



EAGLE INDUSTRY CO.,LTD.

EKK GROUP  
CORPORATE  
REPORT

2024



# 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

### • The EKK Group

Management Philosophy and Policy .....	2
History .....	4
Message from the President .....	6
Our Value Creation Process .....	8
Our Business Capital .....	10
Our Businesses .....	12
Medium-Term Management Plan .....	14
FY2023 Performance and Outlook by Segment .....	16
Basic Capital Policy .....	17

### • The EKK Group's ESG Initiatives

Our ESG Management .....	18
EKK Group Stakeholders .....	21
Environmental .....	22
Social .....	32
Corporate Governance .....	44
Compliance .....	52
Risk Management .....	53

### • Data and Corporate Information

Major Financial and Non-Financial Data .....	54
Corporate Data .....	56

# History

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 transportation 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 pressurized water reactor (PWR) nuclear power plants



Non-contact seals

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

**1982** ● Lists on the Second Section of the Tokyo Stock Exchange (TSE)



Lists on the Second Section of the Tokyo Stock Exchange (TSE)

**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 TSE

**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.

¥29.4 billion

¥15.2 billion

¥4.0 billion

Net sales

1960

1964

1970

1980

1990



**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 vacuum seals



Magnetic fluid vacuum 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. (presently, ESM Company) to expand semiconductor-related operations

**2022 ▶** Moved to the TSE Prime Market

**¥167.0 billion (FY2023)**

**¥91.9 billion**

**¥40.2 billion**

2000

2010

2020

# Message from the President

**Despite growing uncertainties in corporate management, we will continue building a sustainable corporate structure.**

## Review of FY2023

We extend our deepest condolences to those who lost their lives in the 2024 Noto Peninsula Earthquake that occurred on January 1 this year and their families, and our hearts go out to the many people affected by this disaster.

During the fiscal year ended March 31, 2024 (FY2023), the environment surrounding the EKK Group saw the U.S. economy remaining robust supported by strong domestic demand, but the overall outlook for the future became increasingly uncertain due to global inflation, monetary tightening policies, stagnation in the Chinese economy, and growing geopolitical risks.

The effects of this operating environment on the Group's business areas differed, depending on the industry. We recorded net sales of ¥167,042 million (up 6.1% year on year), operating profit of ¥8,107 million (down 12.5% year on year), share of profit of entities accounted for using equity method of ¥3,317 million, and foreign exchange gains of ¥1,630 million, resulting in an ordinary profit of ¥13,799 million (up 12.4% year on year) and profit attributable to owners of parent of ¥7,491 million (up 10.2% year on year).

## Progress of the Medium-Term Management Plan

The current fiscal year marked the first of three years of our new medium-term management plan. We find ourselves operating in an environment beset with growing factors of

uncertainty in corporate management, such as increased geopolitical risks due to ongoing conflicts in various regions of the world and prices of resources soaring in response. However, the global economy is generally showing signs of recovery, and our Group's businesses are steadily growing, particularly in the General Machinery Industry and Marine Industry segments, with the Group achieving record net sales and ordinary profit and profit attributable to owners of parent exceeding our initial plan.

In the Automotive and Construction Machinery Industries segment, which are our core businesses, the shares of hybrid and electric vehicles in the global automotive production have increased, and the electrification of compressors for car air-conditioners and other automotive accessories has progressed. Due to those factors, sales of our Group's existing products are expected to decrease, and it is urgent to respond to the once-in-a-century transformation of the automotive industry. In the Semiconductor Industry segment, which has shown growth in recent years, although earnings were down due to the impact of the silicon cycle, steady growth is expected over the medium to long term, supported by continued investment in production plants at foundries around the world, the application of generative AI, and advancement of IoT.

We are working to accurately identify these environmental changes and issues, and build a business system for medium- to long-term growth through new product

## FY2023 Business Summary

**The global economy generally trended toward recovery, allowing us to achieve record net sales, and ordinary profit and profit attributable to owners of parent were higher than initially planned.**

## The EKK Group's Business Environment and Future Course

**Although we faced numerous business challenges, such as responding to transformations of the automotive industry and the decline in the Semiconductor Industry segment due to the impact of the silicon cycle, we continue to build a business system for medium- to long-term growth through new product development and strengthened productivity.**

development to meet customer needs in various markets, the reinforcement of our production capacity, and cost reduction.

## Medium- to Long-term Growth

In 1964, the year of the first Tokyo Olympic Games, the mechanical seal division of NOK Corporation became independent and incorporated under the name Nihon Sealol Co., Ltd. In 1978, the name was changed to Eagle Industry Co., Ltd. (EKK), and in October 2024, we celebrate the 60th anniversary of the Company.

Since 1964, we have operated as a global sealing solution provider, offering mechanical seals and related equipment products for land, sea, and air mobility, including automobiles, ships, aircrafts, and rockets worldwide, as well as for general machinery, such as pumps and compressors, and semiconductor production equipment. We are proud to say that we are an all-around player in mechanical seals and the only Group that provides mechanical seals to various industries around the world.

Throughout our history, we have worked with colleagues, customers, and business partners across the globe, and our products and services can now be found around the world and beyond in space, underlining the increasing importance of the value we provide to our stakeholders.

While the relationships between stakeholders and the Group vary widely, when it comes to running a business to ensure the happiness and pride of all stakeholders, our highest priority is sustainable development and growth of the Company. Therefore, our Group management policy has always been to never pursue short-term profits at the expense of long-term interests, and this has been the core of all of our management strategies.

To that end, it is essential that we establish a governance system and risk management measures to avoid actions that could jeopardize the survival of the Company, such as disregard

for the environment, health and safety, quality, or compliance.

In implementing these measures, we will create a working environment where each employee can reach their full potential and enjoy their work, and the combination of these efforts will further refine the technologies and expertise we have cultivated, foster innovation, and result in new products and services. This will allow us to provide unique value and ensure sustainable growth, and in this way, demonstrate the distinctive sustainability of the Group.

In our medium-term management plan, we have identified adroit response to change as a main item for promotion, and in this uncertain and constantly changing operating environment, we will continue to work toward further growth by accurately identifying actions we need to take and promoting management that can create value tailored to the times, and in this way, help create a sustainable society.



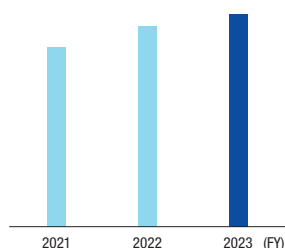
EAGLE INDUSTRY CO., LTD.  
Chairman of the Board and  
President, Representative  
Director

**Tetsuji Tsuru**

## FY2023 Earnings Highlights

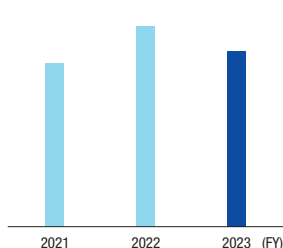
### Net sales

**¥167,042** million  
+6.1% YoY



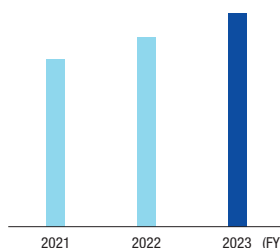
### Operating profit

**¥8,107** million  
-12.5% YoY



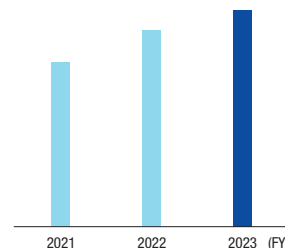
### Ordinary profit

**¥13,799** million  
+12.4% YoY



### Profit attributable to owners of parent

**¥7,491** million  
+10.2% YoY



# Our Value Creation Process

Based on our Group Management Policy, we provide value to our stakeholders by producing and achieving worldwide sales of unique and socially useful products backed by our technologies.

## Input

### Business Capital

#### Human capital

- Number of consolidated employees — **6,280**
- R&D-related employees — **197**

#### Financial capital

- Shareholders' equity — **¥94.9** billion
- Total amount of capital investment during medium-term management plan (FY2023 to FY2025) — Approx. **¥37** billion

#### Natural capital

- Energy consumption — **135** GWh
- Water resources (water withdrawal) — **439,000** m<sup>3</sup>

#### Intellectual capital

- Patents held — **1,983**
- R&D expenses — **¥3,456** million

#### Manufactured capital

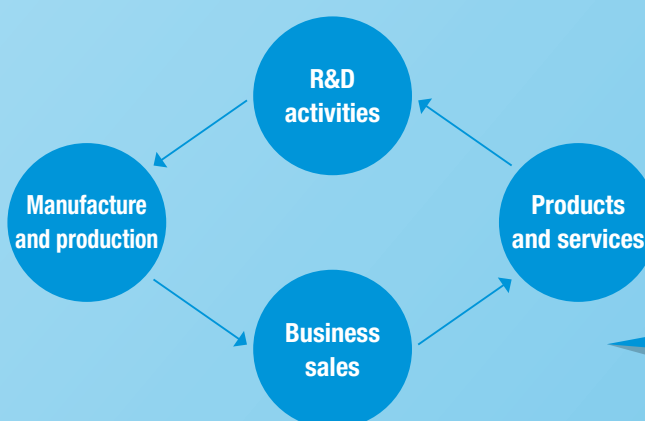
- Global consolidated subsidiaries — **41**
- Countries with consolidated subsidiaries — **20**

#### Social & relationship capital

- Product sales outlets — Approx. **3,000**
- Suppliers and partner companies — Approx. **1,300**

## Business Model

We operate in five industrial fields worldwide as a comprehensive manufacturer of mechanical seals.



**Automotive and Construction Machinery Industries**

**General Machinery Industry**

**Semiconductor Industry**

**Marine Industry**

**Aerospace Industry**

### Medium-Term Management Plan (FY2023 to FY2025)

#### Main Items for Promotion

- 1. Adroit response to change**
- 2. ESG management**
- 3. Eternal zero**  
“Maintaining a level of product quality that customers can rely on” and “Guaranteeing the same quality level all over the world”
- 4. TCD/Reducing waste by half**  
Profit generation through “Total Cost Down” and “Eliminate waste—Reduce everything by half”
- 5. DX promotion**
- 6. Next-generation products with proprietary technology**
- 7. Respect for people/Human resource development**



## Value We Provide to Our Stakeholders

Customers, shareholders, suppliers,  
financial institutions, society, employees

## Results of Our Business Activities

### Our products and services



### Targets of the medium-term management plan

Target  
management  
figures for FY2025

Net sales  
**¥200** billion

Operating profit  
**¥14.5** billion

Financial indicator  
**ROIC 6% or higher**

Non-financial indicator  
**FTSE Russell ESG score: 3.2**

## ESG Management

### Sustainability Initiatives


We established a Sustainability Committee chaired by the president to set sustainability activity policies, identify priority ESG issues (materiality), and assess the results of the activities.

### Priority ESG Issues (Materiality) Initiatives

We identify priority ESG issues (materiality) of the EKK Group based on laws and regulations, ESG rating, and stakeholder requests, and promote the setting of targets and their implementation in organizational units in charge of ESG priorities.


# Our Business Capital

This section highlights the business capital that creates the unique products and services of the EKK Group, an indispensable global sealing solution provider for various industries worldwide. We aim to achieve sustainable growth through optimal capital investment based on a management plan tailored to the times.

<b>Human capital</b> 	<b>Number of consolidated employees</b> <small>(as of March 31, 2024)</small> <b>6,280</b>	<b>R&amp;D-related employees</b> <b>197</b>
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Based on the foundations of “management that respects human dignity based on commitment and trust” and “open management with a firm solidarity without factions,” we work to foster human resources so that all Group employees can fulfill their potential.

In addition, R&D related to our products and services is the source of the Group’s growth, and we continue R&D to enhance product value and convenience.

<b>Financial capital</b> 	<b>Shareholders' equity</b> <b>¥94.9 billion</b> <b>(consolidated)</b>	<b>Total amount of capital investment during medium-term management plan</b> <small>(FY2023 to FY2025)</small> <b>Approx. ¥37 billion</b>
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Despite posting record net sales of ¥167 billion in FY2023, operating profit declined compared with the previous fiscal year to ¥8.1 billion due to soaring prices of raw materials and resources and a downturn in the Semiconductor Industry segment.

The Group operates in five business segments, and we plan to supplement earnings of each segment according to its business performance. In addition, we will invest mainly in the Semiconductor Industry segment and the development and sales of new products during the current medium-term management plan to develop the next generation earnings pillars.

<b>Natural capital</b> 	<b>Energy consumption</b> <b>135 GWh</b> <small>-4.3% YoY</small>	<b>Water resources (water withdrawal)</b> <b>439,000 m³</b> <small>-4.6% YoY</small>
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As part of our environmental preservation activities in our business operations, the Group is ISO 14001-certified and operates an integrated management system. Under this environmental management system, we are committed to setting environmental targets and manage performance.

In addition, to achieve a sustainable society, we established environmental targets to reduce energy consumption in our effort to become carbon neutral, control the increase of water consumption, and manage the growth of industrial waste, and we will develop environmentally friendly products using our unique technology and promote the adoption of renewable energy, process improvements, and power conservation in our production processes.



## Intellectual capital



Patents held (as of March 31, 2024)

**1,983**

(entire EKK Group)

R&D expenses

**¥3,456 million**

We conduct R&D activities that combine our core technologies of analysis and evaluation technology, precision and microfabrication technology, and numerical analysis technology based on tribology, materials science and fluid dynamics.

We are committed to protecting and managing our intellectual property including proprietary technologies and products created from these R&D activities, to maintain and strengthen our competitiveness in the market.

## Manufactured capital



Global consolidated subsidiaries

**41**

Countries with consolidated subsidiaries

**20**

Since our Group was established in 1964, we have expanded our production plants and sales offices both domestically and overseas and established a system to supply to our customers with stable quality products. In particular, in the Automotive and Construction Machinery Industries segment, local production has advanced in various countries around the world, and we have established production plants in Europe and Asia to meet customer demand worldwide. Meanwhile, in the General Machinery Industry segment, since 2004, we have been expanding our business alliance with Germany-based Burgmann, establishing the EagleBurmman brand.

## Social & relationship capital



Product sales outlets

Approx. **3,000**

Suppliers and partner companies

Approx. **1,300**

Our mechanical seals and mechanical products provide essential functions for various industries, and as such, they are used by many customers and have a large market share and presence.

The raw materials, processing, etc. of these products are based on relationships with diverse suppliers and partner companies.

1

### Petrochemicals, Steel, Pharmaceuticals, Water, Pulp & Paper, Food & Beverages



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



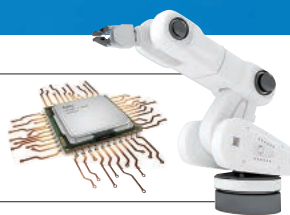
API682 metal bellows seal



Dry gas seal

2

### Semiconductors



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



Welded metal bellows



Magnetic fluid vacuum seals

## Our Businesses

# EKK Group Businesses and Products Supporting People's Lives and Society

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, Kibo, is equipped with our bellows accumulators.



Bellows accumulators



Seals for aircraft engines

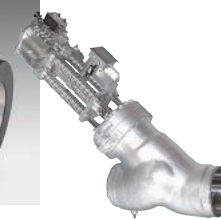
## 6 Energy



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.



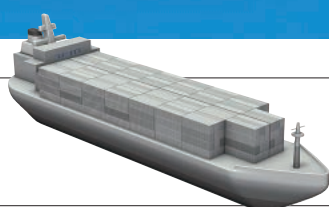
Diaphragm coupling



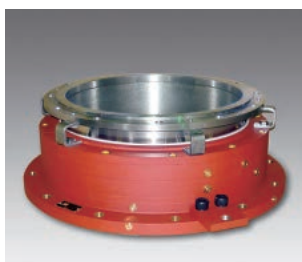
Main steam isolation valve

The EKK Group's core strengths are seal, valve, specialty welding and power transmission technologies. Our products run the gamut from mechanical seals and specialty valves to marine products, aerospace products, bellows and diaphragm couplings. Widely used as critical components of automobiles, ships, various types of plants, aircraft and rockets, our products benefit industries and make people's lives better globally.

## 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.

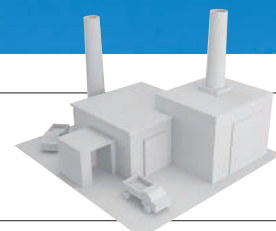


Oil-lubricated stern tube seal



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 meters

# Medium-Term Management Plan

We started formulating a new three-year medium-term management plan that began from FY2023. In the medium-term management plan, we will conduct initiatives for each of the Main Items for Promotion in order to respond to market changes. At the same time, we will also mainly focus on the semiconductor industry business as a future growth driver and work to build a business portfolio that will bring stable earnings. We will also continue to develop “next-generation products with proprietary technology that contribute to environmental preservation and energy efficiency” for next-generation mobility and energy markets, which we have been engaged in up until now. By making proposals to each market, we aim to realize medium- to long-term growth for our Group while achieving the targets of this plan.

## Basic Policy

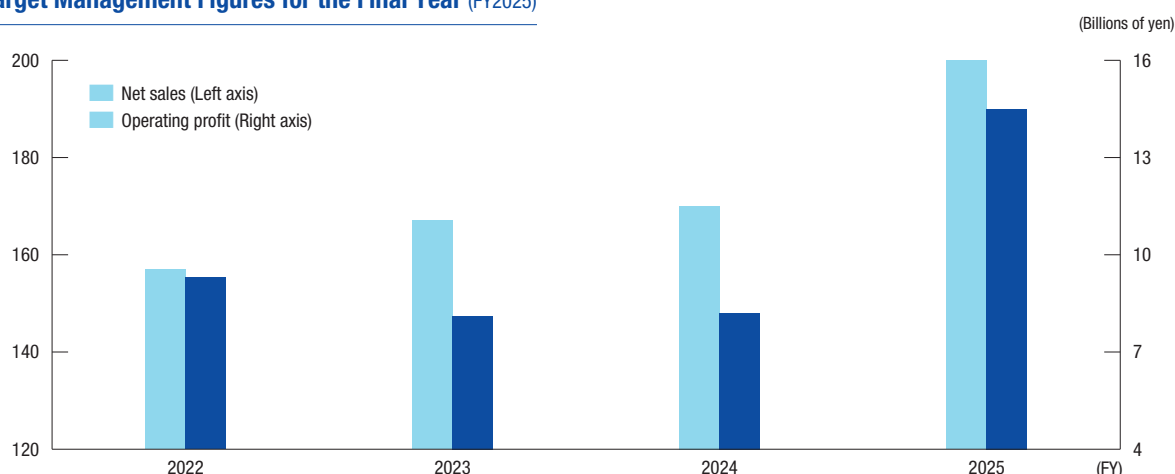
## Building a Sustainable Corporate Structure—Fly Sky High!

**Period** FY2023 to FY2025

### Main Items for Promotion

1. Adroit response to change
2. ESG management
3. Eternal Zero—“Maintaining a level of product quality that customers can rely on” and “Guaranteeing the same quality level all over the world”
4. TCD/Reducing waste by half—“Total Cost Down” and “Eliminate waste—Reduce everything by half”
5. DX promotion
6. Next-generation products with proprietary technology
7. Respect for people/Human resource development

### Target Management Figures for the Final Year (FY2025)



### Review of FY2023

In FY2023, our net sales reached a record high of ¥167,042 million (¥157,380 million in FY2022), mainly due to solid performance in the General Machinery Industry segment and in the Marine Industry segment.

Operating profit was ¥8,107 million (¥9,264 million in FY2022) due to the impact of the external environment, such as postponement of investment due to the prolonged slump in the semiconductor industry. Ordinary profit and profit attributable to owners of parent were both higher than initially planned.



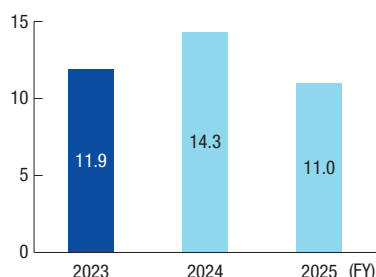
## Capital Investment Policy during the Medium-Term Management Plan Period and Current Status

The total amount of capital investment during the period of the medium-term management plan is forecast to be about ¥37 billion, mainly in the Semiconductor Industry segment.

Capital investment for FY2023 was ¥11.9 billion, an increase of approximately ¥2.0 billion from the ¥9.9 billion in the initial plan.

Capital investment for FY2024, initially planned at ¥12.5 billion, will increase to ¥14.3 billion due to investments in growth areas in various businesses. Major investments will be about ¥7.0 billion for growth areas, including R&D, aerospace, and mass production of new products for the automobile industry, in addition to new buildings for our businesses in the Semiconductor Industry segment.

### Capital Investment Results and Policy (Billions of yen)



### Investment into Growth Areas (FY2024)

Automotive and Construction Machinery Industries segment	¥2.1 billion
Semiconductor Industry segment	¥3.7 billion
Aerospace Industry segment	¥0.7 billion
R&D	¥0.8 billion



New wing of the Tsukuba Plant  
(Construction to be completed in July 2024)

## Business Challenges and Future Course

In the Automotive and Construction Machinery Industries segment, we have made some progress in revising selling prices, but we are halfway to lowering the break-even point due to increased fixed costs and other factors. Also, sales of products for internal combustion engines are expected to decline in the medium term, and we will continue our efforts to build further profitability by developing and expanding sales of new products for EVs.

Sales in the Semiconductor Industry segment will remain sluggish in the current fiscal year due to a combination of slowdown in the semiconductor industry and capital investment. However, with our Tsukuba Plant, which is currently under construction and will start operations in the second half of the fiscal year, sales are expected to increase again as the market recovers, and we will continue to focus our management resources on this segment as our growth driver.

## Status of Development of Next-Generation Products with Proprietary Technology

### Automotive and Construction Machinery Industries

#### CES, valves for suspension

This valve controls the damping force of a shock absorber to the optimum state, with the aim of achieving both vehicle attitude stability and riding comfort.



### Semiconductor Industry

#### Hybrid seals

Hybrid seals are unitized products combining magnetic fluid vacuum seals, rotary joints, O-rings, and metal bellows. They can be used for various applications such as power, signal, and high-frequency power supplies, and contribute to improved handling and a compact design.



# FY2023 Performance and Outlook by Segment

Effective from the current fiscal year, the Company has changed its method of measuring profit and loss by segment. Consequently, in the following comparisons with the previous fiscal year, figures for the previous fiscal year have been restated using the new measurement method.

<div> <div>Automotive and Construction Machinery Industries</div> <div> </div> <div> <b>Net sales</b>  <b>¥90,468</b> million         </div> <div> <b>Operating profit</b>  <b>¥1,611</b> million         </div> </div>	<div> <b>FY2023 Performance</b>  <b>Net sales and operating profit increased from the previous year thanks to the continued recovery of global automobile production as well as the positive effect of foreign currency translation.</b> </div> <div> <b>Outlook</b>            The segment will continue to develop new products and steadily respond to new business agreements.            The segment will work to lower the break-even point through further cost reductions to secure greater profitability.         </div>
<div> <div>General Machinery Industry</div> <div> </div> <div> <b>Net sales</b>  <b>¥38,460</b> million         </div> <div> <b>Operating profit</b>  <b>¥3,228</b> million         </div> </div>	<div> <b>FY2023 Performance</b>  <b>Net sales and operating profit increased thanks to strong sales in India, the Asia-Pacific region, and Japan</b> </div> <div> <b>Outlook</b>            Capital investment is expected to remain strong, especially in India and the Asia-Pacific region, in line with the global increase in energy demand.            The segment will work to propose products, technologies and services offering energy efficiency and helping to reduce CO<sub>2</sub> emissions in next-generation energy markets and existing facilities.         </div>
<div> <div>Semiconductor Industry</div> <div> </div> <div> <b>Net sales</b>  <b>¥15,080</b> million         </div> <div> <b>Operating loss</b>  <b>¥753</b> million         </div> </div>	<div> <b>FY2023 Performance</b>  <b>Net sales and operating profit fell due to postponed investments resulting from the prolonged slowdown in the semiconductor industry and increase in fixed costs</b> </div> <div> <b>Outlook</b>            The segment will continue to expand sales through new product development and proposals and the start of operations at a new production plant in Japan scheduled for the second half of the current fiscal year.            The segment will conduct operations in anticipation of recovery in the semiconductor market.         </div>
<div> <div>Marine Industry</div> <div> </div> <div> <b>Net sales</b>  <b>¥14,984</b> million         </div> <div> <b>Operating profit</b>  <b>¥3,374</b> million         </div> </div>	<div> <b>FY2023 Performance</b>  <b>Net sales and operating profit increased thanks to higher demand for new shipbuilding</b> </div> <div> <b>Outlook</b>            The segment will continue to focus on new sales and providing reliable after-sales service as new shipbuilding continues to grow against the backdrop of further global distribution expansion.            The segment will develop environmentally-friendly products such as water-lubricated seal equipment for medium and large vessels.         </div>
<div> <div>Aerospace Industry</div> <div> </div> <div> <b>Net sales</b>  <b>¥8,049</b> million         </div> <div> <b>Operating profit</b>  <b>¥625</b> million         </div> </div>	<div> <b>FY2023 Performance</b>  <b>Net sales decreased due to a drop in sales for satellite-related products but operating profit increased thanks to product mixes</b> </div> <div> <b>Outlook</b>            In products for aircraft, increased sales are expected for our products in the medium to long term due to the recovery of the commercial aircraft market.            Aerospace development products will see trends toward greater activity in projects within this area, both in the public and private sectors.            The segment will work to expand sales in areas where our technologies can contribute.         </div>

# Basic Capital Policy

## Measures for Realizing Management Mindful of Share Price and Cost of Capital

As part of our Measures for Realizing Management Mindful of Share Price and Cost of Capital, we have established the following Basic Capital Policy in conjunction with our medium-term management plan (FY2023-FY2025).

### Basic Capital Policy

Our basic capital policy has been designed to ensure financial stability and soundness, aiming to achieve sustainable improvement of corporate value.

We utilize the EVA\*<sup>1</sup> spread (ROIC\*<sup>2</sup> minus WACC\*<sup>3</sup>) as an indicator for improving corporate value, and will increase the added value from our businesses by improving ROIC and optimizing WACC.

At the same time, we intend to advance management mindful of share price and cost of capital, using the equity spread (return on equity (ROE) minus cost of capital) as a management indicator, with the aim of improving share value.

In addition, we aim to optimize the cost of capital and increase ROE by setting an equity ratio required for ensuring high financial soundness and creditworthiness with external parties, as well as by being active in shareholder returns when capital exceeds a certain level.

Furthermore, in investing in growth areas to secure future earnings, we will rigorously screen investments by setting a hurdle rate based on the cost of capital and diligently calculating the net present value of cash flows and the internal rate of return.

Through a series of measures such as improving the profit margin on sales in our businesses, improving the total asset turnover and utilizing financial leverage, we will achieve ROE of 10% in the medium to long term and improve price book-value ratio (P/B ratio).

\*1 Economic value added \*2 Return on invested capital \*3 Weighted average cost of capital

### Analysis of Current Situation Based on FY2023 Results

Our current net assets per share is ¥2,571, and the PBR is about 0.7 compared with the market share price (average price at the end of May 2024: ¥1,831). The Company uses ROIC as a KPI to measure profitability, but the actual result for FY2023 was 3.7%, and for ROE, the result was 6.8%, both lower than the cost of capital/WACC and not reaching the targets in the medium-term management plan.

We recognize that the key points for addressing these factors and business challenges is to improve profitability in the Automotive and Construction Machinery Industries segment and to recover net sales and profits in the Semiconductor Industry segment, and so we will continue to develop new products and expand in the Semiconductor Industry segment to further increase sales and improve profit margins over the medium term.

Analysis of Current Situation	BPS: ¥2,571, PBR: approx. 0.7× as of March 31, 2024	
	Comparison of ROIC/ROE with cost of capital/WACC	FY2025 Targets
	ROIC 3.7% < WACC 6%	ROIC 6%
	ROE 6.8% < Cost of capital 8% to 9%	ROE 9%
Target profit level has not been reached, and target ROE and ROIC have not been reached		
Business Challenges	Profitability improvement in the Automotive and Construction Machinery Industries segment, recovery in the Semiconductor Industry segment	
Achieve 10% ROE in the medium- to long-term and further improve PBR		

### Shareholder Returns during the Medium-Term Management Plan Period

Based on the above capital policy, we plan to return a total of approximately ¥18 billion to shareholders during the medium-term management plan period, but we have decided to partially change the method of shareholder return in consideration of profit trends and shareholder composition in FY2023.

#### (1) Share buyback

We plan to repurchase treasury stock totaling approximately ¥12.0 billion during this period, and repurchased 3,000,000 shares totaling approximately ¥5.2 billion during FY2023. However, from the current fiscal year onward, from the standpoint of the Company's shareholder composition, share price and liquidity in the stock market, the Company will abolish the planned total amount of share repurchases and proceed with repurchases flexibly according to future trends in market stock prices.

#### (2) Payment of dividends

The dividend policy of "continuing annual dividend payments of ¥70 with a target DOE of 2.5% or more" has been changed to "continuing annual dividend payments of ¥80 or more with a target DOE of 3.0% or more."



## Our ESG Management

### Approach to Sustainability

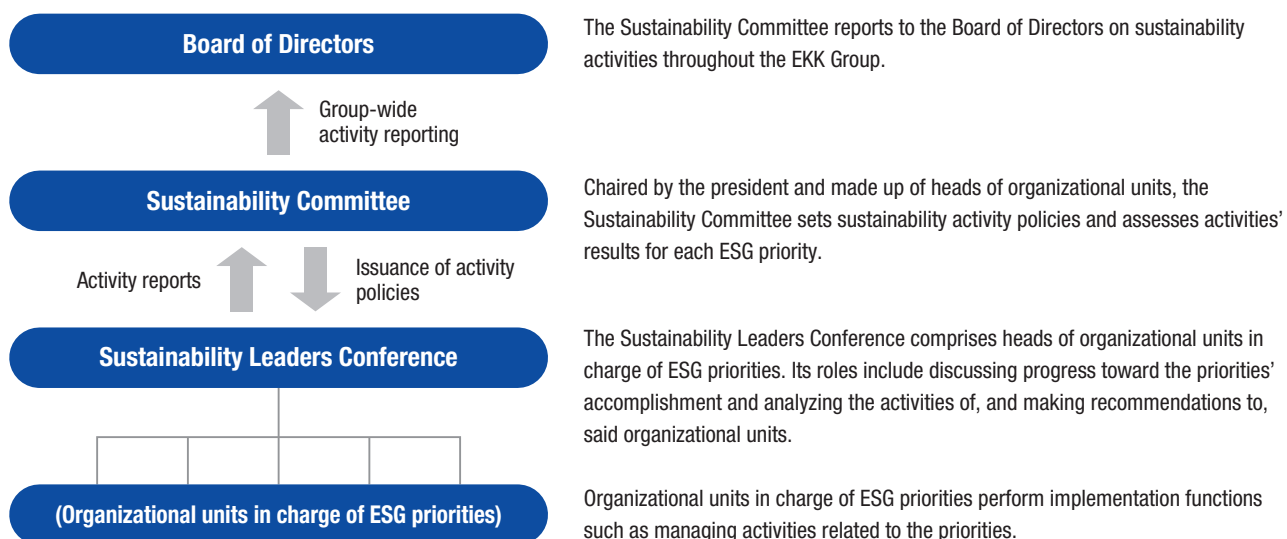
The idea that companies belong to not only their shareholders but also their employees and society has long permeated every aspect of the EKK Group's management. Given the imperative of taking action toward realizing a sustainable society, including by addressing climate change, we established the Sustainability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

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

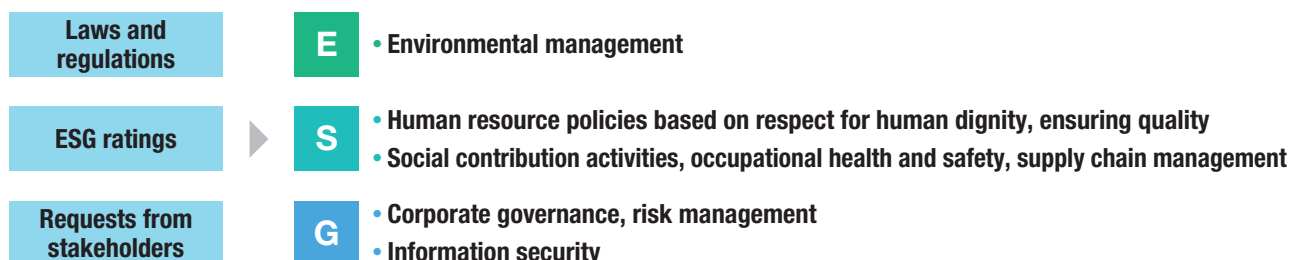
Additionally, we will expedite development of environmentally friendly products with a focus on environmental preservation and energy efficiency while contributing to attainment of the Sustainable Development Goals (SDGs) through growth in our core businesses.

### Sustainability Initiatives

#### The Sustainability Committee's Composition and Activities



#### The EKK Group's Priority ESG Issues (Materiality)



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



## The EKK Group's Business Environment

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

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

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

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

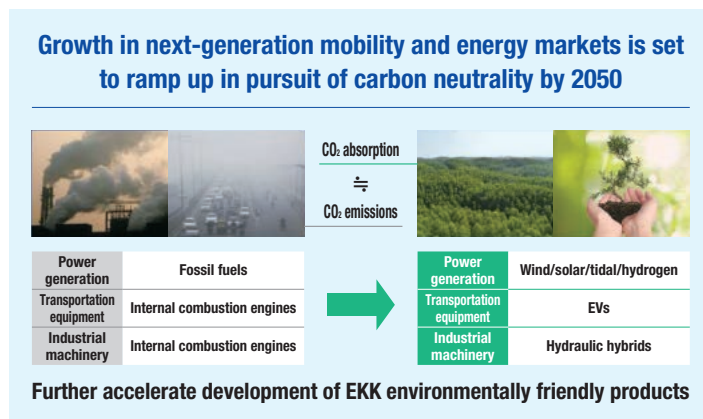
The semiconductor market is also expected to grow alongside these markets with advancements in IoT and digital transformation (DX), and we will focus here as our next driver of growth.

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

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

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

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



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

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

### ■ The EKK Group's R&D Spending and Staffing

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

## R&D Status by Business Segment

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

## Our ESG Management

### Key Themes and Specific Initiatives Addressing Societal Issues

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



# EKK Group Stakeholders

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

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



## Customers

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

## Shareholders

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

## Suppliers

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

## Financial institutions

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

## Communities

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

## Employees

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

# E

# 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

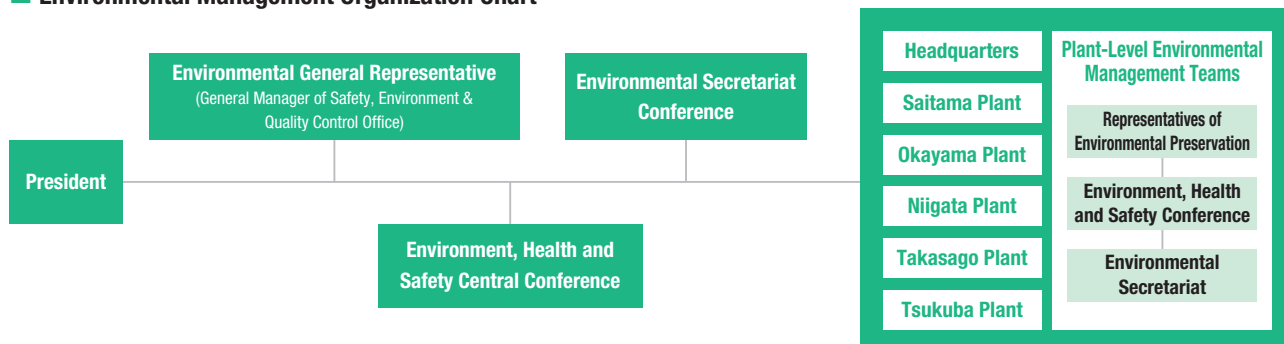
Considering that a corporate is a part of society and Seal products, Precision products including valve and metal application product, and Accumulators manufactured by our company can contribute to the environment by preventing pollution and saving energy, Eagle Industry Co., Ltd. and its affiliated 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 Company holds an Environment, Health and Safety Central Conference, chaired by the president, twice annually to conduct management reviews of environmental preservation activities in order to improve the performance of activities and establish company policies, objectives and targets based on various short-, medium-, and long-term perspectives on the environment.

### 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, primarily for employees engaged in compliance work with environmental laws and regulations, for providing training that conveys 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.

The EKK Group annually identifies environmental laws and regulations that pertain to its operations and verifies its compliance with them semiannually. In FY2023, no environmental accidents that would constitute a regulatory violation occurred, and no fines for violations were assessed.

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.



Education on environmental laws and regulations in progress

## 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. Also, in order to improve the skills of internal auditors and the accuracy of audits, we provide training to improve the capabilities of internal auditors and dispatch internal auditors across plants.

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 by 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 FY2023 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 until FY2025, and brings EIW's dynamic credit rating to a perfect score, achieving the highest ranking of "Green."



EIW's credit rating

绿色等级（诚信）：环保信用分值12分；
蓝色等级（一般守信）：环保信用分值6分—11分；
黄色等级（一般失信）：环保信用分值3分—5分；
红色等级（较重失信）：环保信用分值1分—2分；
黑色等级（严重失信）：环保信用分值小于或等于0分。

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 and other agreements require companies to reduce greenhouse gases (GHGs) and adapt to climate change from short-, medium-, and long-term perspectives, and there is a need for a corporate structure that can simultaneously grow while adopting a sustainable business model and taking climate change into account.

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.

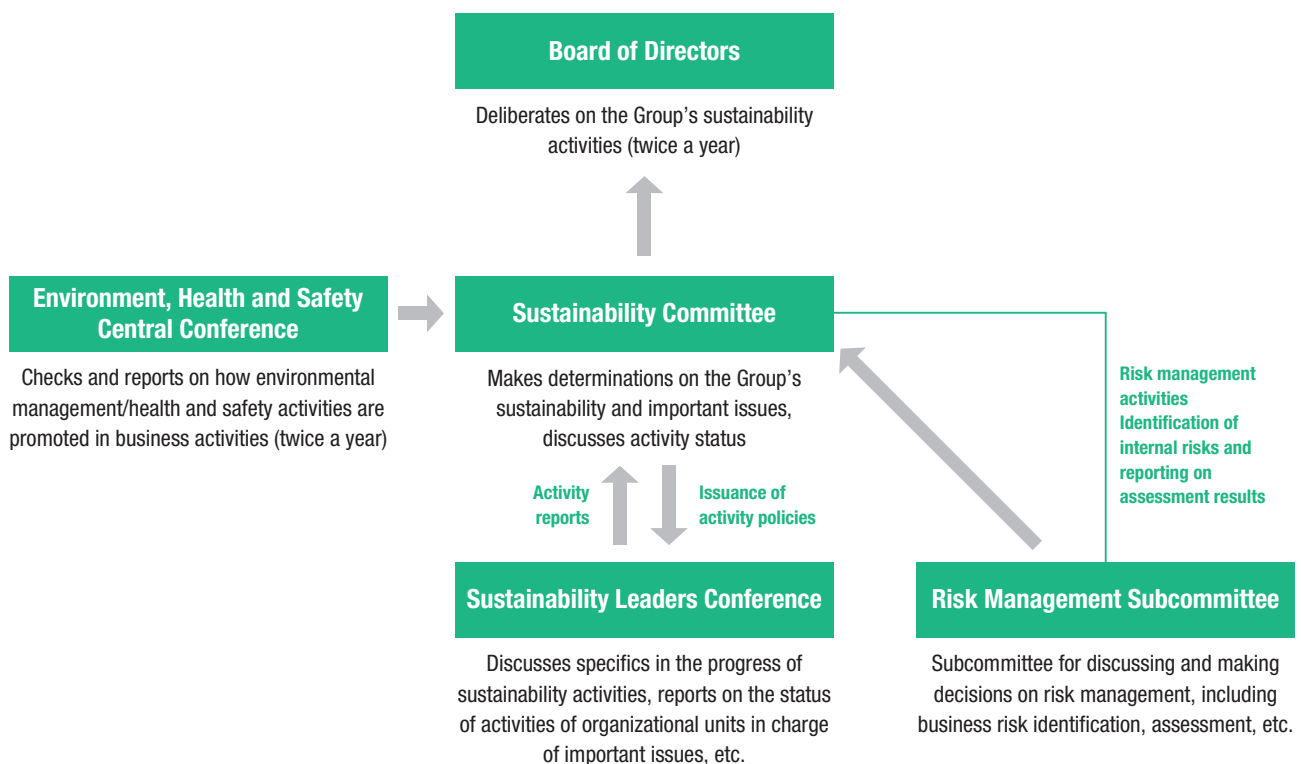
#### EKK Group Policy

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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"> <li>Raw fuel and raw material costs rise due to more stringent environmental taxation (higher carbon prices)</li> <li>Cost burdens increase due to introduction of technologies to comply with stricter GHG emission regulations</li> <li>Sales decrease in products for internal combustion engine automobiles and products for petroleum refining and petrochemical plants due to decreased use of fossil fuels</li> </ul>	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"> <li>Facilities suffer damage and business activities are interrupted due to intensifying natural disasters</li> <li>Costs rise for business continuity management measures</li> </ul>	<ul style="list-style-type: none"> <li>Sales and demand increase for equipment and products for disaster recovery due to extreme weather</li> <li>Sales continue for existing product lines</li> </ul>

## Risk Management

The EKK Group recognizes that the assessment and management of the risks and opportunities of natural disasters due to 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.

## Metrics and Targets (FY2023 Performance)

Our CO<sub>2</sub> emissions in FY2023 were down 36.4% in Japan and down 10.1% overseas compared with 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 the environmental burden, and promote the adoption of renewable energy and power conservation in our production processes.

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

## Environmental

### Specific Actions

In the EKK Group, in addition to CO<sub>2</sub> 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, sealing compressed air leaks, and adopting energy data collection systems and visualization and monitoring equipment analysis of electricity usage in some processes.

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 CO<sub>2</sub> 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 contribute to a better 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 FY2023, the EKK Group's water withdrawal reached approximately 439,000 m<sup>3</sup> 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 target (FY2023 to FY2025) to reduce our domestic water use to a level below the average of our water use over the most recent three years. 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

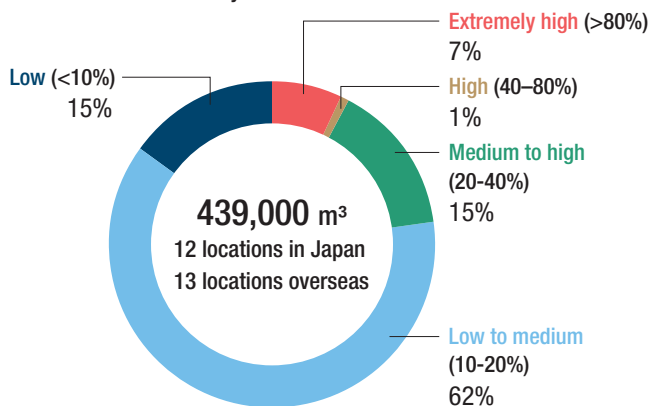
Appropriate water withdrawal management and maintaining a balance between supply and demand are essential elements of our business activities and our objective to ensure the sustainability of water resources.

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 Withdrawal Ratio by Water Stress Level



(Thousands of m³)

Water stress	FY2021	FY2022	FY2023
Extremely high (>80%)	25	29	33
High (40-80%)	32	7	4
Medium to high (20-40%)	66	70	64
Low to medium (10-20%)	281	278	270
Low (<10%)	87	75	67

## Specific Activities

The EKK Group has set company-wide reduction targets and is working to reduce water use, and is monitoring and analyzing water use. At the Environmental Secretariat Conferences held twice a year, examples of effective reductions at each plant are shared. In this section, we will introduce some specific examples of our initiatives, particularly 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.

The installation of additional filtration and double oil skimming equipment in this independent buffer tank has significantly extended the life of the cleaning solution.



### 3. Updating of heat pumps and air conditioning systems (France)

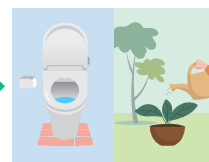
The previous heat pump was replaced with a higher efficiency heat pump. The previous heat pump required water spraying for cooling in the summer, but the new heat pump does not need water spraying for cooling, and this significantly reduced water use. Also, the entire circuit was insulated to reduce temperature fluctuations in the cooling circuit.

Furthermore, the old air conditioning system, which used a lot of water, was eliminated, resulting in not only reduced electricity usage, but also significantly less water use.

### 4. Reusing treated wastewater (Mexico)

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

Water reuse for irrigating green spaces began in September 2021, and reuse for toilets began in June 2022, resulting in the reuse of approximately 4,200 m³ of water. We plan to expand this project to other toilets to increase the amount of water reused.



### 5. Using water softener wastewater (Mexico)

The water softeners in the plant require an automatic washing process that discharges approximately 500 liters of water to the sewer system each day.

A pipeline was installed from the drainage outlet of this water softener to the wastewater treatment plant, sending water to the toilets instead of to the sewer system, thus enabling the reuse of water.



## Environmental

### 6. Water savings at alumite treatment facility (Mexico)

In the alumite treatment process, cooling water must be supplied to the electrodes of alumite treatment equipment to prevent overheating while they are in contact. A valve was installed to supply cooling water only during the alumite treatment process, thus reducing water use by 6 m<sup>3</sup> per shift.

### 7. 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

While the conventional economic system supported by a mass consumption society benefits us, it wastes finite resources and places a serious burden on the global environment. Today, in order to protect our limited resources and achieve a sustainable society, we need to create a circular economy that aims for efficient resource recycling and reduced environmental burden. Companies are also expected to work on recycling and waste reduction throughout the entire product life cycle in pursuit of true sustainable affluence.

### EKK Group Policy

We will contribute to the realization of a sustainable society by effectively utilizing limited resources and reducing waste throughout our business operations. Furthermore, we will create a better future by striving to both enhance our corporate value and preserve the global environment.

### Targets and Performance

From FY2023, we have set a new target of curbing the increase in industrial waste emissions (emission volume and unit emissions below the most recent three-year average), and the recycling rate in FY2023 was 96.2%, resulting in a total volume of 2,130 tons, a 4% reduction compared with the previous year. We will continue to monitor the recycling rate and total volume of waste at all Group companies to fulfill our responsibility to protect the global environment.

### Specific Activities

The EKK Group has set company-wide reduction targets for industrial waste reduction and recycling. At the Environmental Secretariat Conferences held twice a year, examples of effective reductions at each plant are shared.

#### Example of other activities: Recycling of packaging materials (Okayama Plant, Japan)

In cooperation with a local contractor, packaging materials in good condition are now sorted and recycled as recyclable resources. Previously, approximately 6 tons of waste plastic (industrial waste) was generated per month and disposed of in landfills after incineration. Now, however, approximately 2 tons of the waste plastic generated can be recycled.



## 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 FY2023 activities and FY2024 targets)

Priority	FY2023 target(s)	FY2023 outcome(s)	Pass/ Fail	FY2024 target(s)
<b>Environmentally friendly products</b>	Continue development of environmentally friendly products and expansion of their sales	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
<b>Countermeasures against climate change</b>	Energy consumption per unit (CO <sub>2</sub> equivalent): Reduce by at least 1% from the five-year average	Reduced unit CO <sub>2</sub> emissions by 2.9% YoY	Pass	CO <sub>2</sub> emissions: Scope 1 and 2 Reduce by 38.3% vs. FY2018 (by 2030, reduce by 50% vs. 2018; by 2050, achieve carbon neutrality)
	Work to visualize energy usage	Adopted electricity monitoring equipment at some locations, installed energy data collection system on production lines	Pass	Energy consumption per unit (CO <sub>2</sub> equivalent): Reduce by at least 1% from the five-year average
	CO <sub>2</sub> emissions: Reduce by 36.7% vs. 2018 (by 2030, reduce by 50% vs. 2018; by 2050, achieve carbon neutrality)	36.4% reduction vs. FY2018	Fail	Work to visualize energy usage Continue to respond to the CDP Climate Change Questionnaire
<b>Industrial waste reduction/recycling</b>	At least 98% recycling rate	96.2% recycling rate	Fail	Recycling rate of 96% or higher
	Curb the increase in industrial waste emissions (emission volume and unit emissions below the three-year average)	Industrial waste emissions down 15.9% from the previous three-year average Industrial waste emissions per unit down 22.7% from the previous three-year average	Pass	Curb the increase in industrial waste emissions (emission volume and unit emissions below the three-year average)
<b>Preservation of biodiversity</b>	Manage plant sites' greenery areas and vegetation in accordance with environmental laws and regulations	Implemented monitoring and management of greenery areas Implemented monitoring of invasive alien plant species	Pass	Manage plant sites' greenery areas and vegetation in accordance with environmental laws and regulations
<b>Preservation of water resources</b>	Curb the increase in water use (total use below the three-year average)	0.9% reduction compared with previous three-year average	Pass	Curb the increase in water use (total use below the three-year average)
<b>Compliance with laws, regulations, etc.</b>	Comply with environmental laws and regulations, including regulations on products' chemical content	100% compliance with environmental laws and regulations	Pass	Comply with environmental laws and regulations, including regulations on products' chemical content
	Prevent environmental accidents, including environmental damage from natural disasters (in coordination with business continuity management)	No environmental accidents that would constitute a regulatory violation	Pass	Prevent environmental accidents
		Confirmed that disaster countermeasures are in place at each plant and linked with BCM	Pass	Prevent environmental accidents, including environmental damage from natural disasters (in coordination with business continuity management)
<b>Environmental consciousness raising</b>	Continue to conduct various environmental education programs and internally disclose information	Conducted education programs for all employees	Pass	Raise awareness of all employees, including management
		Published environmental data on the intranet portal site	Pass	Actively engage in environmental preservation activities through visualization of environmental performance



## Environmental

### Environmental Data

#### Input

Data item	Scope of data	FY2021	FY2022	FY2023
Gasoline	Japan	82	85	93
	Overseas	51	32	52
Light oil	Japan	16	21	18
	Overseas	70	96	99
Kerosene	Japan	27	30	23
	Overseas	7	4	1
LPG	Japan	473	465	458
	Overseas	87	50	54
City gas	Japan	29	28	31
	Overseas	252	214	159
Electricity	Japan	73	69	68
	Overseas	74	72	67
Total water withdrawal	Japan	327	329	308
	Overseas	164	131	131
Tap water	Japan	122	124	107
	Overseas	62	106	98
Industrial water Including surface water and subsoil water from waterways, etc.	Japan	65	68	74
	Overseas	61	12	11
Groundwater	Japan	140	137	127
	Overseas	41	13	22
Other water used (External discharge, rainwater, seawater, mining water, 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

\* The aggregation method has been reviewed, and the figures for FY2021 and FY2022 have been updated.

#### Output

Data item		Scope of data	FY2018 (Base Year)	FY2021	FY2022	FY2023
CO <sub>2</sub> emissions	Thousand tons of CO <sub>2</sub>	Japan	54.6	38.1	35.5	34.8
		Overseas	37.6	39.7	38.2	33.8
Scope 1	Thousand tons of CO <sub>2</sub>	Japan	1.9	1.8	1.8	1.8
		Overseas	1.2	1.1	1.0	0.9
Scope 2	Thousand tons of CO <sub>2</sub>	Japan	52.7	36.3	33.7	33.0
		Overseas	36.4	38.6	37.2	32.9
CO <sub>2</sub> emissions per production value	t-CO <sub>2</sub> /million yen	Japan	0.50	0.50	0.45	0.42
		Overseas	0.78	0.75	0.71	0.57
Industrial waste	Thousands of tons	Japan	2.4	2.2	2.1	
		Overseas	1.3	1.2	1.0	
Recycling volume	Thousands of tons	Japan	2.1	2.0	1.9	
		Overseas	0.5	0.5	0.4	
Landfill disposal volume	Thousands of tons	Japan	0.3	0.2	0.2	
		Overseas	0.8	0.7	0.6	
Valuable resources	Thousands of tons	Japan	2.8	2.8	2.6	
		Overseas	1.8	1.8	1.7	
Volatile organic compound (VOC) emissions	t	Japan	59	57	51	
		Overseas	35	40	32	
Total drain water volume			212	210	195	
Ocean	Thousands of m <sup>3</sup>	Japan	1	1	1	
Rivers			133	122	116	
Sewage			78	87	78	
Other (Drain water other than the above)			0	0	0	

[Scope of data collection] CO<sub>2</sub> emissions: EKK Group headquarters, production plants, sales offices  
Industrial waste: EKK Group production plants  
VOC emissions: EKK Group production plants

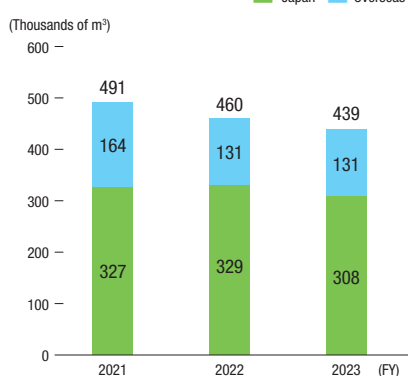
[Emission factors] Scope 1: Calculated based on Ministerial Ordinance on Accounting for Greenhouse Gas Emissions by Specified Emitters.  
Scope 2: Calculated based on emission factors published by the respective electric utility.

\* The figures for FY2021 and FY2022 have been updated using the latest factors for calculating CO<sub>2</sub> emissions.

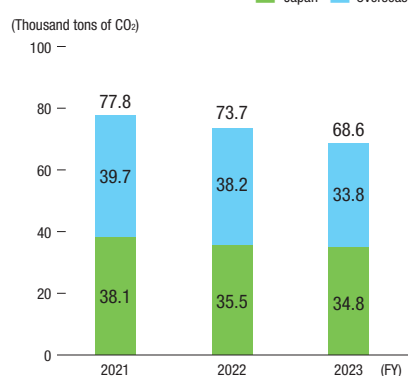
\* As with last year, if the factor for calculating FY2023 CO<sub>2</sub> emissions has not been published, the factor for FY2022's calculation was used.

\* The aggregation method has been reviewed, and the figures for FY2021 and FY2022 have been updated.

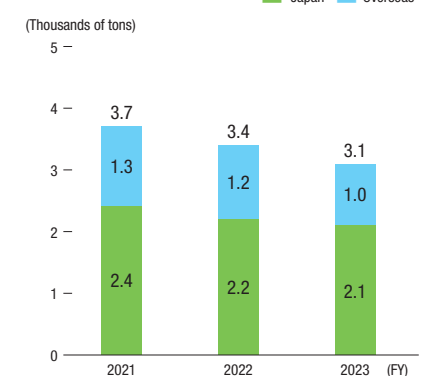
#### Total Water Withdrawal



#### CO<sub>2</sub> Emissions



#### Industrial Waste



## Use of Renewable Energy

(MWh)

Electricity generated from solar power	Scope of data	FY2021	FY2022	FY2023
Amount of renewable energy generated on-site and consumed in-house	Japan	643	1,601	1,720
	Overseas	897	858	749

[Scope of data collection] EKK Group production plants

## Examples of Efficient Use of Resources

Project name	Responsible division or Group company	Description
Recycling of waste sand using sand reclamation equipment	Eagle Highcast Co., Ltd.	Waste sand generated in the casting manufacturing process is recycled, reducing the amount of waste sand generated by approximately 14,000 tons.

## Breakdown of Scope 3 Emissions

(Thousand tons of CO<sub>2</sub>)

Data item	FY2021	FY2022	FY2023
Category 1 Purchased goods and services	196.6	215.8	226.6
Category 2 Capital goods	10.5	16.3	27.9
Category 3 Fuel and energy related activities not included in Scope 1 or Scope 2	4.9	4.7	4.6
Category 4 Upstream transportation and distribution	9.1	9.2	8.3
Category 5 Waste generated in operations	0.7	1.0	0.9
Category 6 Business travel	0.5	0.5	0.5
Category 7 Employee commuting	1.5	1.6	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.

\* The aggregation method has been reviewed, and the figures for FY2022 have been updated.

\* 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 Law

(Reported in FY2023)

(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		4.30	0	0	0	0	1.62
Hexamethylenetetramine	258	0	0	0	0	0	0.91
Toluene	300	4.30	0	0	0	0	0.10
Phenol	349	0	0	0	0	0	0.61

[Scope of data collection]

EKK Group production plants (in Japan)

## Environmental Investment

(Millions of yen)

	FY2021	FY2022	FY2023
Saitama	145	53	39
Okayama	26	110	116
Niigata	29	14	22
Takasago	0	0	4
Tsukuba	0	0	17
Total	200	177	198

## Number of ISO 14001-Certified Sites

(ISO 14001 certification ratio: 97.7%)

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

## Sites in Scope of Data Collection

	FY2021	FY2022	FY2023
Japan	Headquarters	1	1
	Production plants	12	12
	Sales offices	18	18
Overseas	Production plants	13	13

# S

## Social Human Rights and Labor Practice Initiatives



### Basic Stance on Human Rights

In addition to the aforementioned “management that respects human dignity based on commitment and trust,” another foundation of the EKK Group Management Philosophy is “open management with a firm solidarity without factions.” In accord with these principles, we strive to develop our human resources and create fulfilling workplaces so that all employees can demonstrate their respective capabilities, as we work to maintain an attitude of “respect for human dignity” in all aspects of management.

To realize this, we have established the EKK Charter of Corporate Behavior, in which we declare, “We will carry out management that respects the human rights of all people,” and will conduct business accordingly.

#### EKK Charter of Corporate Behavior

To put the EKK Group Management Philosophy into practice, we have established the 11 Principles of Corporate Behavior as part of the EKK Charter of Corporate Behavior. One of these principles is to carry out management that respects the human rights of all people.

**URL:** <https://www.ekkeagle.com/en/profile/charter/>

#### EKK Employee Compliance Code of Conduct

The EKK Employee Compliance Code of Conduct stipulates in its “Respect for Employees and Prohibition of Discrimination and Harassment” section that diverse values, individuality and personality must be respected, and discriminatory behavior based on race, skin color, creed, religion, nationality, age, gender, place of birth, physical characteristics, mental or physical disability, etc., is prohibited. It also states that harassment is forbidden.

**URL:** [https://www.ekkeagle.com/assets/file/pdf/en/csr/environment/employee\\_compliance\\_action\\_guidelines.pdf](https://www.ekkeagle.com/assets/file/pdf/en/csr/environment/employee_compliance_action_guidelines.pdf)

#### EKK Human Rights Policy

In accordance with the EKK Charter of Corporate Behavior and the EKK Employee Compliance Code of Conduct, we have established the EKK Human Rights Policy to ensure respect for human rights throughout the supply chain, and are taking actions to ensure human rights are respected in all countries and regions where we conduct our business.

**URL:** <https://www.ekkeagle.com/en/sustainability/humanrightspolicy>

### Major Human Rights Initiatives

#### Human Rights Educational and Awareness Activities for Employees

To help employees learn the practicalities of respect for human rights more concretely, we conduct trainings that utilize case studies of human rights violations such as sexual and power harassment. We also distribute a compliance booklet to all employees to promote mass awareness of our compliance policies. We are especially educating employees, including those working at subsidiaries, about various kinds of harassment as a matter of priority.

#### Counseling Hotlines for Human Rights Compliance

We offer counseling hotlines, including an internal reporting hotline based on our reporting system and an external reporting hotline that is staffed by attorneys at law. These counseling hotlines are also available to our Group companies, and corrective actions are taken if we confirm a compliance violation from a report received.



## **Respect for Basic Rights and Labor-Management Relations**

Putting into practice the EKK Group Management Philosophy of respect for human dignity also means respecting and protecting the rights of our employees. To this end, we are working to create workplaces where employees can work with peace of mind by promoting dialogue both among employees and between companies and employees, based on sound labor-management relations and compliance with all labor-related laws.

## **Compliance with Labor-Related Laws**

We issue direction to all Group companies in Japan with regard to compliance with the Labor Standards Act, Labor Union Act and all other labor-related laws. We similarly direct our overseas Group companies with regard to the labor-related laws and regulations of their respective countries. Furthermore, we carry out checks with domestic sites accepting foreign technical intern trainees for compliance with the Immigration Control and Refugee Recognition Act, as well as for the status of their work environments, living environments and actual working conditions.

## **Building Sound Labor-Management Relations**

Dialogue between management and employees is essential in order for us to practice “management that respects human dignity based on commitment and trust” and for the company to develop in a sound manner. At the EKK Group, we respect the rights of workers, including the rights to organize and collectively bargain, and build sound labor-management relations based on this respect.

Members of management attend regularly held labor-management meetings, covering not only working conditions but also presenting on business conditions and management issues, as well as discussing important company measures. At these meetings, labor and management aim to work together to maintain and improve medium- and long-term business development and working conditions for employees as we facilitate dialogue.

## **Human Resource Development**

Employee education is conducted mostly by the Education & HR Development Department. Our training programs use curricula tailored to employees' career stage, including basic education, management training, advanced skill acquisition training, new-hire training, new-manager training and follow-up management training. All employees are also educated on the EKK Group Management Philosophy. Employees in overseas management roles receive global management training to learn about management fundamentals and staffing, among other subjects.

Additionally, managers periodically meet one-on-one with their subordinates, including in the third and fourth years of employees' tenure. Such meetings aim to develop human resources more effectively by rectifying mismatches between employees' assigned jobs and personal preferences and by making sure employees are upgrading their skillsets.

## **Human Resource and Employee Benefit Systems**

As one facet of management that respects human dignity, we are striving to create workplace environments in which employees can enjoy a full personal life in addition to a fulfilling job.

When it comes to helping employees have both a fulfilling job and self-fulfillment in their personal lives, we are exploring and implementing further measures with a view to promoting workstyle reforms beyond the initiatives we have taken so far. We have implemented a number of initiatives in this area to help achieve flexible and diverse workstyles, including establishing and enhancing flextime schedules and childcare and family care leave systems, setting overtime limits to reduce working hours and encouraging employees to take paid leave.

## **Work-Life Balance**

To facilitate employees working in a way that fits their circumstances, we have established support systems exceeding some statutory requirements, including our childcare and family care leave systems, and we strive to operate these systems appropriately, helping employees more easily utilize these benefits through awareness-raising and advice.

In addition, we are making our workplaces more employee-friendly, including by offering flextime schedules (without mandatory core hours), expanding the number of eligible employees, and establishing a support leave system for personal injury or illness, childcare and family care. In FY2021, we introduced a teleworking system to improve operational efficiency and help employees balance work and family life.

## Social Human Rights and Labor Practice Initiatives

### 🕒 Initiatives to Reduce Working Hours and Encourage Employees to Take Paid Leave

In order to create a comfortable workplace environment where employees can prosper, we have been reducing total actual work hours for some time, and a committee of labor and management representatives meets annually to formulate each year's initiatives and check results. Data for actual overtime work hours and paid leave utilized is checked per organizational unit and individual to identify problem areas, formulate countermeasures and establish medium- and long-term targets.

#### FY2024 Targets

- Reduction of total actual work hours per year to 1,950 hours or less
- Establishing 17 days of annual leave taken

### 🗨 Surveys on Engagement, Jobs and the Workplace, and Career Development

EKK uses engagement surveys to determine employee engagement with the Company and work, as well as to identify issues present in the workplace and with the Company. This data is used to examine potential measures to resolve issues.

In addition, employees have interviews with a supervisor to discuss information reported in attitude surveys about career development. This offers employees a chance to directly communicate about topics important to them. The results of this survey process are used to develop and utilize human resources, assign the right personnel to the right positions, and improve the workplace environment.

## Diversity

Our fundamental stance is to practice hiring and promotion of a diverse workforce regardless of gender, race, nationality or other factors. Currently, the EKK Group employs approximately 6,000 people around the world. We promote management that respects human dignity by raising awareness of this fact with leadership personnel at all of our overseas locations, as well as those in Japan, so that they can also practice this under their respective local conditions.

### 👩 Promotion of Equal Opportunity for Women

We are promoting greater workforce participation by women at the EKK Group by assigning female employees to a wider range of roles in accord with their skills and desires and mentoring them. We are actively reassigning women from clerical to career-track positions and promoting them into management roles. We have set a target of having at least 40 women in career-track positions and at least 15 female managers by FY2026.

We aim to inject fresh vitality into our organization and increase productivity by continuing to foster workplaces that allow everyone irrespective of gender to give full play to their abilities.

### 👤 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 2024, disabled workers accounted for 2.65% of the Group's workforce, exceeding the statutory target of 2.3%.

Since May 2018, the Group has been running an indoor horticulture business that provides rewarding jobs to disabled workers.

### 👴 Senior Employee System (Reemployment of Mandatory Retirees)

In 2006, we introduced a system for reemploying those who have reached the mandatory retirement age, working to build a system that allows those who are highly motivated to work after this age to fully demonstrate the richness of their careers and their advanced techniques, passing on their knowledge and skills to the next generation while they maintain a stable lifestyle.

In FY2016, we made employment styles more flexible and revised working conditions, and have been reviewing working conditions on an ad hoc basis since then. In addition, we are implementing measures on an ongoing basis to enhance opportunities and job satisfaction for senior employees, such as holding life planning seminars to help them plan for their post-mandatory retirement lives.

## HR Data (Non-Consolidated)

Priority	Breakdown		Unit	FY2021	FY2022	FY2023
Employee composition	Total number of employees		Persons	1,529	1,529	1,581
	By employment type	Permanent full-time employees		1,183	1,149	1,216
		Non-permanent employees		346	380	365
	Gender	Men		1,173	1,167	1,211
		Women		356	362	370
Average years of service	Overall	Years	16.5	16.6	16.8	
	Men		16.0	16.0	16.0	
	Women		18.6	19.1	19.7	
Average age	Overall	Age	41.1	41.4	41.6	
	Men		40.9	41.1	41.2	
	Women		41.9	42.5	43.2	
Breakdown of management personnel by gender	Management personnel	Persons	289	240	245	
	Of whom, men	Persons	281	230	234	
	As a share of total	%	97.2	95.8	95.5	
	Of whom, women	Persons	8	10	11	
	As a share of total	%	2.8	4.2	4.5	
Employment of people with disabilities	Persons hired	Persons	51	48	46	
	As a share of total employees	%	3.13	2.84	2.65	
Childcare leave	Childcare leave-takers	Persons	16	16	20	
	Of whom, men	Persons	9	8	10	
	Of whom, women	Persons	7	8	10	
	Percentage of childcare leave-takers who returned to work					
	Men	%	100	100	100	
	Women	%	100	100	100	
Family care leave	Family care leave-takers	Persons	0	1	0	
	Of whom, men	Persons	0	1	0	
	Of whom, women	Persons	0	0	0	
Paid leave	Percentage of annual leave days taken	%	82.0	85.0	90.5	
	Average days of annual leave taken	Days	16.4	17.0	18.1	
Working hours	Total actual work hours (per employee per year)	Hours	2,005	2,010	1,983	
	Overtime work hours (per employee per year)	Hours	15.8	16.5	14.7	
Turnover	Turnover rate (voluntary turnover)	%	1.1	2.1	1.5	
	Number of retiring employees (resignation for personal reasons)	Persons	13	27	20	

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## Social Supply Chain Initiatives



### Philosophy and Organization

The EKK Group manufactures a wide range of products across five business domains. Their required specifications and applicable laws and regulations differ depending on the customer's industry. It is therefore important to maintain mutually beneficial relationships with supply chain partners to be able to meet customers' requirements. The Group currently has some 1,300 registered supply chain partners ranging from raw materials, metal parts and resin parts manufacturers to processing, surface treatment and assembly subcontractors. Our approach and standards for sourcing are encapsulated in the corporate social responsibility (CSR) philosophy and in the Procurement Policies (Basic Procurement Policy and CSR Procurement Guidelines), which are publicly disclosed on our website. Before conducting business with a new partner, we explain the policies to and obtain understanding from the partner.

Our various procurement guidelines document the Group's approach to sourcing activities, explicitly inform supply chain partners of what is expected of them and disclose the Group's commitment to sourcing goods and services fairly and impartially while building relationships of trust.

### Supply Chain Risk Management

The EKK Group assesses supply chain partners' risks through its divisional corporate offices to ensure business continuity even in the event of supply disruptions due to, for example, a major natural disaster. For example, we use hazard maps to identify whether partner sites are located in disaster-prone areas and assess whether roads will be cut off during a disaster, causing distribution delays.

We also maintain sufficient inventory and/or line up alternate partners in advance so that we do not have to halt production if one partner stops making deliveries. As a precaution against overseas supply disruptions, we have arranged to source some raw materials and parts from alternate suppliers in Japan or other overseas regions.

We are currently developing an integrated management system for supply chain information, including such risk information, to rapidly understand the situation and take prompt action in the event of a disaster.

### CSR Procurement Initiatives

The EKK Group is committed to CSR procurement with our partners in order to help resolve ESG issues. This style of procurement is based on policies such as compliance with laws and regulations, mutual benefit, and respect for human rights. In April 2022, we revised our Procurement Policies, and are working to strengthen supply chain management in our business with partners by conducting CSR self-assessments and human rights due diligence. Regarding green procurement, we established and published the EKK Green Procurement Guidelines in April 2022. Here, we are developing technologies and conducting environmental preservation activities for the resolution of environmental issues and other issues faced by society.

Going forward, we will continue to communicate with our stakeholders and conduct CSR procurement.

Note that we have provided a counseling hotline (complaint processing mechanism) on our website for any compliance-related concerns or other issues as they pertain to business with the EKK Group.

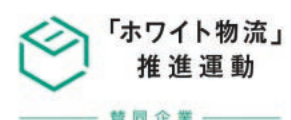
#### Building Partnerships

In April 2021, the Group signed on to the Partnership-Building Declaration led by the National Association of Small and Medium Enterprise Promotion Organizations, part of the Cabinet Office's Small and Medium Enterprise Agency. As a signatory to this declaration, we are actively working toward greater collaboration and mutual benefit with our partners and other businesses trying to create value in efforts to build sustainable relationships for mutual growth.



#### Endorsement of the "White Logistics" movement

In October 2023, we made a declaration endorsing the "White Logistics" movement led by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. We are actively working to improve logistics efficiency and productivity in cooperation with logistics providers based on mutual understanding.





## Internal Education on Our Procurement Policies

FY2023 Results

104 participants

Our procurement-related personnel at business units and Group companies within Japan are subject to a number of educational programs each year. They receive information on respect for human rights and take tests about their understanding of various laws and regulations as well as procurement policies, including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. Based on the knowledge gained from these educational activities, we are working on CSR procurement in cooperation with our partners.

## Building Partner Engagement through Procurement Policies Briefings

FY2023 Results

169 participants from 111 companies

We invite our partners to join us for briefings about our policies. In these briefings, we present to partners about the state of the EKK Group's businesses (production, sales, quality, and procurement), as well as status and policy with regard to CSR procurement. In addition, presentations cover the importance of respect for human rights based on the Guidelines on Respect for Human Rights in Responsible Supply Chains published by the Japanese government. We have used these briefings to call for partner efforts beginning from areas within reasonable reach.

The Group is committed to CSR procurement in order to meet the expectations of its stakeholders as we further collaborate and share information with our partners.

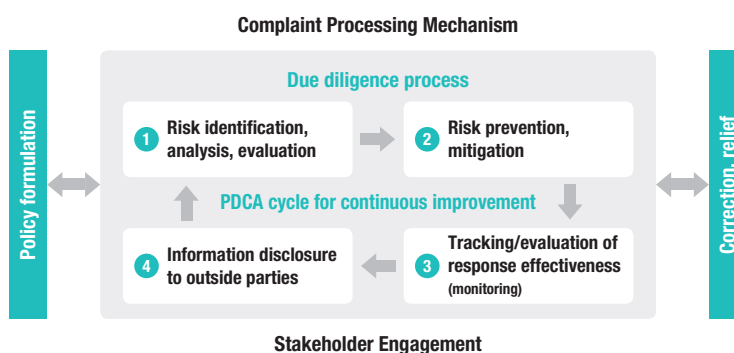
## CSR Procurement Self-Assessment

In order to sincerely address issues faced by our stakeholders, we use the CSR Procurement Self-assessment Questionnaire (SAQ) with selected partners to check their policies, systems and initiatives and actively rectify any issues.

Items for confirmation	Corporate governance, human rights, labor, environment, fair corporate activities, quality and safety, information security, supply chain, coexistence with local communities
Step 1	Issues are identified from the results of the CSR Procurement SAQ evaluation
Step 2	Risks are identified, rectified, assessed and disclosed in the due diligence process

## Human Rights Due Diligence

As a signatory of the United Nations Global Compact, we are engaged in efforts for the respect of human rights based on international standards such as the UN Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the International Labour Organization (ILO) MNE Declaration. As part of these efforts, we conduct due diligence on issues identified in the CSR Procurement SAQ through the process shown in the chart on the right, and place the highest priority on minimizing and preventing the risks identified.



## Status of CSR Procurement in FY2023

### 1. CSR Procurement SAQ Average Score by Item

Item	Avg. score (%)	Item	Avg. score (%)
Corporate Governance	69%	Quality and safety	84%
Human rights	68%	Information Security	80%
Labor	79%	Supply chain	70%
Environment	74%	Coexistence with local communities	69%
Fair corporate activities	73%	<b>Overall</b>	<b>74%</b>

### 2. Number of Companies by CSR Procurement SAQ Rating

Rank	Evaluation	No. of companies
A	Maintain rank (work to raise level)	441
B	Rank increase required (voluntary improvement)	213
C	Promote improvement of items not complied with (improvement/guidance)	107
<b>Total</b>		<b>761</b>

For the evaluation rank "C: Promote improvement of items not complied with (improvement/guidance)" for 107 companies, we are working to improve the identified risks in cooperation with the targeted partner companies.

# S

## Social Social Contribution Initiatives



### Philosophy

The EKK Group conducts various activities to contribute to society as a corporate citizen in accord with the EKK Charter of Corporate Behavior's sixth Principle of Corporate Behavior, "As a good corporate citizen, we will actively participate in communities and contribute to their development."

### Local Initiatives

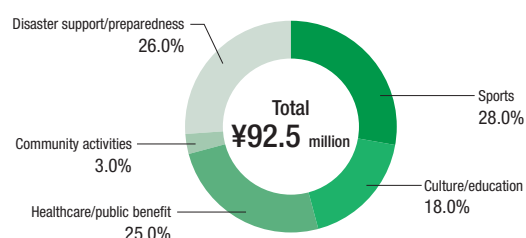
EKK Group companies throughout the world communicate with their local communities through such means as sponsoring local events, including summer festivals and gatherings on their premises. In FY2023, we resumed various events that had been canceled due to the COVID-19 pandemic.

### Donation and Sponsorship Activities

As a tool to help resolve societal issues outside of business activities, and as a way to support and contribute to various activities, the EKK Group provides sponsorship to, among others, NPOs, scientific organizations, scholarship support projects and sports teams. The Group also promptly donates funds to disaster relief whenever a major disaster occurs.

In FY2023, we donated relief funds to Ishikawa and Niigata prefectures to assist in recovery efforts for the damage caused by the Noto Peninsula Earthquake that occurred in January 2024.

#### Breakdown of Donations/Sponsorship Funding Provided (FY2023)



### Topic

#### Social Contribution Activities by Eagle Industry Mexico S.A. de C.V. (EIM)

As part of its social contribution activities, EIM (Mexico: San Luis Potosi City), a Group company, donated 250 T-shirts to children and youth sports leagues that start summer camps during summer vacation in July in the Villa de Reyes area in the city where the company is located, and is implementing community-based activities.



# S

## Social Occupational Health and Safety Initiatives



### Philosophy

The EKK Group strives to create workplace environments conducive to both physical and mental health 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.”

### Health and Safety Management

Based on the EKK Group’s Occupational Health and Safety Management Regulations, the Group has set up a line-and-staff occupational health and safety management organization. Headed by the president, and with the general manager of the Safety, Environment & Quality Control Office serving as occupational health and safety manager, at each plant, a staff department exclusively dedicated to health and safety coordinates with line managers through senior managers, under the leadership of a plant manager serving as a health and safety manager. Plants carry out occupational health and safety activities based on ISO 45001 (occupational health and safety management systems). In the course of these systems’ operation, education and training for each level is defined, and health and safety awareness training is provided annually to all employees.

### Health and Safety Regime

The Environment, Health and Safety Central Conference, chaired by EKK’s president, meets twice annually to conduct management reviews.

Furthermore, the Sustainability Committee receives reports providing overviews and engages in discussions regarding health and safety activities, and based on these, annual plans and results are reported to the Board of Directors.

### Health and Safety Committees

Together with their labor unions, every plant has established and operates its own Health and Safety Committee. Additionally, the EKK Group has established the Central Health and Safety Committee as a central organization. The Central Health and Safety Committee oversees and reviews health and safety policies and their implementation status throughout the Group. It meets twice annually.

### 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 Group Basic 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 guidelines and directives. (Other requirements such as industry guidelines related to the environment)
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.

## Social Occupational Health and Safety Initiatives

### Health and Safety Risk Management (Risk Assessment)

The EKK Group strives to reduce health and safety risks. The Group conducts safety inspections of new equipment before it is put into use, confirming that it conforms to internal standards and that there are no health and safety issues. Before new work processes are implemented, the Group conducts a risk assessment to prevent workplace accidents.

Work processes which have already undergone a risk assessment are also periodically reviewed based on work-related injury cases and close calls. In addition, every site identifies operations and processes that pose a high degree of risk (e.g., work performed high off the ground, press operation, forklift operation), classifying and managing risks on a priority basis. Regular health and safety patrols are conducted as well to check work management status and identify potential risks.



### Safety Pledge Day

March 22 of every year is designated as Safety Pledge Day based on an all-encompassing commitment to safety first. Every workplace holds monthly health and safety meetings to foster a perpetual safety culture.

### Traffic Safety Initiatives

The EKK Group proactively educates its employees and the public on traffic safety, including outside of working hours, to realize its management objective of having a happy workforce with happy families and to help keep local residents safe. Every year before mid-summer and New Year's holidays, plants invite outside experts to speak about traffic safety. Their secretariats coordinate with the speaker to ensure an effective presentation through such means as addressing topics of local interest or the latest traffic safety data.

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.

### Initiatives Targeted at Overseas Affiliates

The EKK Group conducts periodic occupational health and safety inspections of overseas affiliates. 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.

### Health and Safety Data

#### Workplace Accident Data (Domestic Group Companies)

	FY2021	FY2022	FY2023
Lost-time incident frequency rate	0.74	0.72	0.14
Lost-time incident severity rate	0.007	0.003	0.001

#### Proportion of ISO 45001-Certified Plants to All Plants

The Headquarters and the manufacturing plants and Group companies in Japan consist of 14 locations, of which currently 13 have acquired ISO 45001 certification.

We plan to acquire certification at all 14 sites by FY2024.

### Health Promotion

The EKK Group seeks to help its employees stay healthy or get healthier both physically and mentally. Its health initiatives include a 24-hour telehealth service that offers consultations on a broad range of concerns, including not only employees' personal health but also parenting and eldercare.

Management personnel's annual training also addresses mental health, and training for new hires includes mental health education provided by public health nurses.

Plants invite outside doctors as instructors to provide mental health education. Plants that run two or three shifts a day also create opportunities for superiors to provide education on good sleep hygiene, given sleep's important role in recovery from fatigue for shift workers in particular.

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.





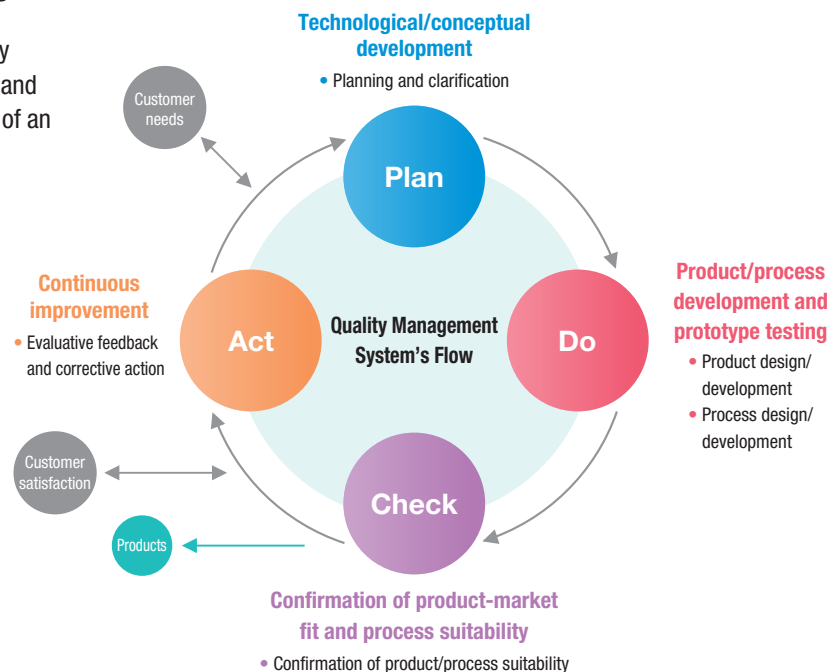
## Basic Stance

The EKK Group regards product quality problems as an existential threat because they lead to defective products in the hands of customers or end-users and, in turn, loss of stakeholders' trust.

The Group has vowed to never allow even a single defective product to be shipped. Under the slogan "Eternal Zero," it has been unrelentingly striving since 2016 to improve quality with the aim of maintaining a level of product quality that customers can rely on and guaranteeing the same quality level all over the world.

## Quality Management Regime

To continuously provide products which satisfy customers, the EKK Group strives to maintain and improve quality, and has built and makes use of an ISO 9001-based quality management system.



## Companies/Divisions Certified as Compliant with International Quality Standards

Company/division name	Industry	Standard	Month certified
AI/CI Division, Eagle Industry Co., Ltd.	Automobile/construction machinery	ISO 9001	May 1999
	Nuclear power generation	IATF 16949	March 2018
Marine Division, Eagle Industry Co., Ltd.	Marine	ISO 9001	March 1994
Aerospace Division, Eagle Industry Co., Ltd.	Aerospace	JIS Q 9100 (including ISO 9001)	April 2004
EAGLE INDUSTRY CO., LTD. ESM Company	Semiconductors	ISO 9001	June 2020
SI Division, Eagle Industry Co., Ltd.	Semiconductors	ISO 9001	March 2023
Niigata Plant, EagleBurgmann Japan Co., Ltd.	General machinery	ISO 9001	March 1999
Valcom Co., Ltd.	Measurement instruments	ISO 17025 (accreditation of testing and calibration laboratories)	December 2021

## Social Quality Initiatives

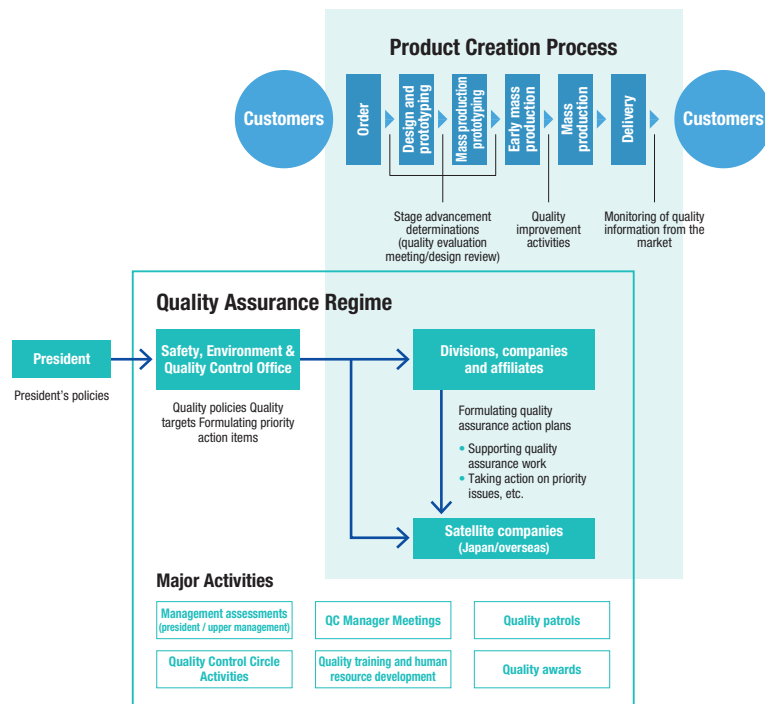
### Quality Assurance Regime

Each year in response to the president's policies, the Safety, Environment & Quality Control Office formulates quality policies, quality targets and priority matters which are then deployed by the EKK Group. In turn, business divisions formulate quality assurance action plans which are then deployed throughout the business divisions as well as to global subsidiaries under their jurisdiction.

The individual business division components and subsidiaries then incorporate concrete action plans for achieving the directed quality targets into their quality assurance activities, with all components and subsidiaries engaging in activities to improve quality.

As part of deploying our quality policies, business division quality control (QC) managers regularly convene at QC Manager Meetings, held by the Safety, Environment & Quality Control Office, to align and deepen their understanding of policy and other content. At QC Manager Meetings, quality managers review the state of implementation of quality assurance action plans as well as policy deployment. In addition, they also strive to ensure a uniform quality level across the entire EKK Group and to implement bottom-up management.

Each year, the president and upper management conduct on-site management assessments of business divisions and overseas production subsidiaries, and the Safety, Environment & Quality Control Office conducts quality patrols. The purpose is to check and review quality assurance activities and promote effective and continuous improvement.



## Quality Improvement Initiatives

EKK implements its own quality improvement initiatives for all of the processes spanning from order reception to delivery.

### Monitoring of Quality Information from the Market

EKK constantly monitors for signs of possible serious quality problems, actively commissioning product studies and gathering and analyzing customer complaints and other product quality information from the market.

The information gathered from these studies and analyses are not only provided to internal organizations but also conveyed back to customers when needed, aiding in the improvement of product quality.

### Quality Evaluation Meeting Inspections Conducted before Product Mass Production

EKK holds Quality Evaluation Meetings for newly developed products, products with design changes, products with process changes and others. The goals of these meetings are to meet customer requirements and to prevent quality issues in the products we deliver to our customers.

Whether a Quality Evaluation Meeting will be held or not is determined according to risks assessed in consideration of the intended use of, novelty of and changes to the product in question. The meetings are held at the designated stages of conceptual design, design and prototyping, process design and transition to mass production.

Decisions at each stage and whether or not to move to mass production are made by the General Manager of the Safety, Environment & Quality Control Office.

### Activities to Reduce In-Process Defective Products

EKK actively engages in activities to reduce the occurrence of defective products in its production processes with the aim of preventing complaints.

Business divisions and subsidiaries conduct activities based on various annual themes. In recent years, an activity focusing on production floor-led initiatives has produced particularly great results.

This activity originated at one of our customers. In our adapted version, we display defective products on the production floor and use the actual product on-site to explore countermeasures for reducing the number of defective products.

For each defect event, the unit where the defective product occurred plays a central role (with the participation of other units as well) so that everyone can work together to pursue the root cause and formulate fundamental measures to prevent recurrence.

In addition to contributing to the realization of the Group's "Eternal Zero" vision, this activity results in the belief that quality is something created at the process level permeating down to the individual production worker. In turn, this contributes significantly to individual workers seeking to proactively resolve problems which occur in their respective processes.



## Quality Education for Human Resource Development

EKK provides level-specific quality education.

In order to cultivate the next generation of quality control personnel with the aim of perpetual quality maintenance and improvement, it particularly focuses on introductory education to young employees to increase their knowledge of quality, and on intermediate education for mid-level employees to increase their problem-solving capabilities.

The Group has created more than 10 courses, covering everything from the seven basic quality control tools to courses which teach how to utilize various statistical methods such as why-why analysis and MSA.\* Some courses also incorporate group exercise-based skills acquisition.

Due to the movement restrictions imposed by the COVID-19 pandemic since FY2020, the Group has introduced quality education leveraging online courses, the content of which is steadily being improved even as they are conducted.

From FY2017 to FY2023, 1,023 employees received introductory education. From FY2019, when we began providing it, to FY2023, 394 employees received intermediate education.

\* Measurement system analysis. A method for quantifying and evaluating the validity of a measurement system.



Introductory	Intermediate	Advanced
<ul style="list-style-type: none"> <li>• TQC*<sup>1</sup> and TQM*<sup>2</sup></li> <li>• QC story</li> <li>• 7 QC tools, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Why-why analysis</li> <li>• Basic statistics</li> <li>• Control charts, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple regression analysis</li> <li>• Experiment design</li> <li>• MSA, etc.</li> </ul>

\*1 Total quality control

\*2 Total quality management

## Quality Handbook to Increase Quality Consciousness

Developing human resources highly conscious of quality is integral to maintaining high quality. In FY2019, EKK published Eternal Zero (the EKK Quality Handbook). The handbook is distributed to all employees to elevate employee quality consciousness, and to be used as a collection of knowledge employees can quickly check when having difficulty.

It has been translated into English, Korean, Indonesian, Thai, Chinese (in both traditional and simplified characters) and French. Distributed to overseas companies as well, it is helping to increase quality consciousness on a global level.



## Quality Control Circle Activities

The EKK Group conducts employee-led, small-group quality control circle activities with the aim of improving quality.

These small-group circles are formed per workplace, and choose issues and other themes relevant to them, which are resolved by all of the circle's members. This makes the circles an important activity for improving member capabilities and energizing workplaces.

Business divisions conduct annual presentations of their activities, and business divisions and domestic and overseas subsidiaries each select a circle group to represent them at the EKK QC Circle Tournament.

In FY2023, seven circle groups from Japan and two from overseas were selected to present the results of their activities at the 18th EKK QC Circle Tournament.

In consideration of the state of COVID-19 at the time, we decided to hold the tournament in FY2023 in a face-to-face format with a limited number of participants.

Also, we streamed the tournament on the Web for enabling as many people as possible to listen to the presentations and utilize them in their future activities.



## Quality Awards System

The EKK Group has introduced an internal quality awards system with the aim of stimulating quality improvement activities and increasing motivation.

In order to enhance the quality consciousness of EKK Group employees in Japan, we encourage employees to nominate outstanding quality improvement activities on an organizational level and relevant to the employees themselves.

Among these nominated quality improvement activities, we annually award organizations that have achieved outstanding quality improvement results.

## Promotion of Quality DX

The EKK Group is working to establish a database of information concerning quality, and is gathering quality information to this end.

The Group is promoting going paperless by digitalizing existing documents, increasing the speed with which information is disseminated by digitalizing existing workflows, enhancing work efficiency and automating the smooth collection and dissemination of information.

Accumulated quality information is linked with production data, design data, customer information and other information for effective utilization in a variety of situations, such as design and development.

# G

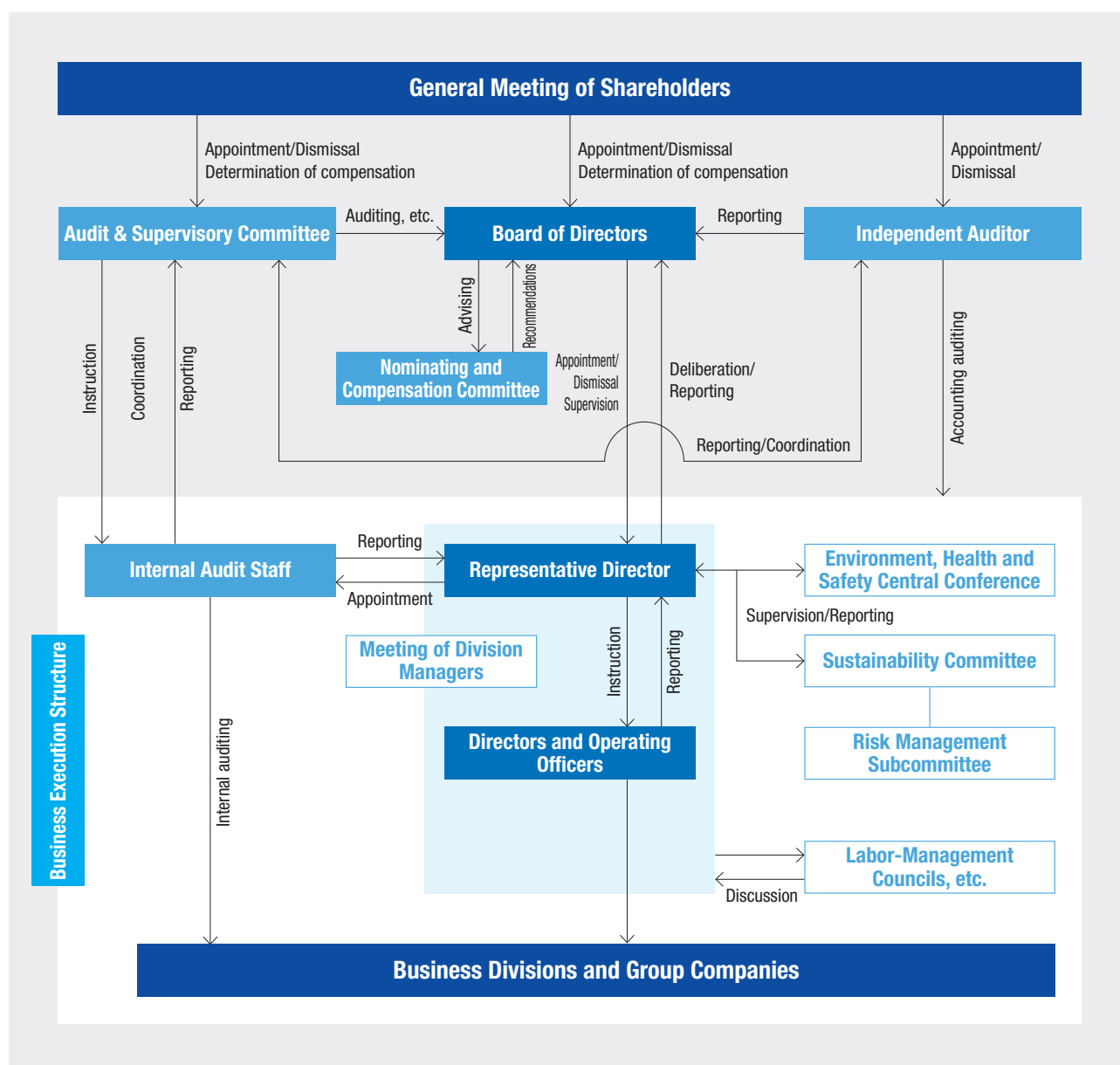
# Corporate Governance



## 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 financial institutions 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 its 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.





## Overview of and Rationale behind Corporate Governance Regime

At the Ordinary General Meeting of Shareholders held on June 25, 2024, a resolution was passed to amend the Articles of Incorporation to transition to a company with an Audit & Supervisory Committee, and as a result, the Company transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee on the same date.

With this transition, decision-making authority for important business execution is delegated to the directors, speeding up decision-making and strengthening the supervisory function of the Board of Directors, thereby further enhancing corporate governance.

In addition, EKK adopted the operating officer system in June 2009, and the Board of Directors has changed to a smaller number of members and has worked to improve its effectiveness by fostering an atmosphere of lively, peer-to-peer discussion at Board of Directors' meetings, including monitoring of the directors' execution of duties. With the transition to a company with an Audit & Supervisory Committee, we will further strengthen monitoring of the Board of Directors by directors who are Audit & Supervisory Committee members and have voting rights at Board of Directors' meetings.

The Audit & Supervisory Committee is set up and configured as an oversight body independent of management. Directors who are Audit & Supervisory Committee 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, regularly conducting internal audits of not only the Company but also its affiliates, and reviewing implementation and reports of internal audits conducted by internal audit staff appointed by the president. 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.

#### Audit & Supervisory Committee

The Audit & Supervisory Committee makes decisions on audit policies, plans, methods, and other important audit-related matters, and the committee audits the directors' performance of their duties in accordance with these decisions.

The committee, in cooperation with the internal audit staff appointed by the representative director and president, audits the business execution units.

#### 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 Committee 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 Committee members in attendance to review operational matters and decide which, if any, to refer to the Board of Directors.

#### 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.

#### Sustainability Committee

The Sustainability Committee is chaired by the president and made up of the heads of organizational units and senior managers. The committee determines targets for the Group's sustainability activities and evaluates activity status with the aim of realizing a sustainable society. The committee also reports on activity status to the Board of Directors.

Furthermore, with the aim of discovering and preventing business activity risks, the Risk Management Subcommittee has been established under the Sustainability Committee to identify latent risks inherent in business activities and verify the effectiveness of safeguards against such risks.

#### Environment, Health and Safety Central Conference

The Environment, Health and Safety Central Conference checks on how environmental management and health and safety activities are promoted in business activities.

#### Internal Audit Staff

Nominated by the president, internal audit staff work to develop internal control systems and also periodically conduct audits of organizational units and affiliates.

## Corporate Governance

### Directors

Name	Positions and responsibilities	Fields of expertise						
		Corporate management	Business strategy	Business sales	Finance and accounting	Technological R&D	Internationality	ESG
<b>Tetsuji Tsuru</b>	Chairman of the Board and President, Representative Director	●	●		●		●	
<b>Masaki Nakao</b>	Representative Director, Vice President, General Manager of Defense Business Corporate Office	●	●				●	
<b>Shinji Abe</b>	Representative Director, Senior Managing Director, General Manager of Safety, Environment & Quality Control Office			●				●
<b>Norio Uemura</b>	Representative Director, Senior Managing Director, General Manager of Engineering Division			●		●		
<b>Masahide Shimada</b>	Senior Managing Director, AI/CI Division General Manager and General Manager of Nuclear Power Business Corporate Office		●				●	
<b>Hidetaka Yamamoto</b>	Senior Managing Director, Manager, Corporate Sales & Marketing Division		●	●				
<b>Ryota Nakazawa</b>	Senior Managing Director, General Manager of Corporate Strategic Planning Office, Deputy General Manager of Defense Business Corporate Office		●				●	
<b>Makoto Kikkawa</b>	Outside Director	●			●			
<b>Yasumitsu Iba</b>	Director Standing Audit & Supervisory Committee Member				●		●	
<b>Katsuhiko Shono</b>	Outside Director Audit & Supervisory Committee Member		●			●		
<b>Masako Sakaguchi</b>	Outside Director Audit & Supervisory Committee Member						●	●
<b>Takashi Koike</b>	Outside Director Audit & Supervisory Committee Member	●	●					

## Outside Directors and Outside Audit & Supervisory Committee Members

### Outside Directors

Expected roles	
Makoto Kikkawa	<p><b>FY2023 board meeting attendance: 10/10 meetings (Appointed June 27, 2023)</b></p> <p>Mr. Kikkawa has abundant experience and extensive knowledge in corporate management in financial institutions and business companies. We expect him to continue providing supervision and counsel on the execution of duties by the Company's directors from an objective, broad and advanced perspective. Therefore, we have appointed him as an outside director. He is involved in the selection of candidates for officer positions and determination of officer compensation from an objective and neutral standpoint as a member of the Nominating and Compensation Committee.</p>
Katsuhiko Shono	<p><b>FY2023 board meeting attendance: 10/10 meetings (Appointed June 27, 2023)</b></p> <p>Mr. Shono is expected to provide supervision and counsel on the execution of duties by the Company's directors from an objective, broad and advanced perspective based on his vast amount of experience in the industrial machinery field and high principles. In addition to him being appointed as an outside director, he is involved in the selection of candidates for officer positions and determination of officer compensation from an objective and neutral standpoint as a member of the Nominating and Compensation Committee.</p> <p>At the FY2023 Ordinary General Meeting of Shareholders held on June 25, 2024, he was newly appointed as a director who is an Audit &amp; Supervisory Committee member.</p> <p>Although he has no previous involvement in the management of a company other than as an outside officer, we deem that he is capable of appropriately performing the duties of an outside director for the reasons above.</p>
Masako Sakaguchi	<p><b>FY2023 board meeting attendance: 10/10 meetings (Appointed June 27, 2023)</b></p> <p>Ms. Sakaguchi is expected to provide supervision and counsel on the execution of duties by the Company's directors from an objective, broad and advanced perspective based on her vast amount of experience and extensive insight as an attorney. In addition to her being appointed as an outside director, she is involved in the selection of candidates for officer positions and determination of officer compensation from an objective and neutral standpoint as a member of the Nominating and Compensation Committee. She also conducted a meeting to exchange opinions with female managers to promote women's empowerment and provide advice on the future direction of initiatives.</p> <p>At the FY2023 Ordinary General Meeting of Shareholders held on June 25, 2024, she was newly appointed as a director who is an Audit &amp; Supervisory Committee member.</p> <p>Although she has no previous involvement in the management of a company other than as an outside officer, we deem that she is capable of appropriately performing the duties of an outside director for the reasons above.</p>
Takashi Koike	<p><b>Appointed at the FY2023 Ordinary General Meeting of Shareholders held on June 25, 2024</b></p> <p>Mr. Koike has abundant experience and extensive knowledge in corporate management in business companies. We expect him to provide supervision and counsel on the execution of duties by the Company's directors from an objective, broad and advanced perspective. Therefore, we have newly appointed him as an outside director who is an Audit &amp; Supervisory Committee member.</p> <p>He will be involved in the selection of candidates for officer positions and determination of officer compensation from an objective and neutral standpoint as a member of the Nominating and Compensation Committee.</p>

## Corporate Governance

### Activity Status and Effectiveness Evaluation of the Board of Directors

The Board of Directors held 14 meetings in FY2023 to discuss important management matters, as well as to submit resolutions and reports in accordance with laws and regulations, the Articles of Incorporation and the rules of the Board of Directors.

(1) Specific items considered at the Board of Directors' meetings

(Resolutions) In addition to matters for resolution required by laws, regulations and the Articles of Incorporation, the Board of Directors deliberated and made decisions on 42 matters for resolution based on our rules of the Board of Directors, including the Group's management and sales plans, important capital investments, other companies' guarantees and financing plans.

(Reports) In addition to reporting matters required by laws, regulations and the Articles of Incorporation, 17 reports were made on the status of our internal controls, activities of each committee and other important matters related to the execution of business operations.

(2) Effectiveness evaluation of the Board of Directors

With regard to the effectiveness evaluation of the Board of Directors, a report on the Board of Directors' activities in FY2023 was presented at a Board of Directors' meeting held in June 2024, where opinions were exchanged and discussions were held among directors and Audit & Supervisory Board members. The resulting assessment is that the Board of Directors' effectiveness has been appropriately secured.

### Appointing Directors and Determining Compensation

To increase objectivity and transparency around director nomination and compensation-setting processes in accord with Japan's Corporate Governance Code, EKK has established the Nominating and Compensation Committee comprising the chairman of the Board of Directors and outside directors as an advisory body of the Board of Directors.

The Nominating and Compensation Committee generally meets twice each fiscal year. The committee appoints directors by reviewing the appointment/dismissal standards as well as the director candidates based on these standards. Regarding compensation, the committee reviews the Policy for Determining Officer Compensation, etc. considers factors such as the proportion of short-term performance-linked compensation for each fiscal year, and offers advice and feedback to the Board of Directors.

#### Nominating and Compensation Committee Activities

Month	Actions
Feb. 2024	<p>Nominations: Director appointment/dismissal standards and succession plan policy reviewed and discussion held</p> <p>Compensation: Policy for Determining Officer Compensation, etc. reviewed and the proportion of short-term performance-linked compensation for FY2023 considered</p>
May 2024	<p>Nominations: Director and Audit &amp; Supervisory Committee member candidates to be proposed at FY2023 Ordinary General Meeting of Shareholders vetted and discussion held</p> <p>Compensation: Compensation amounts for directors (excluding directors who are Audit &amp; Supervisory Committee members) and directors who are Audit &amp; Supervisory Committee members reviewed and discussion held</p> <p>Proposal of Policy for Determining Officer Compensation, etc. after transition to a company with an Audit &amp; Supervisory Committee reviewed and discussion held</p>



## **Policy for Determining Officer Compensation, etc.**

EKK has established the policy below for determining director compensation. Compensation for directors (excluding directors who are Audit & Supervisory Committee members) is determined by the Board of Directors, and compensation for directors who are Audit & Supervisory Committee members is determined via thorough discussions with directors who are Audit & Supervisory Committee members at the Audit & Supervisory Committee meeting, within the total amount decided at the General Meeting of Shareholders based on this policy.

To enhance objectivity and transparency regarding Board of Directors' and Audit & Supervisory Committee members' nomination and compensation, the Company has established the Nominating and Compensation Committee, comprising the chairman of the Board of Directors and outside directors, as an advisory body of the Board of Directors. The committee regularly monitors matters of particular importance, such as Board of Directors' and Audit & Supervisory Committee members' nomination and directors' compensation, and provides appropriate recommendations to the Board of Directors. The Company's policy regarding determining compensation, etc. for directors is as follows.

### **a. Method of determining policy**

The policy on compensation for directors (excluding directors who are Audit & Supervisory Committee members) is determined by the Board of Directors, taking into account the advice of the Nominating and Compensation Committee. The policy on compensation for directors who are Audit & Supervisory Committee members is determined at the Audit & Supervisory Committee meeting through discussions with directors who are Audit & Supervisory Committee members.

### **b. Basic policy**

The Group seeks to grow stronger and more highly profitable by making unique and socially useful products backed by its technologies at a low cost around the world and providing them at reasonable prices. We believe that pursuing this policy from a medium- to long-term perspective will contribute to improving the Group's medium- to long-term corporate value and increase stakeholder satisfaction.

In carrying out this policy, we believe that it is necessary for us to promote the motivation of the management team, including the directors of the Company, to achieve performance targets and stakeholder satisfaction from the standpoint of compensation. For that reason, we have decided to introduce treasury stock compensation for the Company's management that varies to a certain extent according to the degree of achievement of key performance indicators (KPIs) related to the priority measures in the Group's medium-term management plan. Balancing this with monetary compensation that varies according to the degree of achievement of performance targets for each fiscal year, we aim to improve corporate value and stakeholder satisfaction over the medium to long term.

### **c. Policy for determining amount of individual compensation, etc., and method of calculation**

Considering their responsibilities in improving performance in each fiscal year and increasing corporate value over the medium to long term, compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members) is broken down into three categories. These are base pay (monetary), short-term performance-linked compensation (monetary) and medium- to long-term performance-linked compensation (stock), comprised of fixed compensation, expectations for short-term results and expectations for long-term results. On the other hand, outside directors who are not Audit & Supervisory Committee members are expected to provide objective opinions and suggestions from an outside perspective that is independent from business execution, so in light of this, they are only paid base pay (monetary). In addition, compensation for directors who are Audit & Supervisory Committee members is base pay (monetary) only according to position as they are responsible for auditing and supervising the execution of duties for the Group as a whole. Compensation may be temporarily reduced or not paid at all in the event of a sudden worsening of performance or damage to corporate value.

The compensation system for the Company's directors is set up in such a way that compensation differs according to the responsibilities of the position (chairman, president, vice president, managing director, etc.). The difference currently applied is where managing directors are 1 and the chairman and president are about 1.6 when the short-term/long-term results portion is the standard amount.

## Corporate Governance

### **d. Policy for setting quantitative formulas for and determining other details of performance-linked compensation, including performance benchmarks**

Performance-linked compensation is paid in an amount ranging from 0% to 200% of a baseline level, depending on performance relative to evaluation criteria.

When determining short-term performance-linked compensation, it is the Company's judgment that maintaining and improving the profit level is the most appropriate indicator of corporate performance. As such, the degree of achievement of the initial operating profit plan, dividend amount, employee bonus amount and other matters impacting performance (natural disasters, extraordinary gains/losses, etc.) are considered.

The indicators of medium- to long-term performance-linked compensation are return on invested capital (ROIC) (financial indicator) and the FTSE Russell ESG score (non-financial indicator) to increase overall profitability of the Group and promote ESG management. The weight given to these items is 90% and 10%, respectively.

### **e. Policy for determining the content, amount, number or method of calculating non-monetary compensation, etc.**

For medium- to long-term performance-linked compensation, we utilize the officer compensation Board Incentive Plan (BIP) trust system in order to increase the motivation of directors to contribute to improving the Group's medium- to long-term performance and increasing corporate value. This plan is a system for issuing and paying the shares of the Company and share exchange price at disposal of the Company (hereinafter referred to as "the Company's shares, etc.") in a number corresponding to points calculated according to position/length of service and the degree of achievement, etc., of medium-term targets to eligible directors (excluding outside directors and directors who are Audit & Supervisory Committee members) and operating officers following the Rules for Issuance of Shares approved by the Board of Directors.

### **f. Policy for determining the ratio (percentage) of each type of individual compensation, etc.**

The Company's business domain is the manufacture and sale of mechanical seals, special valves, etc., and other mechanical parts in industries that include automobiles, construction equipment, general industrial machinery, semiconductors, ships and aerospace. Considering that business performance is easily affected by trends in these industries, the percentages of short-term performance-linked compensation and medium- to long-term performance-linked compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members) are 10% and 20% of total compensation, respectively.

### **g. Policy for determining the timing or terms of compensation payments**

Monthly base pay is determined by the Board of Directors after the Ordinary General Meeting of Shareholders for one year beginning from the following month and is paid in a fixed amount on a fixed day every month. Short-term performance-linked compensation is determined by the Board of Directors based on the year-end financial results in accordance with the abovementioned "Policy for setting quantitative formulas for and determining other details of performance-linked compensation, including performance benchmarks." It is paid by the time of the Ordinary General Meeting of Shareholders for the financial results in question. As for medium- to long-term performance-linked compensation, following the Rules for Issuance of Shares approved by the Board of Directors, a fixed number of points calculated according to position and length of service and performance-linked points designed to incentivize achievement of the medium-term management plan, etc., are granted at a certain time every year. In principle, when the medium-term management plan ends, a number of the Company's shares, etc., corresponding to the cumulative number of fixed points and a number of the shares, etc., corresponding to the cumulative number of performance-linked points multiplied by a performance-linked coefficient according to the degree of achievement of medium-term targets are issued and paid.

### **h. Policy for and method of determining individual compensation**

The Board of Directors sets compensation amounts for individual directors (excluding directors who are Audit & Supervisory Committee members) and the methods whereby they are set, taking into account recommendations of the Nominating and Compensation Committee. Officer compensation proposals are tabled by the Board's chairman.

The compensation amounts for directors who are Audit & Supervisory Committee members are determined at the Audit & Supervisory Committee meeting through discussions with directors who are Audit & Supervisory Committee members.

## General Meeting of Shareholders Approval of Officer Compensation, etc.

At the FY2023 Ordinary General Meeting of Shareholders held on June 25, 2024, shareholders approved resolutions capping the amount of aggregate compensation for directors (excluding directors who are Audit & Supervisory Committee members) at ¥550 million per year (of which, ¥40 million for outside directors) and the amount of aggregate compensation for directors who are Audit & Supervisory Committee members at ¥100 million per year.

At the FY2021 Ordinary General Meeting of Shareholders held on June 23, 2022, shareholders approved a performance-based stock compensation plan (hereinafter referred to as “the Plan”) for the Company’s directors (excluding outside directors; the same applies hereinafter) and operating officers (excluding those not residing in Japan; hereinafter referred to as “Directors, etc.”). An overview of the Plan is provided below. The Plan’s compensation is paid to Directors, etc., separately from the above director compensation amounts (¥550 million per year).

In accordance with the approval of the resolution “Amendment to the Articles of Incorporation” at the FY2023 Ordinary General Meeting of Shareholders held on June 25, 2024, the Company transitioned to a company with an Audit & Supervisory Committee, and as a result, those eligible for the Plan were revised to the Company’s directors (excluding directors who are Audit & Supervisory Committee members, outside directors, and those not residing in Japan; the same applies hereinafter) and operating officers (excluding those not residing in Japan; hereinafter referred to as “Directors, etc.”).

### a. Overview of the Plan

The Plan is a stock compensation plan for Directors, etc. The Company will contribute an amount corresponding to the compensation for Directors, etc., to a trust, and these funds will be used to purchase shares of the Company through the trust. Shares of the Company and share exchange price at disposal of the Company (hereinafter referred to as “the Company’s shares, etc.”) are issued and paid (hereinafter referred to as “issuance, etc.”) as officer compensation according to position and the degree of achievement, etc., of the performance targets (details of the Plan are described in (b) below and thereafter).

#### Eligibility for issuance, etc., of the Company’s shares, etc., under the Plan

- The Company’s directors (excluding directors who are Audit & Supervisory Committee members, outside directors, and those not residing in Japan)
- The Company’s operating officers (excluding those not residing in Japan)

### b. Impact of the Company’s shares subject to the Plan on the total number of outstanding shares

#### Maximum amount to be contributed by the Company

- ¥300 million multiplied by the number of fiscal years in the relevant period
- The first relevant period will be four fiscal years for a total of ¥1,200 million (the first relevant period is the four fiscal years from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2026)

#### Maximum number of the Company’s shares to be issued, etc., to Directors, etc., and method of purchasing the Company’s shares, etc.

- 400,000 shares multiplied by the number of fiscal years in the relevant period
- The first relevant period will be four fiscal years for a total of 1.6 million shares
- The above number of shares per fiscal year (400,000 shares) accounts for approximately 0.9% of the Company’s total number of outstanding shares (as of March 31, 2024, after deduction of treasury shares)
- The Company’s shares are to be acquired from the stock market or the Company (treasury share disposal) (the Company’s shares for the first relevant period are to be acquired from the stock market, so there will be no dilution)

#### Performance achievement conditions

- Varies between 0% and 200% according to the degree of achievement, etc., of important indicators for achieving performance targets in the medium-term management plan and other indicators established by the Board of Directors (in the first relevant period, the degree of achievement of ROIC and FTSE Russell ESG score)

#### Timing of issuance, etc., of the Company’s shares, etc., to Directors, etc.

- After the end of the relevant period

## FY2023 Officer Compensation

Position	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			No. of eligible recipients (Persons)
		Base compensation	Performance-linked compensation, etc.		
			Short-term	Medium- to long-term (non-monetary compensation)	
Directors (of which, outside directors)	326 (28)	246 (28)	16 (–)	63 (–)	12 (6)
Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	54 (9)	54 (9)	–	–	6 (3)
Total	380 (38)	300 (38)	16 (–)	63 (–)	18 (9)

# G

# Compliance



## Compliance

Given the growing importance of Group-wide compliance and risk management in the wake of diversification and globalization of corporate activities, EKK has established the Sustainability Committee and, under that, the Risk Management Subcommittee, setting up systems to continuously maintain appropriate risk management and compliance at the EKK Group. The general manager of EKK's Corporate Administration Division is in charge of compliance throughout the Group. We comply with key laws and regulations applicable to each respective operation by establishing units in charge of individual laws and regulations, as well as creating internal rules and regulations.

Both domestic and overseas Group companies also have their own internal auditing and compliance staff. The Group has prescribed Compliance Rules and the EKK Employee Compliance Code of Conduct based on the EKK Charter of Corporate Behavior. The Group clearly demonstrates a high-priority commitment to compliance and promotes universal knowledge of said rules and code of conduct throughout its entire workforce.

### Compliance Promotion Month

The EKK Group has designated October of every year as Compliance Promotion Month. Every October, the Group conducts consciousness-raising and educational activities on compliance, mainly domestically.

In FY2023, the Group had employees read a compliance-related text together and conducted video-based educational activities. In order to understand internal issues, a compliance-related questionnaire was also sent out, eliciting 2,680 responses from employees. The results of this questionnaire were used to determine priority matters for the Group as we work to further improve compliance consciousness.

### Reporting System

The EKK Group has set up (internally and externally accessible) internal whistleblower hotlines available to personnel of all Group companies globally. Through the hotlines, the Group aims to prevent improprieties in its business operations and gather information on legal/regulatory compliance.

Thirteen incidents were reported in FY2023.

Reported incidents are investigated. If an investigation reveals impropriety, corrective action is implemented organizationally. Cards with the hotlines' contact information are distributed to employees to promote widespread knowledge and usage of the hotlines.

### Internal Audits

Internal auditors appointed by the president audit whether internal organizational units and affiliates' operations are being executed properly and rationally.

Specifically, they check the status of compliance and risk management regimes, including at subsidiaries, assess the effectiveness of internal controls over financial reporting and monitor whether internal controls as a whole are functioning properly in accord with relevant regulations.

Such activities enable effective internal audits to be conducted through periodic reporting to and discussion with Audit & Supervisory Committee members. Internal audit findings are also periodically reported to the Meeting of Division Managers and the Board of Directors.

### Anti-Corruption Controls

The EKK Group endeavors to prevent corruption. The Group's Principles of Corporate Behavior state, We will ensure that we engage in fair, transparent, and free competition, that transactions are appropriate, and that responsible procurement is carried out, when selling products and purchasing materials. Also, we will maintain a sound and proper relationship with political bodies and government agencies.

The EKK Employee Compliance Code of Conduct and EKK Group Anti-Corruption and Bribery Policy established in accordance with these principles prohibit bribery and other collusive or corrupt acts involving suppliers, customers or public employees and stipulate the development of an education and training system to achieve this. We provide employees with information on restrictions on and decision-making criteria for gift-giving/receiving and entertainment in the course of business activities through the Anti-Bribery Standards and Anti-Bribery Guidelines.





## Risk Management

EKK 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.

The Risk Management Subcommittee, a body established under the Sustainability Committee, discusses Company-Wide Risk Management Annual Goals for each fiscal year in addition to identifying and assessing risks in internal departments and Group companies and promoting risk prevention on an organization-wide basis.

After being reported to the Board of Directors and the Meeting of Division Managers, the goals are cascaded down to internal departments and Group companies.

### Business Continuity Planning (BCP)

The EKK Group identifies potential risks and implements risk prevention/mitigation measures to ensure business continuity even in the event of a major natural disaster such as a catastrophic earthquake, typhoon or flood.

Every plant and Group company formulates business continuity plans and conducts business continuity management activities tailored to its operations and environment and annually updates its list of identified risks.

Plants and Group companies identify natural disaster and other risks that warrant particular caution and devise preventive/mitigative measures against them. The Risk Management Subcommittee, singles out risks among these that pose a major threat to business continuity and discusses risk management targets for particularly serious threats.

Additionally, the EKK Group is building a global production network that enables alternate production to be coordinated among multiple sites so that supplies of products and services to customers are not interrupted by a major natural disaster.

### Information Security

EKK is strengthening the EKK Group's information security, establishing a CSIRT (Computer Security Incident Response Team) Department in July 2020 and a permanent CSIRT Section in the EKK headquarters in October 2023.

The CSIRT Department spearheads information-sharing for information leak incidents and accidents including security incidents and cyber security awareness, involving EKK-CSIRT members selected from divisions and domestic Group companies. The course imparts requisite knowledge through questions about information security regulations and standards and security incidents that have occurred in recent years.

Information security regulations are accessible on intranet sites for employees to refer to whenever necessary.

The Group continues to use an online training course presented in Q&A format to increase employees' knowledge of information security, and all eligible domestic employees completed training in FY2023.

In addition, in FY2023, we began exploring the implementation of a method to analyze security information using AI in existing monitoring tools with fewer personnel.

# Major Financial and Non-Financial Data

## Major Financial and Non-Financial Data

		FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	Millions of yen	142,106	130,513	140,842	157,380	167,042
Operating profit	Millions of yen	5,772	5,802	7,560	9,264	8,107
Ordinary profit	Millions of yen	6,766	8,447	10,811	12,277	13,799
Profit attributable to owners of parent	Millions of yen	2,907	4,010	5,713	6,796	7,491
Total net assets	Millions of yen	82,019	92,441	103,094	112,930	125,671
Total assets	Millions of yen	166,800	176,508	180,955	193,232	209,914
Net assets per share	Yen	1,524.62	1,719.40	1,920.35	2,169.53	2,570.06
Earnings per share	Yen	59.24	81.70	116.34	139.82	160.84
Equity ratio	%	44.9	47.8	52.1	54.0	55.6
Return on equity (ROE)	%	3.7	5.0	6.4	6.8	6.8
Net cash provided by operating activities	Millions of yen	16,043	17,849	12,238	12,323	17,741
Net cash used in investing activities	Millions of yen	(10,888)	(5,203)	(6,845)	(8,054)	(12,027)
Net cash used in financing activities	Millions of yen	(4,064)	(2,661)	(11,554)	(3,168)	(6,409)
Cash and cash equivalents at end of period	Millions of yen	20,089	31,545	27,001	29,271	31,054
Number of employees (consolidated)	Persons	6,594	6,507	6,393	6,300	6,280
Number of employees (non-consolidated)	Persons	1,097	1,109	1,183	1,148	1,217
Average age (non-consolidated)	Age	39.4	39.9	41.1	41.4	41.6
Average years of service (non-consolidated)	Years	14.8	15.4	16.5	16.6	16.7
Average salary (non-consolidated)	Thousands of yen	7,581	7,007	7,635	7,817	7,924

## Consolidated Financial Statements (FY2022 and FY2023)

### Consolidated Balance Sheets

(Millions of yen)

Item	Period	FY2022	FY2023
<b>Assets</b>			
Current assets		107,712	115,956
Cash and deposits		30,581	32,536
Notes and accounts receivable—trade		32,542	34,576
Inventories		32,866	35,770
Other		11,721	13,072
Non-current assets		85,519	93,957
Property, plant and equipment		60,879	65,383
Buildings and structures		25,015	25,268
Machinery, equipment and vehicles		21,322	21,297
Other		14,541	18,817
Intangible assets		2,727	2,325
Investments and other assets		21,913	26,248
Investment securities		14,733	18,257
Other		7,179	7,990
Total assets		193,232	209,914
<b>Liabilities</b>			
Current liabilities		44,457	46,968
Accounts payable—trade		9,655	9,134
Electronically recorded obligations—operating		2,590	2,742
Short-term borrowing		13,624	14,403
Income taxes payable		1,855	2,316
Provision for bonuses		2,818	2,931
Other		13,914	15,440
Non-current liabilities		35,844	37,273
Long-term borrowing		20,508	24,735
Retirement benefit liability		13,120	10,146
Other		2,216	2,391
Total liabilities		80,302	84,242
<b>Net assets</b>			
Shareholders' equity		96,249	94,956
Share capital		10,490	10,490
Capital surplus		11,819	11,819
Retained earnings		75,824	79,415
Treasury shares		(1,884)	(6,769)
Accumulated other comprehensive income		8,170	21,805
Valuation difference on available-for-sale securities		518	877
Foreign currency translation adjustment		7,310	16,359
Remeasurements of defined benefit plans		340	4,568
Non-controlling interests		8,510	8,909
Total net assets		112,930	125,671
Total liabilities and net assets		193,232	209,914

### Consolidated Statements of Income

(Millions of yen)

Item	Period	FY2022	FY2023
Net sales		157,380	167,042
Cost of sales		119,893	129,385
Gross profit		37,487	37,657
Selling, general and administrative expenses		28,222	29,549
Operating profit		9,264	8,107
Non-operating income		4,293	6,404
Non-operating expenses		1,280	712
Ordinary profit		12,277	13,799
Extraordinary income		216	162
Extraordinary losses		275	1,126
Profit before income taxes		12,218	12,835
Income taxes		3,567	3,749
Profit		8,650	9,086
Profit attributable to non-controlling interests		1,853	1,594
Profit attributable to owners of parent		6,796	7,491

### Consolidated Statements of Cash Flows

(Millions of yen)

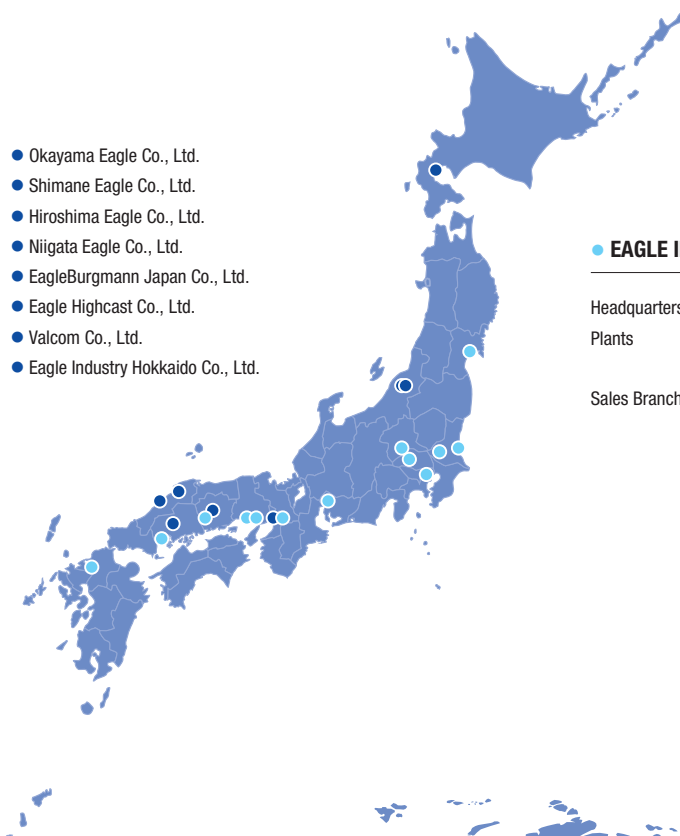
Item	Period	FY2022	FY2023
Net cash provided by operating activities		12,323	17,741
Net cash used in investing activities		(8,054)	(12,027)
Net cash used in financing activities		(3,168)	(6,409)
Effect of exchange rate change on cash and cash equivalents		1,169	2,477
Net increase (decrease) in cash and cash equivalents		2,269	1,782
Cash and cash equivalents at beginning of period		27,001	29,271
Cash and cash equivalents at end of period		29,271	31,054

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

# Corporate Data

## Network

### Domestic



#### ● EAGLE INDUSTRY CO., LTD.

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

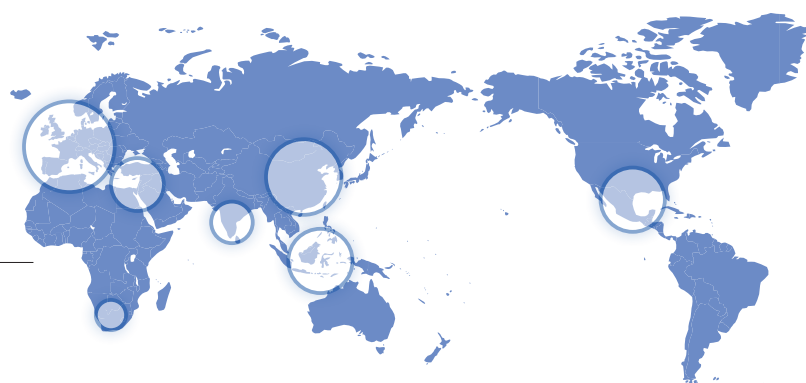
### Overseas

#### Asia-Pacific and Oceania [31]

##### Main Bases

- Eagle Industry Taiwan Corporation
- NEK Co., Ltd. (Korea)
- EKK Eagle (Thailand) Co., Ltd.
- Eagle Industry (Wuxi) Co., Ltd. (China)
- P.T. Eagle Industry Indonesia
- EKK Eagle Products India Pvt. Ltd.
- Eagle Industry Sales (Shanghai) Co., Ltd.
- EBI Asia Pacific Pte. Ltd. / EBI Asia Pte. Ltd. (Singapore)
- EagleBurgmann India Pvt. Ltd.
- EagleBurgmann Australasia Pty. Ltd. (Australia and New Zealand)
- Arena Instrument Co., Ltd. (Taiwan)
- KEMEL Sales & Service (Shanghai) Co., Ltd.

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



#### Europe, Americas [45]

##### Main Bases

- EKK Eagle America Inc.
- EKK Eagle Industry Mexico S.A. de C.V.
- Eagle Holding Europe B.V. (Netherlands)
- Eagle Simrax B.V. (Netherlands)
- Eagle Industry France S.A.S.
- Eagle ABC Technology S.A.S. (France)
- Eagle Industry Hungary Kft.
- Eagle Actuator Components GmbH & Co. KG (Germany)
- EagleBurgmann Atlantic GmbH (Germany)
- EagleBurgmann Middle East GmbH (Germany)
- KEMEL Europe, Ltd.

## Group Overview

### Corporate Overview

#### Overview of the Company and the EKK Group

Name	EAGLE INDUSTRY CO., LTD.
Established	October 1, 1964
Paid-in Capital	¥10,490,981,500
Business Segments	Main Products and Services
Automotive and Construction Machinery Industries	Mechanical seals for automotive and construction machinery, specialty valves, mechanical products, accumulators, machinery for housing equipment, valves for nuclear power plants, etc.
General Machinery Industry	General-purpose and industrial mechanical seals, mechanical seal auxiliary equipment, diaphragm couplings, etc.
Semiconductor Industry	Magnetic fluid vacuum seals, bellows application products, rotary joints, high-functional O-rings, etc.
Marine Industry	Oil- and water-lubricated stern tube seal equipment, stern tube bushings, etc.
Aerospace Industry	Seal products for aircraft and rockets, mechanical products, etc.

#### Main Bases

Headquarters	Tokyo
Sales Branches in Japan	Sendai, Mito, Kitakanto, Tokyo, KEMEL Tokyo, Nagoya, Osaka, Kobe, KEMEL Kobe, Hiroshima, KEMEL Hiroshima, Kyushu
Plants in Japan	Saitama, Okayama, Takasago, Kure, Tsukuba
Subsidiaries in Japan	EagleBurgmann Japan Co., Ltd., Shimane Eagle Co., Ltd., Okayama Eagle Co., Ltd., Hiroshima Eagle Co., Ltd., Eagle Highcast Co., Ltd., Eagle Industry Hokkaido Co., Ltd., Valcom Co., Ltd., and others
Overseas Production Bases	China, Taiwan, Korea, Thailand, Indonesia, India, Netherlands, France, Germany, Hungary, Mexico, and others
Overseas Sales Offices	China, United States, Netherlands, Singapore, United Kingdom, Philippines, Vietnam, Malaysia, Australia, and others

#### Stock Information

(As of March 31, 2024)

Number of Authorized Shares	100,000,000
Number of Shares Issued	49,757,821
Number of Shareholders	13,426

#### Major Shareholders

Name of shareholders	Number of shares held (Thousands)	Equity ownership (%)
NOK Corporation	14,813	31.68
Freudenberg-SE	3,800	8.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,247	6.94
The Dai-ichi Life Insurance Company, Limited	2,758	5.90
Eagle Industry Employees Association	2,103	4.50
Custody Bank of Japan (Trust Account)	1,698	3.63
The Master Trust Bank of Japan, Ltd. (Trust Account for Officers' Compensation Board Incentive Plan (BIP) / Account 76761)	831	1.78
Sumitomo Mitsui Banking Corporation	771	1.65
The Bank of Mitsubishi UFJ, Ltd.	659	1.41
The Chugoku Bank, Ltd.	637	1.36

Note: Figures for equity ownership are calculated excluding treasury stock.

#### Board of Directors and Audit & Supervisory Committee Members

(As of June 25, 2024)

Chairman of the Board and President, Representative Director  
Tetsuji Tsuru

Representative Director, Vice President  
Masaki Nakao

Representative Directors, Senior Managing Directors  
Shinji Abe Norio Uemura

Senior Managing Directors  
Masahide Shimada Hidetaka Yamamoto  
Ryota Nakazawa

Outside Director  
Makoto Kikkawa

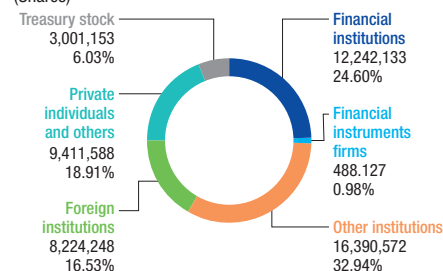
Director, Standing Audit & Supervisory Committee Member  
Yasumitsu Iba

Outside Directors, Audit & Supervisory Committee Members  
Katsuhiko Shono Masako Sakaguchi  
Takashi Koike

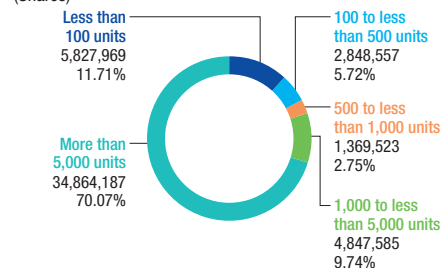
Senior Operating Officers  
Noriyuki Nonaka Katsuhiro Murakami  
Takumi Yoshikawa Yoshinobu Murata  
Kiyoshi Fujii Kazuya Nonaka  
Junichi Wakabayashi Chad Pottenger

Operating Officers  
Kazuaki Nagayoshi Shinichi Tokuda  
Yoshiyuki Suyama Ichiro Hirata  
Hiroaki Takayama Masaki Tanaka  
Yoshiaki Takigahira Tetsuo Miyamoto

#### Distribution of Shares by Type of Shareholder (Shares)



#### Distribution of Shares by Number of Shares Held (Shares)







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