective capabilities.	    	▶ P23
	Societal contribution activities	We engage in activities to contribute to society on an ongoing basis with the aim of being a globally trusted corporate citizen. We actively participate in events in our local communities, stage corporate-sponsored events, support the activities of NPOs and scientific organizations and sponsor sports teams.	     	▶ P23
	Occupational health and safety	We place top priority on employees' health and safety. We strive to create safe workplace environments conducive to both physical and mental health. Based on a core conviction that safety is not only fundamental to management that respects human dignity but also a personal desire and mission of all Group personnel, we have implemented ISO 45001-compliant occupational health and safety management systems with the aim of creating safe and healthy workplaces.	 	▶ P24–25
G	Greater management transparency	Our Board of Directors includes two independent outside directors who advise the Board's Nominating / Remuneration Committee regarding such important matters as nomination and remuneration policies, and make recommendations to the full Board. Additionally, we seek to ensure transparent operational execution through such means as regular information exchanges between outside directors and Audit & Supervisory Board members.		▶ P26–29
	Risk management Compliance	Given risk management's growing importance in the wake of diversification and globalization of our business activities, we have established a Risk Management / Compliance Committee. Additionally, we are better organizing global operations' internal audit functions and regularly monitoring the state of their governance and legal/regulatory compliance.		▶ P29

E Environment The EKK Group seeks to minimize environmental impacts as an

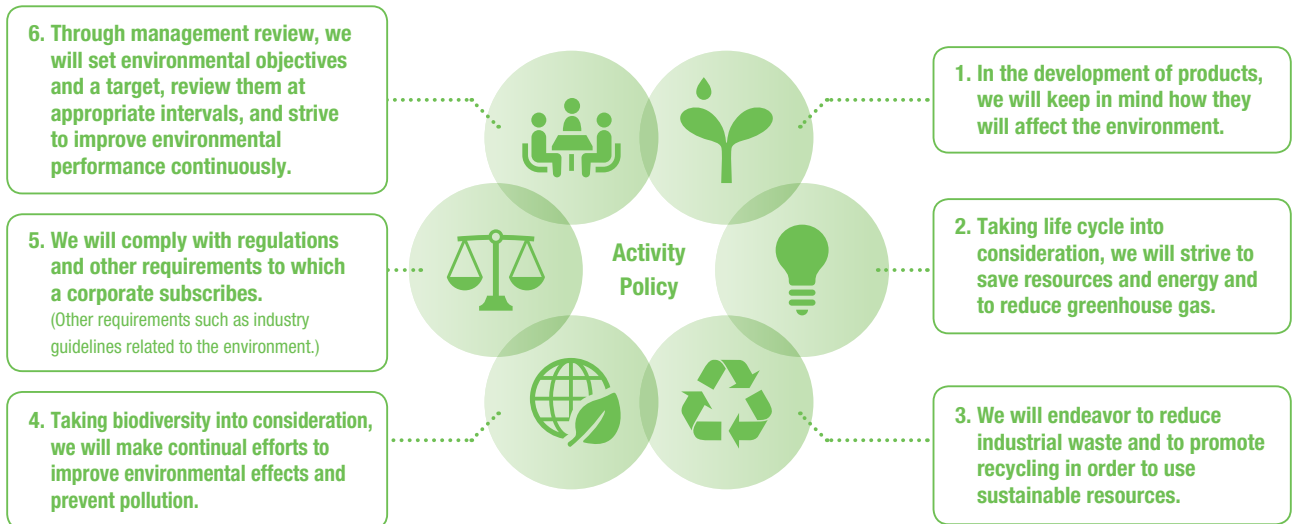
Environmental Management

The EKK Group believes companies have a societal responsibility to usher in a sustainable society. All subsidiaries in Japan are ISO 14001-certified and participate in an integrated environmental management system.

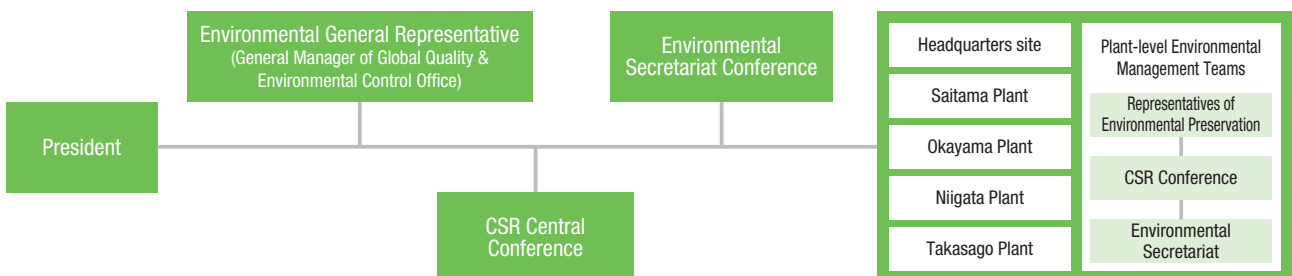
Environmental Policy

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.



Environmental Management Organization Chart

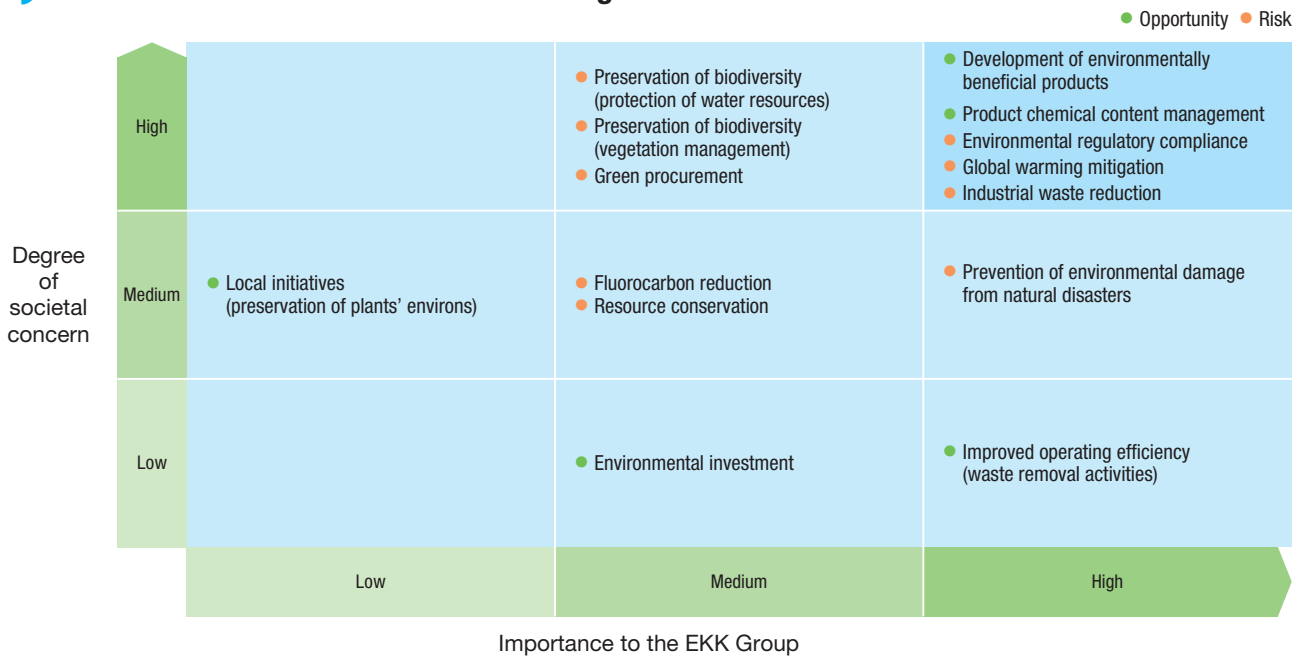


environmentally friendly manufacturer of products that help preserve the global environment.

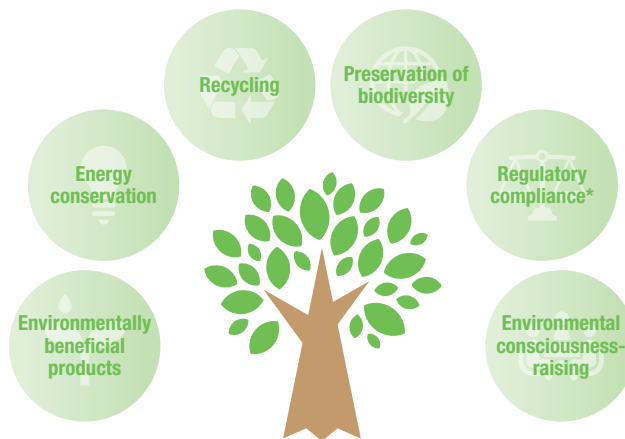
Environmental Initiatives

Through environmental conservation activities, the EKK Group identifies and addresses environmental issues of importance to both itself and society. As a global supplier of environmentally beneficial products, the Group engages in environmentally friendly business practices across its entire operations, including not only its manufacturing plants but also its sales force and administrative staff that support production and sales.

🔄 Prioritization of FY2020 Environmental Agenda



EKK Group's Six Environmental Priorities



*In the ESG/environmental context, regulatory compliance includes compliance with not only laws/regulations but also non-binding directives substantively equivalent thereto.

E Environment

Environmentally Beneficial Products

The EKK Group's main product is seals that keep oil, gases and other pollutants from leaking out of machinery. For example, they prevent CFC gas leaks from automotive air-conditioning systems and oil leaks from ships' stern tubes, thereby protecting the ozone layer and preventing marine pollution.

See:

▶ EKK Group Businesses and Products Supporting People's Lives and Society on pages 6-7

Recycling

Industrial waste that is non-recyclable due to its composition is typically disposed of in a landfill. To utilize finite resources more efficiently, the EKK Group is working on recycling industrial waste that would otherwise end up in landfills. Additionally, the Group properly handles industrial waste by sorting it, storing it and outsourcing its disposal in compliance with the Waste Management and Public Cleansing Law.

Topic

▶ Slag Recycling Launched (Eagle Highcast, Co., Ltd.) on page 19

Regulatory Compliance

The EKK Group annually identifies environmental laws and regulations that pertain to its operations and verifies its compliance with them semiannually. It remained in compliance with all applicable environmental laws and regulations again in FY2019.

The Group has also established emergency response procedures to prevent environmental contamination in the event of an environmental accident or disaster. Its production plants have emergency arrangements in place and periodically check their procedures' effectiveness by conducting emergency tests.



Emergency test in progress (Shimane Eagle Co., Ltd.)

Energy Conservation

All business units strive to conserve energy to reduce greenhouse gas emissions from their activities. Production plants save energy by installing energy-efficient equipment and LED lighting. Sales branches do so by promoting fuel-efficient driving of Company vehicles and reviewing mileage logs at meetings. Additionally, all employees are trained to turn off lights when vacating the office, including at lunchtime, and to put computers to sleep when not in use.



Staff receiving energy-saving tips at a morning meeting (Corporate Sales & Marketing Division, Kyushu Branch, Eagle Industry Co., Ltd.)

Preservation of Biodiversity

To protect the lush natural and living environment in the vicinity of production plants, the EKK Group monitors water quality and soil conditions in compliance with environmental laws and regulations. Additionally, plants with especially water-intensive production processes are starting to work on using water more efficiently to protect water resources. Production plants' grounds are periodically inspected for invasive vegetation. If any plants designated as invasive alien species are found on site, they are appropriately eradicated in accord with the Invasive Alien Species Act.



Inspecting on-site vegetation (Takasago Plant, Marine Division, Eagle Industry Co., Ltd.)

Environmental Consciousness-raising

All EKK Group employees are annually briefed on the Group's environmental mindset and initiatives. To elevate employees' environmental consciousness, the Group publishes environmental performance data (e.g., electric power consumption) on an intranet portal site. The Group is also stepping up its environmental preservation activities by continuously improving its environmental management systems and annually updating internal audit priorities in light of the results of the previous fiscal year's activities.



Slides from FY2019 environmental education materials

Topic

Slag Recycling Launched (Eagle Highcast Co., Ltd.)

The EKK Group recycles industrial waste to promote sustainable resource usage. Eagle Highcast (EHC) has started to recycle slag that was previously being landfilled.

EHC Profile

EHC, based in Shimane Prefecture, manufactures stern tube bearings and stern tube seals for medium-sized and large ships. The former help to keep the ship's propeller shaft rotating smoothly; the latter internally and externally seal the hull where the shaft passes through the stern tube. With a 71-strong workforce, EHC commands the top share of the global market for bearing and seal components for medium-sized/large ships.



EHC's Products

Stern tube bearings must be precisely machined to keep the crankshaft that connects the ship's engine with its propeller reliably supported and rotating smoothly. They must also be durable enough to circumnavigate the world many times over. Their seals perform the dual function of keeping seawater from infiltrating the ship and protecting the marine environment from oil leaks.



Seal component

Stern tube bearing

Slag

EHC manufactures stern tube bearings of up to 1.4 m in diameter and 2.7 m in length. In casting the bearings, it uses large quantities of sand. Since 2015, it has been using a foundry sand reclamation system that processes some 12,000 t of sand annually. The casting process generates two forms of waste called "slag." The first is granular slag generated by the foundry sand reclamation system and machines called precipitators. The second is furnace slag, which includes dross skimmed from melting furnaces and deposits scraped from the furnaces when they are serviced. Until recently, EHC disposed of both forms of slag entirely at controlled landfills.



Furnace slag



Granular slag

Conversion of Slag into Usable Materials

Slag can be converted into a concrete material or formed into concrete blocks by burning or diluting it to reduce its fluoride concentration below the statutory limit. Slag concrete is used in construction projects. Furnace slag is crushed and fed through a magnetic separator to extract its iron content, which is then turned back into steel. Furnace slag is sometimes also converted into a sub-base material used in road construction and sewer-pipe laying.



Concrete material

Voice

Comments from Involved Employees

Thermal insulation materials used in casting processes typically contain fluoride. The slag generated by the processes likewise contains fluoride, a controlled substance under the Soil Contamination Countermeasures Act. For the slag to be recycled, its fluoride content has to be reduced below a specified limit. To meet this requirement, we had to surmount some technical challenges. With none of our local competitors recycling slag, we had to figure out how to make slag recyclable ourselves through a process of repeated trial and error and cross-organizational collaboration.



Akira Edo
Deputy Manager,
Administration Department,
Eagle Highcast Co., Ltd.



Go Takamori
Assistant Manager,
Administration Section,
General Administration
Department, Marine Division,
Eagle Industry Co., Ltd.



Mikio Nitta
Section Manager, Environmental
Management Section, Environmental
Management Department, Global
Quality & Environmental Control
Office, Eagle Industry Co., Ltd.

E Environment

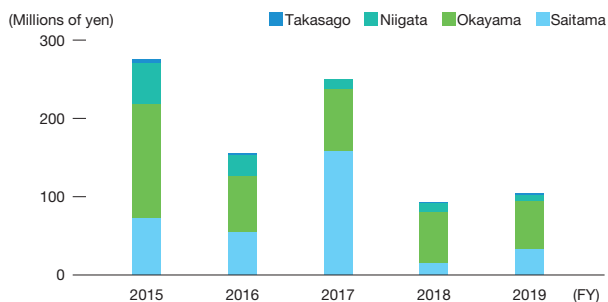
Environmental Objectives/Targets and Outcomes

(Results of FY2019 Activities and FY2020 Targets)

Priority	FY2019 target(s)	FY2019 outcome(s)	Pass/ Fail	FY2020 target(s)
Environmentally beneficial products	Develop and expand sales of environmentally beneficial products in light of environmental impacts	Proceeded with product development and sales expansion in accord with design and sales departments' plans	Pass	Continued development of environmentally beneficial products and expansion of their sales
Energy conservation	Make energy usage visible and reduce unit CO ₂ emissions by at least 1% YoY	Commenced operation of Environmental Information System at plants/offices in Japan	Pass	Conserve energy by analyzing electric power usage, reduce unit CO ₂ emissions by at least 1% YoY and explore renewable energy adoption
		0.5% YoY increase in unit CO ₂ emissions	Fail	
Recycling	Explicitly quantify industrial waste volumes and promote more recycling while maintaining a recycling rate of at least 98%	98.9% recycling rate	Pass	Maintain recycling rate of at least 98% and explore recycling of industrial waste currently being landfilled
		Commenced operation of Environmental Information System at plants/offices in Japan	Pass	
Preservation of biodiversity	Protect water resources and appropriately manage vegetation in accord with plant sites' features	Monitored water use	Pass	Monitor water use in the aim of using water more efficiently
		Managed plant sites' greenery and monitored sites for growth of designated invasive alien plant species	Pass	Manage plant sites' greenery areas and vegetation in accord with environmental laws/regulations
Regulatory compliance	Comply with environmental laws/regulations, including regulations on products' chemical content	100% compliance with environmental laws/regulations	Pass	Comply with environmental laws/regulations, including regulations on products' chemical content
	Prevent environmental accidents	No environmental accidents that would constitute a regulatory violation	Pass	Prevent environmental accidents, including environmental damage from natural disasters, in coordination with business continuity management
Environmental consciousness-raising	Broadly promote environmental consciousness among entire workforce, including management	Conducted education programs for all employees	Pass	Continue to conduct various environmental education programs and internally disclose information
		Published environmental data on intranet portal site	Pass	

Environmental Data

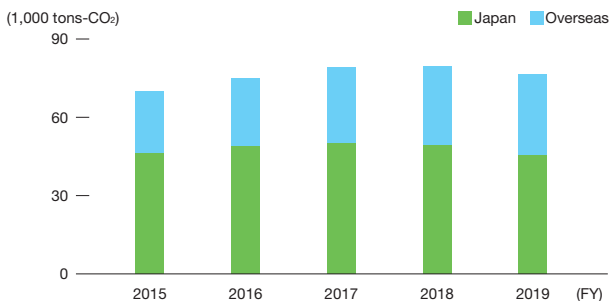
Environmental Investments in FY2019



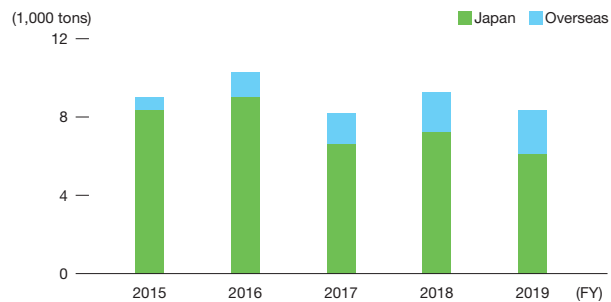
Emissions/Transfers of Class-1 Chemical Substances as Designated by PRTR Law (Reported in FY2019)

Ordinance No.	Class-1 chemical substance	Emissions (kg)				Transfers (kg)	
		Into air	Into public waters	Into on-site soil	Landfilled on-site	To sewer system	To off-site
71	Ferric chloride	0	0	0	0	0	0
185	Dichloropentafluoropropane	1,324	0	0	0	0	0
258	Hexamethylenetetramine	0	0	0	0	0	379
300	Toluene	6,600	0	0	0	0	1,000
349	Phenol	0	0	0	0	0	253
	Total	7,924	0	0	0	0	1,632

CO₂ Emissions

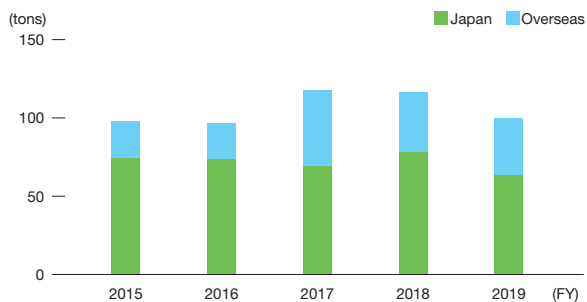


Industrial Waste

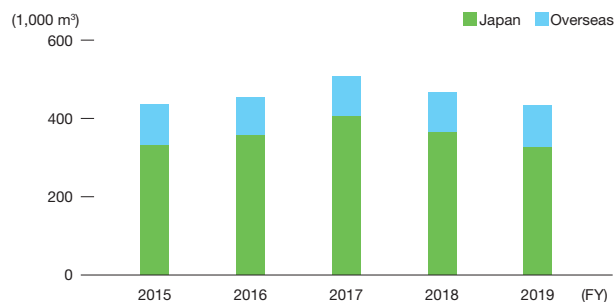


VOC* Emissions

*VOC: Volatile organic compounds



Water Use



Numbers of Sites at which Environmental Data Are Collected

CO₂ Emissions, VOC Emissions and Water Use

Sites		FY2015	FY2016	FY2017	FY2018	FY2019
Japan	Headquarters	1	1	1	1	1
	Production plants	11	11	11	11	11
	Sales offices	16	19	18	18	17
Overseas	Production plants	9	9	9	9	9

Industrial Waste

Sites		FY2015	FY2016	FY2017	FY2018	FY2019
Japan	Production plants	10	10	10	11	11
Overseas	Production plants	9	9	9	9	9

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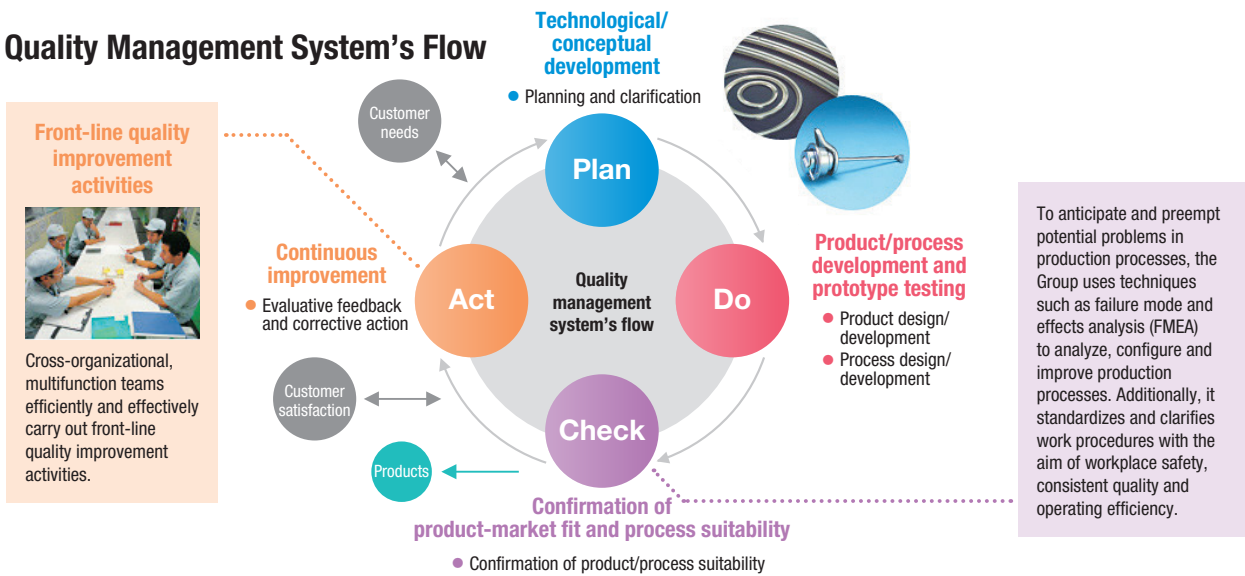
Social

The EKK Group strives to create employee-friendly workplaces, provides high-quality

Quality Initiatives

The EKK Group embraces the mission of continuing to provide widely trusted quality from a customer-centric standpoint. Toward this end, the entire Group is unremittingly striving to improve quality based on a resolute commitment to “Eternal Zero.”

Quality Management System's Flow



“Eternal Zero” Activities

In FY2019, the “Eternal Zero” activities enjoyed the most fruitful year as cumulative efforts to reduce customer complaints and defective products manifestly paid off. In FY2020, the Group will continue conducting “Eternal Zero” activities under a new plan while augmenting its quality control system in pursuit of maintaining a level of product quality that customers can rely on and guaranteeing the same quality level all over the world.

Quality Control System

Quality problems have been a serious issue in global markets in recent years. Quality problems in the marketplace can result in not only loss of trust among stakeholders but even an existential crisis for the company involved. From FY2020, the EKK Group will upgrade its quality control with a focus on high-risk products identified as posing a risk of reputational damage or existential crisis if quality problems were to arise in the marketplace. To achieve globally uniform quality, the Group has also started sharing quality information via a new quality information system, installation of which was completed in FY2019.

Quality Consciousness-Raising

The EKK Group must thoroughly prevent quality problems in the marketplace by incessantly upgrading quality and building a quality control system that keeps every single defective product off the market. Its workforce is carrying out such activities under the “Eternal Zero” banner. In FY2019, the Group published a book entitled Eternal Zero (the EKK Quality Handbook) to use for training employees and elevating their quality consciousness. It is publishing editions of this book in the native languages of its major overseas subsidiaries in pursuit of globally uniform product quality.



Quality Education

Since FY2017, the EKK Group has been systematically conducting Group-wide education on product quality with the aim of cultivating quality-focused human resources and elevating its workforce's collective quality consciousness. Employees on the whole have become more quality-conscious over the three years since the educational program's inception.



Intermediate-course group session on five whys (Marine Division, Eagle Industry Co., Ltd.)

products, serves its stakeholders and contributes to society.

Initiatives Related to Human Resources and Societal Contribution Activities

The EKK Group practices “management that respects human dignity based on commitment and trust,” which is a tenet of the EKK Group Management Philosophy, by endeavoring to create fulfilling workplaces where all employees can give full play to their respective capabilities. It also conducts various activities to contribute to society as a globally active corporate group.

HR Development and Diversity Initiatives

HR Initiatives

In accord with its commitment to practicing management that respects human dignity, the EKK Group manages diversity with the aim of offering career fulfillment by enabling all employees to give full play to their respective capabilities. One focus of such efforts is promotion of greater involvement in its workforce by women.

Specific initiatives to provide more opportunities to women include proactive appointment of women for management roles and training and mentorship to expand female employees' roles to match their individual capabilities and ambitions. The Group periodically consults with its female managers to identify and rectify impediments facing women in the workplace. It also offers parental and family-care leave and has expanded its flex-time work options to create a more employee-friendly work environment. Greater involvement in its workforce by women capitalizes on feminine sensibilities and perspectives, enhances organizational vitality and boosts productivity. As such, it has become a driver of corporate value creation.

Employment of Disabled Workers

The EKK Group actively hires disabled individuals and is endeavoring to better retain disabled workers and broaden their available job opportunities. As of March 2020, disabled workers accounted for 2.35% of the Group's workforce, exceeding the statutory target of 2.2%.

Since May 2018, the Group has been running an indoor horticulture business that provides rewarding jobs to disabled workers. The Group will fulfill its societal responsibility by continuing to make its workplaces more accommodative of these with disabilities.



Indoor horticulture business

Employment rate of persons with disabilities
2.35%

Societal Contribution Activities

(1) Local Initiatives

Group companies throughout the world communicate with their local communities through such means as sponsoring local events, including summer festivals and gatherings on Company premises.

(2) Donation and Sponsorship Activities

As one means of helping resolve societal problems outside of business activities, the EKK Group supports and sponsors NPOs, scientific organizations, scholarship programs and sports teams to assist with and contribute to their respective activities. It also promptly donates funds to disaster relief whenever a major disaster occurs.

Donations and Sponsorship Funding Provided
(Millions of yen)

FY2017	12
FY2018	56
FY2019	15

S Social

Occupational Health and Safety Initiatives

The EKK Group strives to create physically and mentally healthy and safe workplace environments to achieve its foremost management objective of having a happy workforce with happy families.

Occupational Health and Safety Policies and Management System

The EKK Group conducts occupational health and safety activities based on the EKK Group Management Philosophy of management that respects human dignity based on commitment and trust and its Basic Group Safety Principle that safety is not only fundamental to management that respects human dignity but also a personal desire and mission of all Group personnel. In accord with its commitment to safety above all else, the Group has designated March 22 as an annual Safety Pledge Day and conducts monthly health and safety meetings on a workplace-by-workplace basis to continuously foster a safety culture. To promote plant-wide health and safety consciousness, plant managers post Health and Safety Pronouncements that express their commitment to health and safety. The Group has set up a line-and-staff occupational health and safety management organization that coordinates between line managers and staff departments exclusively dedicated to health and safety through department general managers, under the leadership of plant managers serving as health and safety managers. It also carries out workforce health and safety activities based on the ISO 45001 standard for occupational health and safety management systems.

EKK Occupational Health and Safety Policies (revised May 1, 2018)

Basic Group Safety Principle

Safety is not only fundamental to management that respects human dignity but also a personal desire and mission of all Group personnel.

Basic Concept

Based on its Basic Group Safety Principle, the EKK Group fosters physically and mentally healthy human resources brimming with vitality and conducts occupational health and safety activities that tap into an occupational health and safety management system mindset to realize comfortable, accident-free workplaces that offer career fulfillment.

Activity Policy

1. Appropriately identify and assess hazards associated with business activities and reduce material risks with the participation and cooperation of all employees.
2. Set occupational health and safety targets and pursue better performance through continuous improvement.
3. Comply with laws, regulations and consensual requirements such as industry organization guidelines and directives.
4. Respect active discussion in the workplace, recognizing that good communication is integral to occupational health and safety.
5. Provide education and training required to ensure occupational health and safety while raising employees' consciousness to promote universal awareness of health and safety's importance.

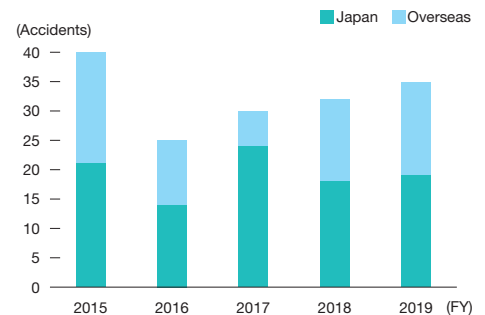
Workplace Accident Prevention

In FY2019, domestic Group companies underwent a health and safety assessment performed by an external occupational health consultant. EKK Group companies build effective relationships with each other and proactively conduct periodic health and safety inspections to upgrade health and safety throughout the Group.

Overseas affiliated companies also undergo periodic health and safety inspections.

In cases where the incidence of workplace accidents is higher than normal, the Group places priority on working more closely with and providing information to the company in question while respecting local ways and culture.

Workplace Accidents



Mental and Physical Health

The EKK Group seeks to help its employees stay healthy or get healthier both physically and mentally. Its health initiatives include mental health support to cultivate a vigorous workforce; a free 24-hour telehealth service that offers consultations on a broad range of concerns, including not only employees' personal health but also parenting and eldercare; and annual stress checkups to promote awareness of stress levels.

Additionally, the Group actively supports physical and mental health management through such means as an employee mental healthcare initiative featuring coordinated involvement of occupational medicine practitioners, public health nurses, registered nurses and management personnel.



AED training (Okayama Plant, Eagle Industry Co., Ltd.)

Traffic Safety Initiatives

The EKK Group proactively educates its employees on traffic safety. Before summer and winter holidays, the Group invites external experts to speak on traffic safety. Management coordinates with the invited speakers to ensure their presentations are geared toward employees with information such as traffic safety updates and messages that the local management team wants to emphasize. The Group also elevates employees' traffic-safety consciousness and promotes accident-free, infraction-free driving on a year-round basis through such means as giving internal awards to employees with perfect driving records and taking part in external traffic safety campaigns.

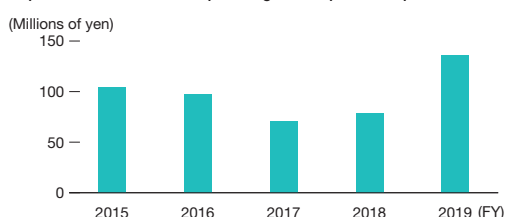


Employees lined up to encourage coworkers to drive safely on their way home (Okayama Plant, Eagle Industry Co., Ltd.)

Safety-related Investment and Spending on Required Inspections

The EKK Group diligently conducts legally required inspections of its facilities and proactively invests in health- and safety-related equipment.

Capital Investment and Spending on Required Inspections (Japan)



Major Safety-related Investments and Spending on Required Inspections

Main Investments in FY2019 (¥136 million in total, including repairs)	
1. Saitama Plant (¥9 million)	<ul style="list-style-type: none"> Antiseismic reinforcement of fire water supply system Replacement of electrical distribution panels and cables Enlargement of facilities Water main installation Relocation of air-conditioning unit
2. Okayama Plant (¥106 million)	<ul style="list-style-type: none"> Vulcanizing molding machine upgrades (automation of mold release equipment, exhaust system capacity expansion, etc.) Safety measures for equipment on loan to subcontractors Casting process safety measures
3. Takasago Plant (¥16 million)	<ul style="list-style-type: none"> Installation of safety sensors in small vulcanizing molding machines Workplace environmental monitoring Annual inspections of cranes, forklifts, etc. Anti-heatstroke supplies
4. EagleBurgmann Japan's Niigata Plant (¥6 million)	<ul style="list-style-type: none"> Installation of oxygen concentration meters and gas leak detectors Regular alarm recalibration LPG supply system upgrade Annual inspections

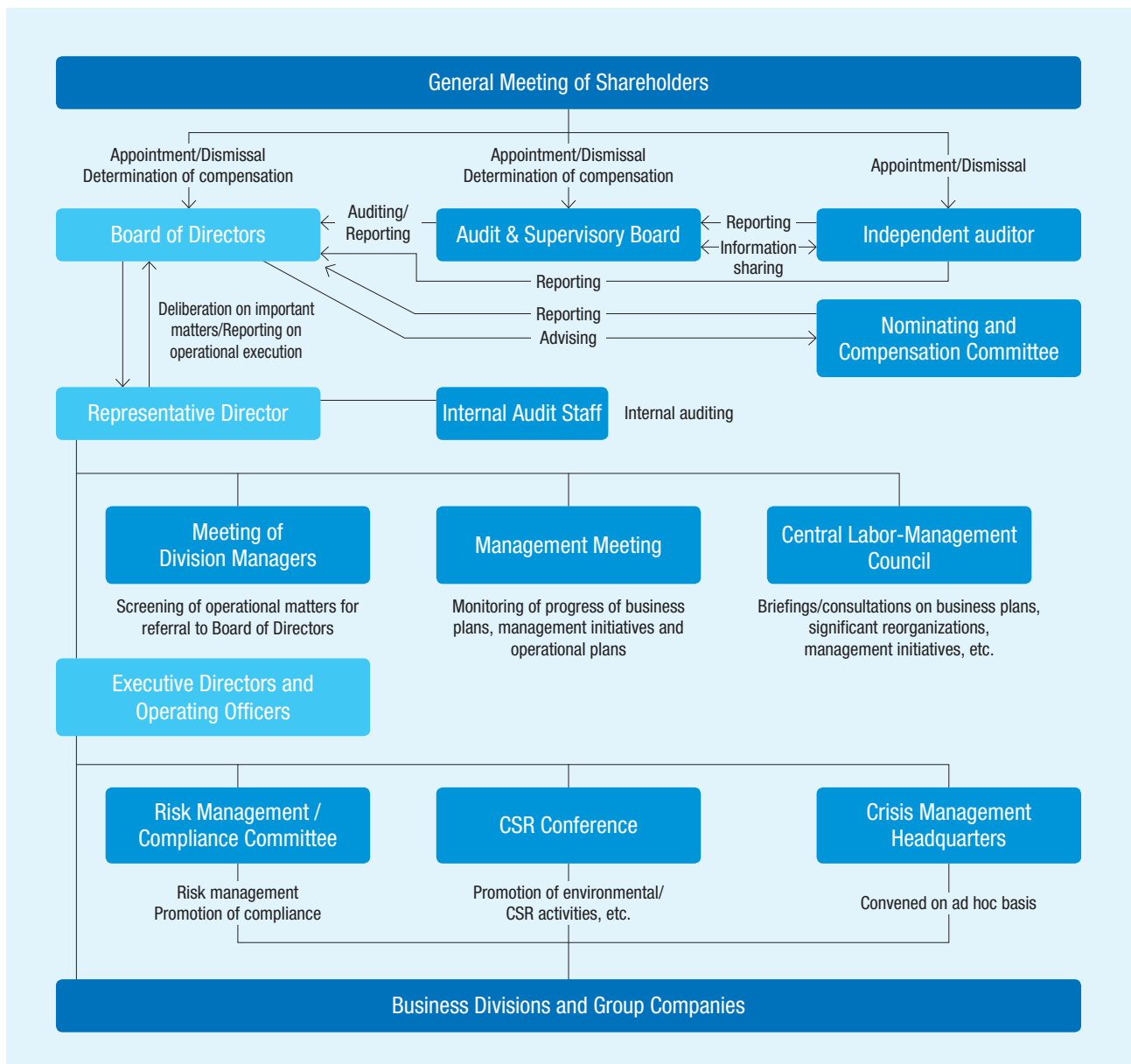
G

Governance

The EKK Group has built a corporate governance regime optimized to its

1 Basic Stance on Corporate Governance

The EKK Group's basic management tenets are that a company (1) belongs to not only shareholders but also its employees and society, (2) should generate profit and pride for all stakeholders, including its customers, suppliers and lenders in addition to its employees and (3) must never pursue short-term profits at the expense of long-term interests. To live up to these tenets, the Group conducts business activities to continuously become a stronger, more profitable company by producing and achieving worldwide sales of unique and socially useful products backed by our technologies in accord with a spirit of compliance. The Group believes that building a corporate governance regime comprehensively optimized to the prevailing business environment and the specifics of its operations is essential as a foundation to support such operations.



2 Overview of and Rationale Behind Corporate Governance Regime

The Company has adopted the audit and supervisory board system as well as the operating officer system. It has fostered an atmosphere of lively, peer-to-peer discussion at Board of Directors' meetings, including feedback from Audit & Supervisory Board members exercising oversight of directors. Outside directors also function as an effective check on directors in the execution of their duties. The Audit & Supervisory Board is set up and configured as an oversight body independent of management. Audit & Supervisory Board members exercise full-spectrum oversight of the Company's operations by not only attending and participating in Board of Directors' meetings but also attending meetings of other key internal entities, including the Management Meeting and Meeting of Division Managers, and regularly conducting internal audits of not only the Company but also its affiliates. In light of such, the Company deems its corporate governance to be effective and accordingly elects to maintain the status quo.

Overview of Internal Entities Involved in Governance

Board of Directors

The Board of Directors generally meets monthly. It makes decisions on important matters and oversees operational execution.

Nominating and Compensation Committee

The Nominating and Compensation Committee was established to advise the Board of Directors. The Committee comprises the Board chairman and outside directors. It regularly monitors matters of particular importance, mostly director and Audit & Supervisory Board member nominations and compensation, and appropriately advises the Board of Directors.

Meeting of Division Managers

The Meeting of Division Managers comprises directors, operating officers, division managers, business unit heads and their respective deputies. It meets monthly with standing Audit & Supervisory Board members in attendance to review operational matters and decide which, if any, to refer to the Board of Directors.

Management Meeting

The Management Meeting convenes regularly with directors, Audit & Supervisory Board members and operating officers in attendance, together with management personnel with a rank of section manager or above and labor union representatives. It monitors the progress of business plans, management initiatives and operational plans and discusses safety, environmental and quality issues.

Labor-management councils, etc.

Various committees comprising representatives of labor and management, including the Central Labor-Management Council, meet on an ad hoc basis for briefings on and discussions of matters such as business plans, significant reorganizations and management initiatives.

Risk Management / Compliance Committee

The Risk Management / Compliance Committee meets regularly to identify latent risks inherent in business activities and verify the effectiveness of safeguards against such risks. It also contributes to upgrading compliance by planning, discussing and making decisions on matters related to corporate ethics or legal/regulatory compliance with respect to issues that arise in the course of business operations. It has set up an internal whistleblower hotline within the Corporate Administration Division's Administration Department to field reports of illegalities in business activities. Handling of matters reported by internal whistleblowers is outsourced to external attorneys independent of the Company. The Committee regularly reports to the Board of Directors on the status of its activities.

Crisis Management Headquarters

The Crisis Management Headquarters is staffed by the Company president and division managers to coordinate responses to emergencies arising from business-related risks. It is empowered to swiftly and appropriately respond when any such emergency occurs.

CSR Conference

The CSR Conference meets twice annually with a Group-wide purview. Individual plants hold their own CSR conferences monthly to monitor the status of environmental, health, safety and other activities.

Internal audit staff

Internal audit staff organized by the Company president compile and update regulations on individual departments' operations, augment internal control systems' foundations, regularly audit internal departments and Group companies and upgrade internal controls.

G Governance

3 Outside Directors and Outside Audit & Supervisory Board Members

(1) Outside Directors

Reason for Appointment and FY2019 Attendance at Board of Directors' Meetings	
Kensaku Hogen	Mr. Hogen was appointed as an outside director to advise the Company on its business activities from an objective, broad and high-level perspective based on his wealth of experience and expertise in foreign diplomacy. He attended all 14 Board meetings held in FY2019 and appropriately made necessary comments during deliberations of proposals.
Makoto Fujioka	Mr. Fujioka was appointed as an outside director to advise the Company on its business activities from an objective, broad and high-level perspective based on his wealth of experience and expertise in industrial policy and foreign diplomacy. He attended all 14 Board meetings held in FY2019 and appropriately made necessary comments during deliberations of proposals.

(2) Outside Audit & Supervisory Board Members

Reason for Appointment and FY2019 Attendance at Audit & Supervisory Board Meetings	
Yoshitsugu Mori	Mr. Mori was appointed as an outside Audit & Supervisory Board member to apply to the Company's oversight functions his broad knowledge of and experience in finance and accounting at NOK Corporation, a major shareholder and customer of the Company. He attended all 14 Board meetings and all 11 Audit & Supervisory Board meetings held in FY2019 and appropriately made necessary comments during deliberations of proposals.
Nozomu Maehara	Mr. Maehara was appointed as an outside Audit & Supervisory Board member to apply to the Company's oversight functions his broad knowledge of and experience in sales and management at NOK Corporation, a major shareholder and customer of the Company. He attended all 10 Board meetings and all eight Audit & Supervisory Board meetings held in FY2019 after he had assumed his position on June 25, 2019, and appropriately made necessary comments during deliberations of proposals.
Atsushi Kajitani	Mr. Kajitani was appointed as an outside Audit & Supervisory Board member to incorporate his input into the Company's oversight functions to benefit from his broad perspective spanning all facets of management based on his expertise as an attorney and extensive corporate-law experience and knowledge. He attended 13 of 14 Board meetings and 10 of 11 Audit & Supervisory Board meetings held in FY2019 and appropriately made necessary comments during deliberations of proposals.

Note: Yoshitsugu Mori vacated his position as an outside Audit & Supervisory Board member when his appointment expired at the conclusion of the Company's Annual General Meeting of Shareholders held on June 24, 2020.

4 Nominating and Compensation Committee Activities

To increase objectivity and transparency around director and Audit & Supervisory Board member nomination and compensation-setting processes in accord with Japan's Corporate Governance Code, the Company has established a Nominating and Compensation Committee comprising the chairman of the Board of Directors and outside directors as an advisory body of the Board of Directors. It regularly monitors matters of particular importance, mostly director and Audit & Supervisory Board member nominations and compensation, and appropriately advises the Board of Directors.

Overview of Activities in FY2019

Month	Actions
Feb.	Nominations: Director appointment/dismissal standards and succession plan reviewed Compensation: Compensation scheme reviewed
May	Nominations: Nominees individually vetted Compensation: Director compensation amounts reviewed

5 Director and Audit & Supervisory Board Member Compensation

● Directors and Audit & Supervisory Board Members' FY2019 Compensation

Position	Total compensation (millions of yen)	Total compensation by type (millions of yen)		No. of eligible recipients
		Base compensation	Performance-based compensation	
Directors	198	193	5	6
ASB* members	42	41	0	3
Outside directors/ASB members	13	13	0	6

* Audit & Supervisory Board

● Policies to determine details of remuneration and methods there of

The Board of Directors sets the Company's policies regarding directors and Audit & Supervisory Board members' compensation as follows. To increase objectivity and transparency around director and Audit & Supervisory Board member nominations and compensation, the Company has established a Nominating and Compensation Committee comprising the chairman of the Board of Directors and outside directors as an advisory body of the Board of Directors. It regularly monitors matters of particular importance, mostly director and Audit & Supervisory Board member nominations and compensation, and appropriately advises the Board of Directors.

● Policies

The Company has adopted a compensation scheme for directors and Audit & Supervisory Board members that enables it to recruit and retain highly qualified individuals and incentivize them to improve the Group's operating performance and increase shareholder value.

● Policies on Director's remuneration

In light of directors' responsibility to both improve fiscal-yearly operating performance and drive medium- to long-term growth in shareholder value, their compensation consists of a combination of base compensation and performance-based compensation. The former is paid in a fixed sum; the latter embeds expectations of long-term performance.

The performance-based compensation is paid in the form of Company stock purchased in monthly fixed-value installments and held for the duration of directors' respective tenures by the Eagle Industry Officer Stock Ownership Association. Amounts of stock granted to directors are determined based on a multitude of factors, including listed companies' performance-based compensation norms by seniority rank in addition to company performance, dividend level, employee compensation and any concurrently held positions at consolidated subsidiaries.

● Policies on Audit & Sapervisory Board member's remuneration

All Audit & Supervisory Board members receive rank-based base compensation in light of their responsibility for Group-wide oversight of operational execution. Additionally, standing Audit & Supervisory Board members receive performance-based compensation for fulfilling their responsibility to contribute to improving operating performance from a different standpoint than that of directors.

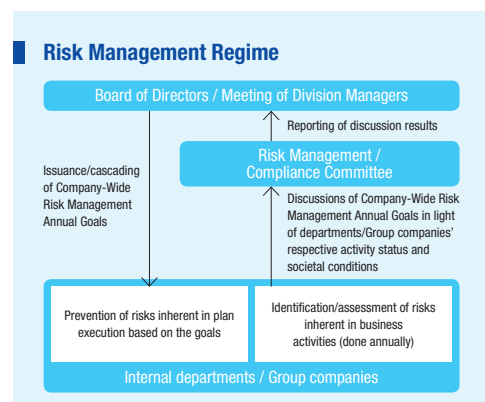
6 Risk Management and Compliance

● Risk Management Regime

The Company formulates and implements Risk Management Policies and Risk Management Regulations on an ongoing basis to identify latent risks inherent in business activities, prevent their manifestation and effectively respond when emergencies occur. It has also established a Risk Management / Compliance Committee, which discusses Company-Wide Risk Management Annual Goals on a fiscal-yearly basis in addition to identifying and assessing risks in internal departments and Group companies and organizationally promoting risk prevention. After being reported to the Board of Directors and Meeting of Division Managers, the goals are cascaded down to internal departments and Group companies.

● Compliance Regime

The Company has prescribed EKK Compliance Rules and EKK Employee Compliance Code of Conduct and established rules of conduct encompassing all Group employees. At certain times during every fiscal year, it conducts educational activities aimed at promoting awareness and understanding of compliance. Additionally, the Company has implemented safeguards to prevent improprieties in its business operations and systems to collect information on legal/regulatory compliance, including deployment of internal auditing and compliance staff in Group companies globally and availability of internal and external whistleblower hotlines to employees throughout the Group.



Transition of Major Financial and Non-Financial Data

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Net sales	Millions of yen	138,150	143,396	140,594	150,815	149,361	142,106
Operating income	Millions of yen	14,493	13,971	11,120	11,732	9,755	5,772
Ordinary income	Millions of yen	16,750	14,858	12,163	13,883	11,703	6,766
Profit attributable to owners of the parent	Millions of yen	9,510	9,199	7,290	10,401	7,032	2,907
Total net assets	Millions of yen	74,786	72,402	74,484	85,280	88,886	82,019
Total assets	Millions of yen	156,443	154,807	160,658	166,461	172,433	166,800
Net assets per share	Yen	1,366.47	1,343.99	1,387.72	1,602.88	1,665.52	1,524.62
Earnings per share	Yen	197.00	189.71	149.46	212.56	143.35	59.24
Equity ratio	%	42.2	42.3	42.2	47.2	47.4	44.9
Return on equity (ROE)	%	15.6	14.0	10.9	14.2	8.8	3.7
Net cash provided by operating activities	Millions of yen	14,086	18,177	16,058	11,814	14,614	16,043
Net cash used in investing activities	Millions of yen	(12,652)	(13,627)	(11,248)	(8,566)	(14,325)	(10,888)
Net cash used in financing activities	Millions of yen	(2,044)	(2,774)	(2,728)	(2,746)	(707)	(4,064)
Cash and cash equivalents at end of period	Millions of yen	17,911	18,069	19,799	20,422	19,733	20,089
Number of employees (consolidated)	Persons	5,331	5,785	6,070	6,400	6,482	6,594
Number of employees (non-consolidated)	Persons	897	1,008	1,044	1,063	1,076	1,097
Average age (non-consolidated)		40.8	40.6	40.6	40.4	40.6	39.4
Average years of service (non-consolidated)		16.2	15.4	15.4	15.1	15.6	14.8
Average salary (non-consolidated)	Thousands of yen	7,408	7,467	7,467	7,455	7,647	7,581

Consolidated Financial Statement (FY2018 and FY2019)

Consolidated Balance Sheets

(Millions of yen)

	FY2018	FY2019
Assets		
Current assets	81,744	80,567
Cash and deposits	21,349	21,438
Notes and accounts receivable—trade	28,669	27,152
Inventories	22,046	22,568
Other	9,679	9,408
Noncurrent assets	90,688	86,232
Property, plant and equipment	63,614	61,934
Buildings and structures	21,894	23,666
Machinery, equipment and vehicles	23,481	24,755
Other	18,237	13,512
Intangible assets	5,601	4,635
Investments and other assets	21,473	19,663
Investment securities	13,476	11,365
Other	7,996	8,297
Total assets	172,433	166,800
Liabilities		
Current liabilities	41,456	41,208
Accounts payable—trade	7,945	7,503
Electronically recorded obligations—operating	2,907	3,031
Short-term loans payable	14,505	14,442
Income taxes payable	2,059	1,207
Provision for bonuses	2,509	2,603
Other	11,528	12,420
Noncurrent liabilities	42,091	43,572
Long-term loans payable	23,391	22,690
Net defined benefit liability	16,681	18,890
Other	2,018	1,991
Total liabilities	83,547	84,780
Net assets		
Shareholders' equity	88,285	88,320
Capital stock	10,490	10,490
Capital surplus	11,310	11,310
Retained earnings	66,708	66,745
Treasury stock	(224)	(225)
Accumulated other comprehensive loss	(6,532)	(13,485)
Valuation difference on available-for-sale securities	470	292
Foreign currency translation adjustment	(2,414)	(8,095)
Remeasurements of defined benefit plans	(4,588)	(5,682)
Minority interests	7,133	7,184
Total net assets	88,886	82,019
Total liabilities and net assets	172,433	166,800

Consolidated Statements of Income

(Millions of yen)

	FY2018	FY2019
Net sales	149,361	142,106
Cost of sales	113,910	111,315
Gross profit	35,450	30,790
Selling, general and administrative expenses	25,695	25,018
Operating income	9,755	5,772
Non-operating income	2,897	2,413
Non-operating expenses	949	1,419
Ordinary income	11,703	6,766
Extraordinary income	37	30
Extraordinary loss	260	260
Income before income taxes	11,480	6,536
Income taxes	3,230	2,474
Profit	8,249	4,061
Profit attributable to non-controlling interests	1,216	1,153
Profit attributable to owners of the parent	7,032	2,907

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018	FY2019
Net cash provided by operating activities	14,614	16,043
Net cash used in investing activities	(14,325)	(10,888)
Net cash used in financing activities	(707)	(4,064)
Effect of exchange rate change on cash and cash equivalents	(270)	(1,000)
Net increase (decrease) in cash and cash equivalents	(689)	89
Cash and cash equivalents at beginning of period	20,422	19,733
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	265
Cash and cash equivalents at end of period	19,733	20,089

Note: The amounts shown have been rounded down to the nearest million yen.

Domestic

Production and Sales Companies [11]

Automotive and Construction Machinery Industries

- Okayama Eagle Co., Ltd.
 - Shimane Eagle Co., Ltd.
 - Hiroshima Eagle Co., Ltd.
- and 2 companies

General Machinery Industry

- EagleBurgmann Japan Co., Ltd.
- Eagle Industry Hokkaido Co., Ltd.

Semiconductor Industry

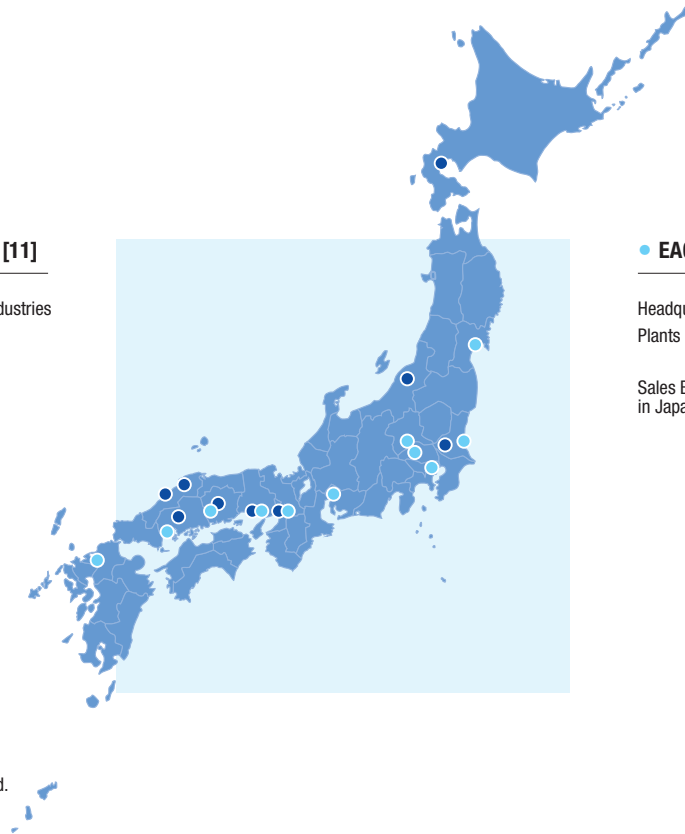
- ESM Co., Ltd.

Marine Industry

- Eagle Highcast Co., Ltd.

Aerospace Industry

- Valcom Co., Ltd.
- Eagle Engineering Aerospace Co., Ltd.



● EAGLE INDUSTRY CO., LTD.

Headquarters	Tokyo
Plants	Saitama, Okayama, Takasago, Kure
Sales Branches in Japan	Sendai, Mito, Kitakanto, Tokyo, KEMEL Tokyo, Nagoya, Osaka, Kobe, KEMEL Kobe, Hiroshima, KEMEL Hiroshima, Kyushu

Overseas

Production and Sales Companies [27]

Automotive and Construction Machinery Industries

- Eagle Industry Taiwan Corporation
 - NEK Co., Ltd.
- and 9 companies

General Machinery Industry

- EagleBurgmann India, Pvt. Ltd.
 - EagleBurgmann Australia Pty. Ltd.
- and 14 companies

Sales and Service Companies [40]

Automotive and Construction Machinery Industries

- EKK Sales Europe B.V.
 - Eagle Industry Sales (Shanghai) Co., Ltd.
- and 2 companies

General Machinery Industry

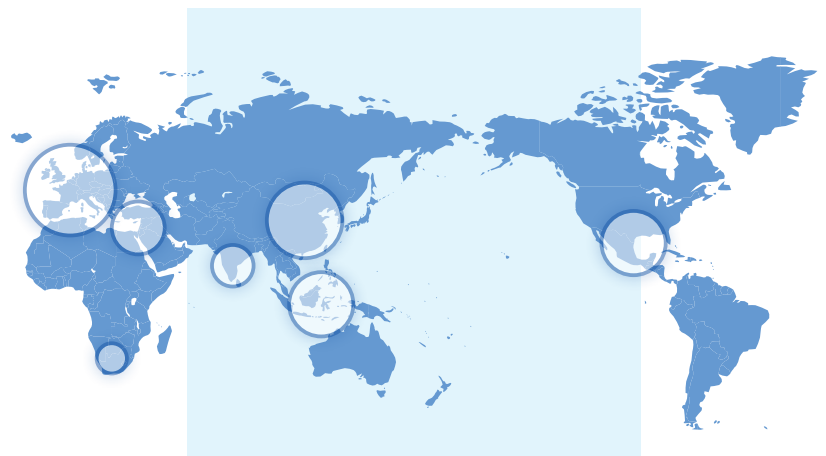
- EagleBurgmann France S.A.S.
 - EagleBurgmann Italia s.r.l.
- and 28 companies

Marine Industry

- KEMEL Europe, Ltd.
 - KEMEL USA Inc.
- and 2 companies

Aerospace Industry

- Aerospace Research & Trading Inc.
- and 1 company



Others [12]

Automotive and Construction Machinery Industries

- EKK, Inc.
- and 4 companies

General Machinery Industry

- EBI Asia Pacific Pte. Ltd.
 - EBI Asia Pte. Ltd.
 - EagleBurgmann Atlantic GmbH (Germany)
 - EagleBurgmann Middle East GmbH (Germany)
- and 3 companies

● Consolidated subsidiaries ● Affiliated companies accounted for under the equity method



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