



Environmental

Philosophy

As a member of society, the EKK Group believes that its corporate responsibility is to work toward the realization of a sustainable society.

More than ever, companies are required to address various global environmental issues such as climate change, resource recycling, water resource conservation and biodiversity preservation.

The Group is committed to the preservation of the global environment through the development and sale of environmentally friendly products, as well as through production and other business activities.

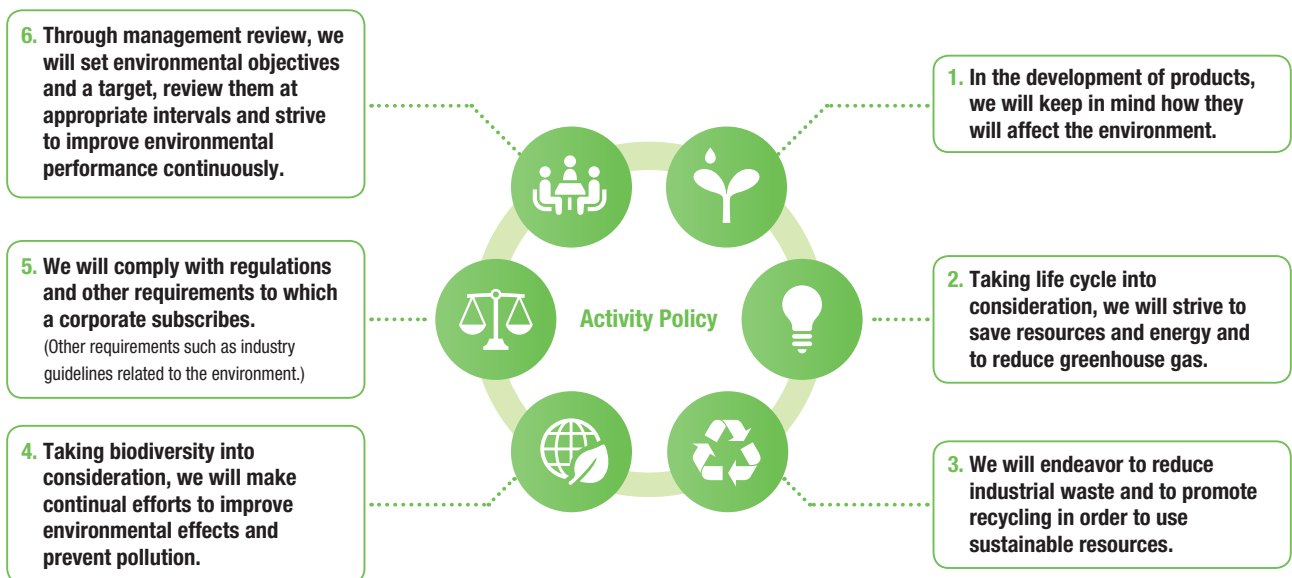
Environmental Management

The EKK Group conducts environmental preservation activities in accord with its environmental policy. All subsidiaries in Japan are ISO 14001-certified and participate in an integrated environmental management system.

Environmental Policy

Basic Concept

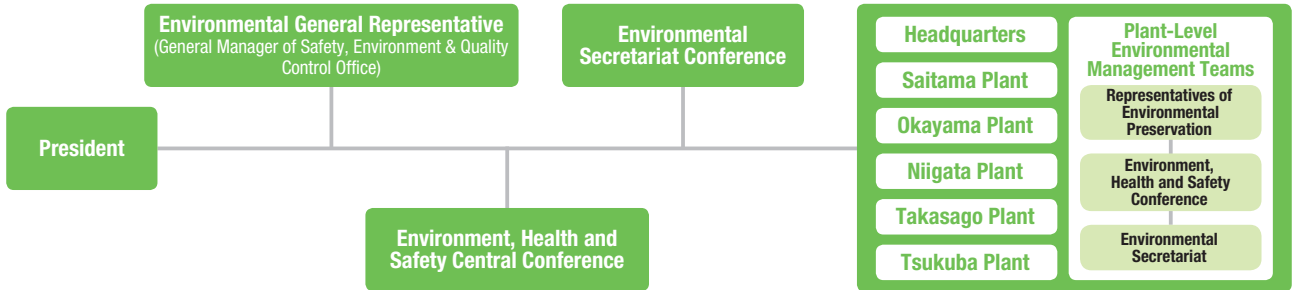
Considering that a corporate is a part of society and Seal products, Precision products including valve and metal application product, and Accumulators manufactured by our company can contribute to the environment by preventing pollution and saving energy, Eagle Industry Co., Ltd. and its affiliated 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 Regime

The Environment, Health and Safety Central Conference, chaired by the president, meets twice annually to conduct management reviews of environmental preservation activities.

Environmental Management Organization Chart



Compliance with Environmental Laws and Regulations

We believe that each employee must be aware of environmental laws and regulations to comply with these laws and regulations, and in FY2022 we began our Environmental Laws and Regulations Education program. We have launched this program with a fundamental course, where all employees are provided with training to convey the importance of compliance with environmental laws and regulations and to improve their awareness. In the future, we will launch this educational program including specialized knowledge and integrate into our environmental management system.



Education on environmental laws and regulation in progress

The EKK Group annually identifies environmental laws and regulations that pertain to its operations and verifies its compliance with them semiannually. No environmental accidents that would constitute a regulatory violation occurred in FY2022. There were two incidents that required simple inspections of machinery containing chlorofluorocarbons (CFCs).

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.

Environmental Internal Audits and Patrols

All organizational units are internally audited annually. Some 300 employees are certified internal auditors. Internal auditors undergo a training program before starting to audit. We are also promoting internal audits across business units to improve the skills of internal auditors and the accuracy of audits.

Additionally, environmental patrols are conducted annually at all domestic production sites. Staff from the Safety, Environment & Quality Control Office's and Safety & Environment Management Department visit production sites to inspect frontline operations (management of, e.g., industrial waste, oil and chemicals) and provide guidance.

Environmental Education and Consciousness-Raising

All employees receive environmental awareness education annually. Awareness education uses a uniform curriculum on a Group-wide basis to share the EKK Group's environmental preservation philosophy and initiatives while also including topical environmental content.

Additionally, environmental performance metrics, including electric power consumption, are disclosed on an intranet portal site to help raise employees' environmental consciousness.



Excerpt from the FY2022 environmental awareness education textbook

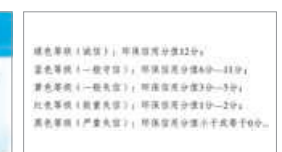
Environmental Communication

China-based Eagle Industry (Wuxi) Co., Ltd. (EIW) was commended for its environmental management efforts in FY2021 and FY2022 with an environmental protection model enterprise award by the city of Wuxi. EIW was one of 53 companies to receive this award, selected from approximately 100,000 industrial corporations in Wuxi.

EIW received this award for achieving two years of no environmental violations or complaints. The award is valid for two years, and brings EIW's dynamic credit rating to a perfect score, achieving the highest ranking of "Green."



EIW's credit rating



Credit rating criteria



Environmental

Countermeasures against Climate Change

Social Context

Torrential rains, tropical cyclones, droughts and other severe weather occurring around the world have heightened concerns over climate change. The Paris Agreement requires companies to reduce greenhouse gases (GHGs) and adapt to climate change, adopt sustainable business models and prioritize climate change action.

Japan has also issued a declaration for carbon neutrality by 2050, showing moves toward decarbonization.

Risk management for climate change is critical because natural disasters and stronger regulations may present potential impacts on business continuity and supply chains.

To fulfill their environmental responsibilities, companies need to reduce GHG emissions, improve energy efficiency and adopt renewable energy sources.

EKK Group Policy

As a global company, we recognize that addressing climate change is an important issue that must be addressed globally, and we are working to achieve carbon neutrality by 2050 in order to build a sustainable society. In accordance with the Task Force on Climate-related Financial Disclosures (TCFD) requirements, we analyze the impact climate change has on the Company and work to integrate measures against climate change into our management strategies. In addition, we are actively working to reduce CO₂ emissions by improving energy efficiency and actively adopting renewable energy.

Governance

Recognizing that climate change is an important matter influencing management, the EKK Group has established the Sustainability Committee under the Board of Directors, which deliberates on climate change and reports its findings to the Board of Directors, creating a system ensuring appropriate supervision by the Board.

The Sustainability Committee is not only responsible for climate change; it also organizes, makes decisions and conducts evaluation and management with regard to other important issues (materiality) for the sustainable growth of the Group, and reports the results of these activities to the Board of Directors. In addition, the Environment, Health and Safety Central Conference checks on how environmental management activities and health and safety activities are being promoted in business activities.



Strategy (Scenario Analysis to Examine Risks and Opportunities)

As a first step toward achieving the goal of the Paris Agreement (to limit the temperature increase to below 2°C by the end of the 21st century) in alignment with the TCFD recommendations, the EKK Group has identified climate-related risks and opportunities based on two scenarios: the “below 2°C scenario,” with accelerated technological innovation on GHG reductions and tightened emission regulations by governments, and the “4°C scenario,” in which these initiatives remain at their current levels.

In our medium- to long-term business roadmap, we will accelerate expanding our ratio of renewable energy use and reducing CO₂ in our production processes toward a decarbonized society. Furthermore, we will expand sales of environmentally friendly products targeting the next-generation mobility and energy markets, which we have been promoting for some time.

In addition, we see our response to the risks posed by climate change in our business activities as an opportunity to generate significant business through the creation of new technologies, and we will continue our efforts to enhance our corporate value over the medium to long term.

Scenario	Future state	Risks	Opportunities
Below 2°C scenario	GHG emissions are reduced in line with the goals of the Paris Agreement through progress in energy conservation and decarbonization technologies and stronger corresponding policies	<ul style="list-style-type: none"> • Raw fuel and raw material costs rise due to more stringent environmental taxation (higher carbon prices) • Cost burdens increase due to introduction of technologies to comply with stricter GHG emission regulations • Sales decrease in products for internal combustion engine automobiles and products for petroleum refining and petrochemical plants due to decreased use of fossil fuels 	Sales expand for environmentally friendly products targeting the next-generation mobility and energy markets
4°C scenario	GHG emissions continue on current trajectory	<ul style="list-style-type: none"> • Facilities suffer damage and business activities are interrupted due to intensifying natural disasters • Costs rise for business continuity management measures 	<ul style="list-style-type: none"> • Sales and demand increase for equipment and products for disaster recovery due to extreme weather • Sales continue for existing product lines

Risk Management

The EKK Group recognizes that the assessment and management of the risks and opportunities posed by climate change are issues influencing its business activities. With this in mind, the Group has established the Sustainability Committee under the Board of Directors, which deliberates on climate change and reports its findings to the Board of Directors, creating a system ensuring appropriate supervision by the Board.

In FY2022, the existing Risk Management/Compliance Committee was integrated into the Sustainability Committee. Since then, the committee has also taken a risk management perspective in identifying risks associated with climate change in our business activities, working to ensure that climate change initiatives permeate throughout the entire Group.



Environmental

Metrics and Targets (FY2022 Performance)

Our CO₂ emissions in FY2022 were 20% lower globally than in FY2018, and are on track to achieve planned levels.

As a global company, we have positioned the achievement of a decarbonized society as an important issue and are targeting carbon neutrality by 2050. To achieve this, we will develop environmentally friendly products that conserve energy and reduce environmental burden, and promote the adoption of renewable energy and power conservation in our production processes.

CO ₂ reduction targets (for Scope 1 and Scope 2)	2030 target	2050 target
Japan	50% reduction vs. FY2018	Carbon neutrality
Overseas	30% reduction vs. FY2018	

Specific Actions

In the EKK Group, in addition to CO₂ reduction activities in processes, such as centralized dust collection and measures to prevent air leaks in factory facilities, we are also promoting activities such as switching to LED office lights and streetlights.

Since FY2021, we have also submitted responses to the CDP Climate Change Questionnaire, disclosing our climate change efforts.



At our production plants, we are improving our energy efficiency by replacing HVAC systems and compressors with more energy-efficient models, switching to LED lighting and sealing compressed air leaks.

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.

We are also working to adopt sustainable energy sources and have installed solar power generation systems as a means of mitigating global warming. In addition, we have signed an electricity agreement with less CO₂ emissions with an electric utility company, resulting in a significant reduction in energy consumption per unit. We will continue to promote technological advances and more effective initiatives to fulfill our responsibility to the global environment.



Solar panels at Eagle Industry Co., Ltd.'s Okayama Plant

Preservation of Water Resources

Social Context

Sustainable water resource management is an essential undertaking in today's society, which faces intensifying water scarcity and water stress due to industrial development, population growth and the effects of climate change. Urban areas require extensive water supply and purification infrastructure, as well as proper water management. Climate change is also having a major impact on precipitation patterns and water circulation, leading to serious problems and even health issues in some regions and developing countries from water stress and water poverty. Addressing these water risks and pursuing a sustainable society will become increasingly important issues in corporate activities.

EKK Group Policy

We are committed to protecting water resources by monitoring and reducing water use in our product manufacturing processes and improving wastewater treatment. Furthermore, we assess water-related risks that vary from country to country and region to region, and take actions to protect water resources accordingly.

Targets and Performance

In FY2022, the EKK Group's water withdrawal reached approximately 229,000 m³ thanks to its water withdrawal management and reduction efforts. In our production processes, we reduced water withdrawal by installing reduced-pressure distillation equipment and optimizing the water flow in the rinsewater tank. To address global concerns about water risk, we have set a clear three-year (FY2022 to FY2025) target of domestic water use below the three-year average. Furthermore, we will curb increases in water withdrawal globally by monitoring water use amounts overseas. To meet the aforementioned target, we will actively promote activities to reduce water withdrawal and promote the protection of water resources.

Water Risk Assessments

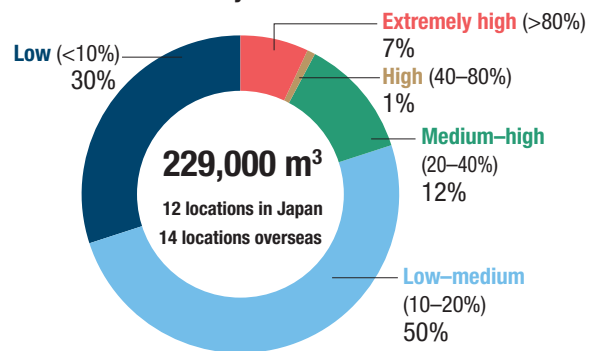
Appropriate water withdrawal management and maintaining a balance between supply and demand are essential elements of our business activities and our objective to ensure the sustainability of water resources.

By appropriately managing water withdrawal and assessing risks, we not only minimize environmental impacts but also ensure equitable access to and use of local water resources and fulfillment of legal and regulatory obligations. If water withdrawal activities adversely affect water sources and local water circulation, they may have a serious impact on livelihoods and economic activities in local communities. At the EKK Group, we conduct regular water risk assessments to take responsibility for the environment.

Using Aqeduct, a water risk assessment tool provided by the World Resources Institute (WRI) to effectively handle water-related risks, we investigated water stress conditions at our global production sites. The results of this investigation are as follows.

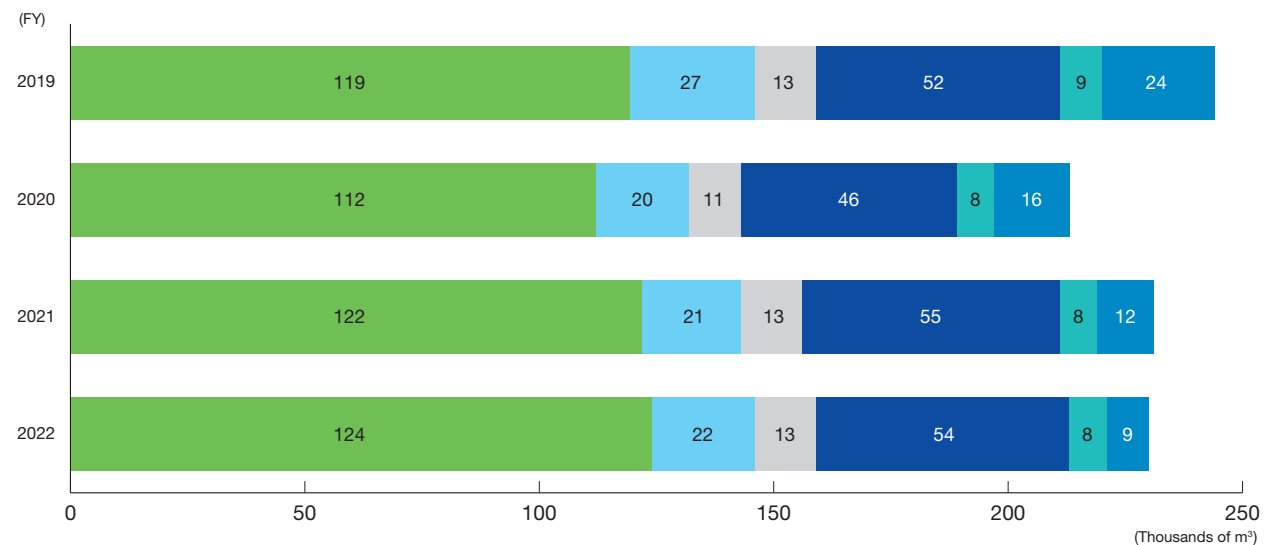
Water stress	(Thousands of m ³)		
	FY2020	FY2021	FY2022
Extremely high (>80%)	5	6	15
High (40–80%)	4	4	3
Medium-high (20–40%)	11	11	28
Low-medium (10–20%)	109	120	116
Low (<10%)	45	44	68

Water Withdrawal Ratio by Water Stress Level



Water Resource Input

Japan China Korea Asia, other (e.g., ASEAN, India) Europe North America





Environmental

Specific Activities

In this section, we will introduce some of the EKK Group's efforts to reduce water use, specifically those in areas with particularly high water stress.

1. Installing reduced-pressure distillation equipment (Netherlands)

We have installed vacuum distillation equipment (which distills in a vacuum and at low temperature (40°C)) to ensure water used in processes is clean enough to be reused in other internal processes.

This equipment has enabled us to reuse 80% to 90% of water in our internal processes.



2. Ultrasonic cleaning equipment (Netherlands)

Ultrasonic cleaning equipment used to clean metal-stamped parts is equipped with an independent buffer tank.

This independent buffer tank has a filtration system and a double oil skimming unit capable of removing oils with density of up to 1 gr/cm³ and more than 1 gr/cm³.

The introduction of additional skimming/filter units has significantly extended cleaning solution lifespans.



3. Reusing treated wastewater (Mexico)

We are reducing water use by efficiently harnessing water used in processes and by taking actions to reuse purified water for toilets and irrigating green areas.

Water reuse for irrigating green spaces began in September 2021, and reuse for toilets began in June 2022.



4. Automating processes (India)

By switching from manual to mechanized cleaning for the parts periodically replaced in our processes, we significantly reduced water use from 1,000 liters/month to 200 liters/month.

Industrial Waste Reduction/Recycling

Social Context

Calls for a circular economy are growing to protect the world's limited resources.

Reducing waste is also an initiative that contributes to mitigating global warming because it leads to a reduction in CO₂ generated from waste incineration.

EKK Group Policy

We are working to reduce and recycle industrial waste in order to conserve limited resources and contribute to the formation of a circular economy.

Targets and Performance

Our recycling ratios have shown improvements for the last three years, at 88.2% in FY2020, 93.7% in FY2021 and 96.4% in FY2022.

In addition to the existing environmental target of a recycling ratio of at least 98%, we have set a new target in FY2023 of curbing the increase in industrial waste emissions (emission volume and unit emissions below the three-year average) and are working to reduce waste and improve our recycling ratio from FY2023 toward a new target.

Specific Activities

Some industrial waste that contains substances that preclude recycling is disposed of in landfills. We are analyzing such waste in detail and recycling the waste we can first.

Preservation of Biodiversity

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.

We also endorse the Declaration of Biodiversity and Action Guidelines by the Keidanren (Japan Business Foundation) Declaration on Biodiversity and Action Guidelines and will continue to engage in biodiversity-conscious business activities to help realize a sustainable society.

Environmental Objectives/Targets and Outcomes

(Results of FY2022 activities and FY2023 targets)

Priority	FY2022 target(s)	FY2022 outcome(s)	Pass/ Fail	FY2023 target(s)
Environmentally friendly products	Develop and expand sales of environmentally friendly products in light of environmental impacts	Proceeded with product development and sales expansion in accord with design and sales departments' plans	Pass	Continue development of environmentally friendly products and expansion of their sales
Countermeasures against climate change	Make energy usage visible and reduce unit CO ₂ emissions by at least 1% YoY	Reduce unit CO ₂ emissions by 7.1% YoY	Pass	CO ₂ emissions Reduce by 36.7% vs. FY2018 (by 2030, reduce by 50% vs. FY2018; by 2050, achieve carbon neutrality) Energy consumption per unit (CO ₂ equivalent): Reduce by at least 1% from the five-year average Work to visualize energy usage Continue to respond to the CDP Climate Change Questionnaire
		Adopt electricity monitoring equipment at some locations	Pass	
	Expand adoption of renewable energy	Expand adoption of solar power generation	Pass	
	Promote efforts toward carbon neutrality	Set and disclose carbon neutrality targets	Pass	
Industrial waste reduction/recycling	Explicitly quantify industrial waste volumes and promote more recycling while maintaining a recycling rate of at least 98%	96.4% recycling rate	Fail	At least 98% recycling rate
		Started recycling a portion of sludge previously disposed of in landfills	Pass	Curb the increase in industrial waste emissions (emission volume and unit emissions below the three-year average)
Preservation of water resources	Protect water resources in accord with plant sites' features	Monitored water use	Pass	Curb the increase in water use (total use below the three-year average)
Preservation of biodiversity	Manage vegetation in accord with plant sites' features	Managed plant sites' greenery and monitored sites for growth of invasive alien plant species	Pass	Manage plant sites' greenery areas and vegetation in accord with environmental laws and regulations
Compliance with laws, regulations, etc.	Comply with environmental laws and regulations, including regulations on products' chemical content	99.3% compliance with environmental laws and regulations	Fail	Comply with environmental laws and 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 the 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 the intranet portal site	Pass	



Environmental

Environmental Data

Input

Data item	Scope of data	FY2020	FY2021	FY2022
Gasoline	Japan	88	81	82
	Overseas	41	51	32
Light oil	Japan	17	15	21
	Overseas	68	70	77
Kerosene	Japan	26	27	30
	Overseas	7	7	4
LPG	Japan	469	474	465
	Overseas	80	87	50
City gas	Japan	26	29	28
	Overseas	157	252	214
Electricity	Japan	70	72	69
	Overseas	65	74	72
Total water withdrawal	Japan	299	321	329
	Overseas	159	164	131
Tap water	Japan	112	121	124
	Overseas	62	62	106
Industrial water including surface water and subsoil water from waterways, etc.	Japan	59	64	68
	Overseas	55	61	12
Groundwater	Japan	128	136	137
	Overseas	42	41	13
Other water used External discharge, rainwater, seawater, etc.	Japan	0	0	0
	Overseas	0	0	0

[Scope of data collection] Fuel and electricity: EKK Group headquarters, production plants, sales offices
Water withdrawal: EKK Group production plants

Output

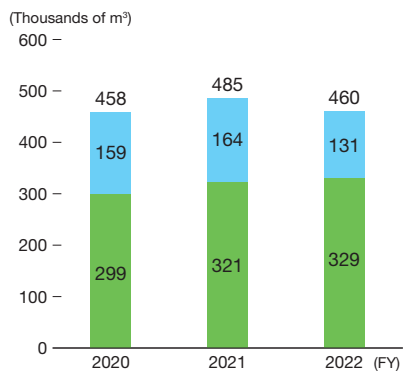
Data item	Scope of data	FY2020	FY2021	FY2022
CO ₂ emissions	Japan	41.1	38.1	35.4
	Overseas	35.7	39.5	38.5
Scope 1	Japan	1.8	1.8	1.8
	Overseas	0.9	1.1	0.9
Scope 2	Japan	39.3	36.2	33.7
	Overseas	34.8	38.4	37.6
CO ₂ emissions per production value	Japan	0.51	0.50	0.45
	Overseas	0.75	0.75	0.72
Industrial waste	Japan	3.0	2.4	2.2
	Overseas	1.6	1.6	1.5
Recycling volume	Japan	2.2	2.1	2.0
	Overseas	0.6	0.6	0.8
Landfill disposal volume	Japan	0.7	0.3	0.2
	Overseas	0.8	0.8	0.7
Valuable resources	Japan	3.1	2.8	2.8
	Overseas	1.6	1.8	1.7
Volatile organic compound (VOC) emissions	Japan	57	59	57
	Overseas	33	35	40

[Scope of data collection] CO₂ emissions: EKK Group headquarters, production plants, sales offices
Industrial waste: EKK Group production plants
VOC emissions: EKK Group production plants

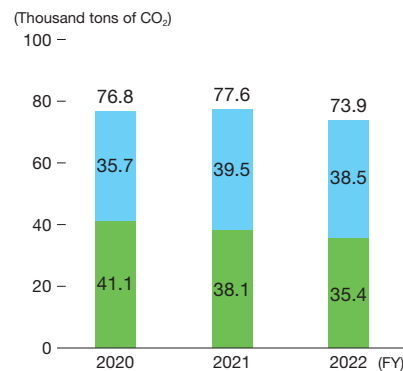
[Emission factors] Scope 1: Calculated based on Ministerial Ordinance on Accounting for Greenhouse Gas Emissions by Specified Emitters.
Scope 2: Calculated based on emission factors published by the respective electric utility.

* In cases where the factor for calculating FY2021 CO₂ emissions has not been published, the factor for FY2020's calculation was used.

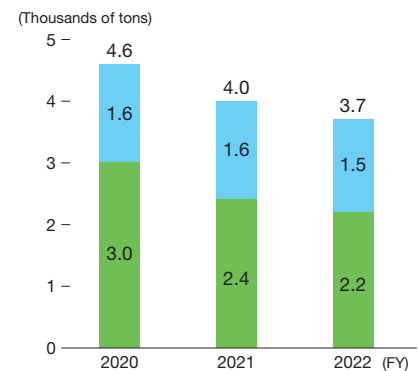
Total Water Withdrawal



CO₂ Emissions



Industrial Waste



Use of Renewable Energy

(MWh)

Electricity generated from solar power	Scope of data	FY2020	FY2021	FY2022
Amount of renewable energy generated on-site and consumed in-house	Japan	0	643	1,601
	Overseas	715	897	858

[Scope of data collection] EKK Group production plants

Breakdown of Scope 3 Emissions

(Thousand tons of CO₂)

Data item	FY2020	FY2021	FY2022
Category 1: Purchased goods and services	81.5	196.6	215.8
Category 2: Capital goods	11.1	10.5	14.6
Category 3: Fuel and energy related activities not included in Scope 1 or Scope 2	4.8	4.9	4.7
Category 4: Upstream transportation and distribution	4.3	9.1	9.2
Category 5: Waste generated in operations	0.7	0.7	1.0
Category 6: Business travel	0.5	0.5	0.5
Category 7: Employee commuting	1.5	1.5	1.6
Category 8: Upstream leased assets	0	0	0
Category 9: Downstream transportation and distribution	—	—	—
Category 10: Processing of sold products	—	—	—
Category 11: Use of sold products	—	—	—
Category 12: End-of-life treatment of sold products	—	—	—
Category 13: Downstream leased assets	0	0	0
Category 14: Franchises	0	0	0
Category 15: Investments	N/A	N/A	N/A

[Scope of data collection]
EKK Group business activities (in Japan)
[Emission factors]
Emission factors are used with reference to Policy on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain by the Ministry of the Environment.
Note: Categories 9, 10, 11 and 12 are not included because they are currently difficult to calculate.

Emissions/Transfers of Class-1 Chemical Substances as Designated by the PRTR

(Reported in FY2022)

(Tons)

Class-1 chemical substance	Ordinance No.	Emissions				Transfers	
		Into air	Into public waters	Into on-site soil	Landfilled on-site	To sewer system	To off-site
Total		4.40	0	0	0	0	2.52
Hexamethylenetetramine	258	0	0	0	0	0	0.91
Toluene	300	4.40	0	0	0	0	1.00
Phenol	349	0	0	0	0	0	0.61

[Scope of data collection]
EKK Group production plants (in Japan)

Environmental Investment

(Millions of yen)

	FY2020	FY2021	FY2022
Saitama	21	145	53
Okayama	22	26	110
Niigata	18	29	14
Takasago	4	0	0
Total	65	200	0

Number of ISO 14001-Certified Sites

(ISO 14001 certification ratio: 97.7%)

Certified sites of all sites	
Headquarters	1/1
Japan	12/12
Production plants	12/12
Sales offices	18/18
Overseas	12/13
Production plants	12/13

Sites in Scope of Data Collection

		FY2020	FY2021	FY2022
Headquarters		1	1	1
Japan	12	12	12	12
Production plants				
Sales offices		18	18	18
Overseas	13	13	13	13
Production plants				