



Annual Report 2011
For the year ended March 31, 2011



Global Sealing Solution Provider

Eagle Industry Co., Ltd. (“EKK”) was established in 1964 by separating the mechanical seal division from NOK Corporation. Since then, the Company has been Japan’s top manufacturer of mechanical seals.

In the automotive industry in particular, we have consolidated our status as the world’s largest supplier of mechanical seals for engine water pumps and lip seals for car air-conditioners.

Mechanical seals are used in most rotating equipment such as pumps, and their application fields range widely, including not only automobiles but also the oil refinery, chemical, steel, pulp and paper, semiconductor, construction machinery, and consumer electronics industries. In order to develop proprietary products that can be applied to a variety of fields, we have accumulated a great wealth of know-how about processing, welding and assembly technologies, and materials that have been cultivated through many years of research and development. Through these efforts, we have been responding to customer needs.

In the mechanical seal segment, EKK has sought to use its accumulated technological expertise to drive its growth as a company capable of providing solutions to the market on a more global scale. We are dynamically expanding our overseas business operations and building networks through our subsidiaries in both the advanced markets of Europe and North America, and also in the emerging future growth markets of Asia. With an alliance with the Burgmann Group of Germany, we established a global platform for the growth of our business as a supplier of products for general industrial machinery, and we are now achieving sustained growth in this field. We will continue to expand our business activities in this area with the aim of building a future for EKK as the world’s leading manufacturer of mechanical seals.

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For Mobility-Related Industries

EKK is the world’s leading supplier of mechanical seals to the automotive, construction machinery, marine and aerospace industries.

In this business area, our basic policy is to pursue global production and sales strategies basically within the EKK Group rather than seeking alliances with other parties.

For General Industrial Machinery Industry

EKK is one of the world’s biggest manufacturers of mechanical seals and other equipment for manufacturers of general industrial machinery, including pumps and compressors for petrochemical plants and other manufacturing facilities.

We are working to develop global expansion in this area through our alliance with the Burgmann Group.

R&D Prowess

Our continuing success stems from our commitment to persist in research.

Our greatest strength is our unique know-how in materials, welding and assembly techniques, and processing technologies.

Being a market leader means developing new technologies and showing clients a wider range of applications for both new and old technologies.

Going Global

EKK is developing its business as a supplier of products to the automotive and construction machinery industries by building its own networks in South Korea, Taiwan, Southeast Asia, Oceania, Europe, North America and the rapidly growing Chinese market.

In the area of products for general industrial machinery, we are working with the Burgmann Group to establish production and sales structures capable of meeting the needs of customers throughout the world. Of particular importance are our efforts to build our presence in the growing Indian market through EagleBurgmann India.

Disclaimer Regarding Forward-Looking Statements

The present document contains forward-looking statements based on currently available information that Eagle Industry and the EKK Group consider to be reasonable.

Actual results may differ materially from those projected as a result of various risks and uncertainties, including, but not limited to, economic fluctuations or unstable product demands, various domestic and overseas regulations, as well as changes in accounting standards/practices. Consequently, the information contained in this Annual Report should not be construed as the sole basis for investment decisions.

Consolidated Financial Highlights

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

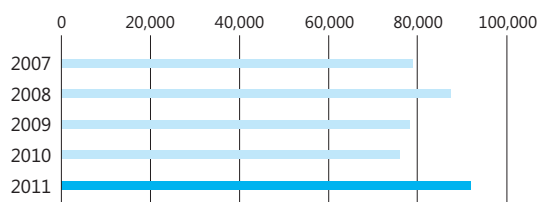
Years Ended March 31

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2011	2010	2011
For the Period:			
Net Sales	¥ 91,920	¥ 76,063	\$ 1,105,478
Operating Income	8,717	4,102	104,847
Income before Income Taxes and Minority Interests	8,710	5,403	104,744
Net Income	4,871	2,567	58,583
At Year-end:			
Total Assets	103,440	100,349	1,244,006
Total Net Assets	40,992	41,546	492,983
Per Share			
	Yen	Yen	U.S. Dollars
Net Income	¥ 100.26	¥ 52.86	\$ 1.21
Net Assets	735.44	720.92	8.84

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange on March 31, 2011.

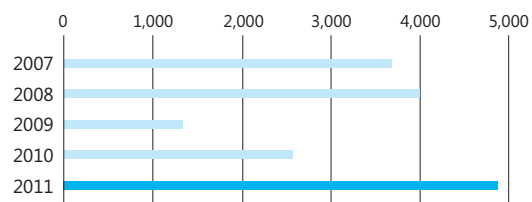
Net Sales

Years Ended March 31
(Millions of Yen)



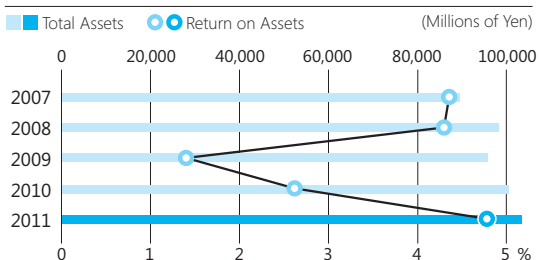
Net Income

Years Ended March 31
(Millions of Yen)



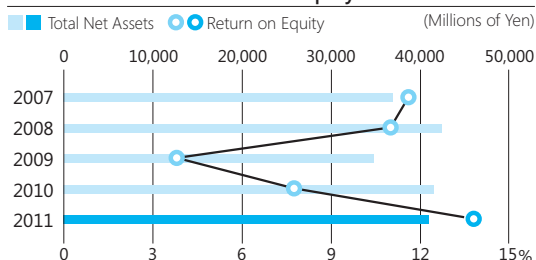
Total Assets and Return on Assets

Years Ended March 31
(Millions of Yen)



Total Net Assets and Return on Equity

Years Ended March 31
(Millions of Yen)





In pursuit of sustainable growth and improvement in our corporate value with the New Three-Year Management Plan.

Tetsuji Tsuru
Tetsuji Tsuru
Representative Director, President

I would like to express our deepest condolences to the families of those who lost their lives in the Great East Japan Earthquake, which struck on March 11, and our sincere sympathies to all who have been affected by the disaster.

No employees of the EKK Group were directly affected, although it has been confirmed that relatives of some of our employees lost their lives.

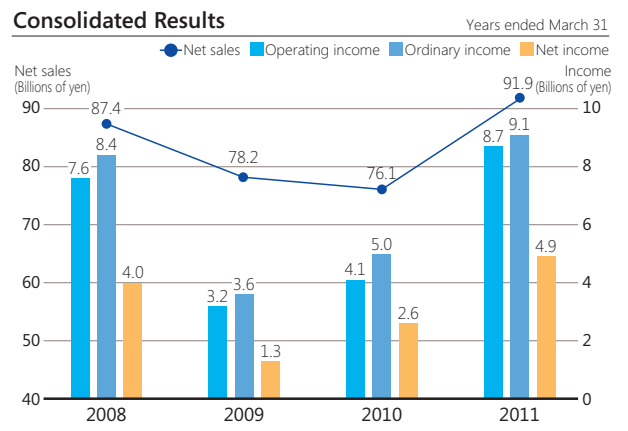
There was no major damage to the EKK Group's business sites, including manufacturing and sales facilities for products for the automotive and construction machinery industries, general industrial machinery industry, marine industry and aerospace industry.

The EKK Group has donated a total of ¥40 million to the areas in northeastern Japan that suffered massive damage resulting from the earthquake. The entire EKK Group is united in praying for the earliest possible recovery of the disaster-affected areas.

Results for the Fiscal Year Ended March 31, 2011

Business conditions in the fiscal year ended March 31, 2011 (fiscal 2011) were affected by a number of uncertainties, including fiscal instability in some European countries, and the economic impact of unexpectedly large exchange rate fluctuations. However, the world economy as a whole followed a gradual recovery trend driven by the impetus provided by continued rapid growth in China, India and other emerging economies.

A key factor affecting the business environment for the EKK Group was strong demand from the automotive, construction



machinery and general industrial machinery industries in emerging economies. While this helped to maintain healthy sales trends, earnings came under pressure from a rapid rise in the value of the yen. The Great East Japan Earthquake, which occurred near the end of the fiscal year, triggered an unprecedented crisis and had a major impact on Japanese industries, which had been moving toward recovery.

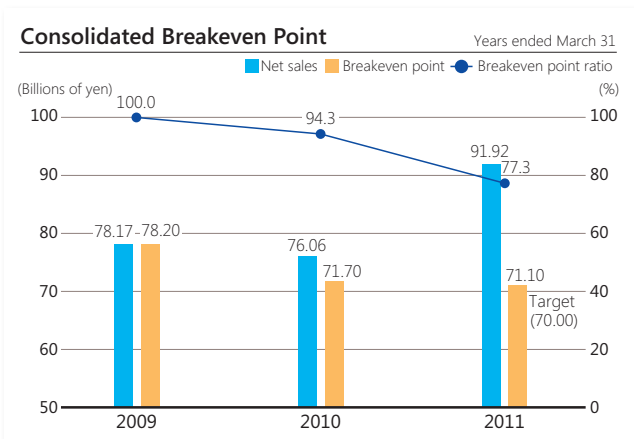
For the EKK Group, the fiscal year ended March 31, 2011 was a time for completing initiatives contained in the Two-Year Restructuring Plan launched in the previous fiscal year. As in the previous fiscal year, we continued to lower our breakeven point through changes to our business structures and cost-cutting activities, while also working to expand sales, especially in emerging economies.

These efforts were reflected in our consolidated results, which were substantially higher than the targets set down in the plan. Net sales increased by 20.8% year on year to ¥91,920 million, operating income by 112.5% to ¥8,717 million and net income by 89.8% to ¥4,871 million.

After considering all aspects of the current business environment and other factors, we have decided to pay a year-end dividend of ¥6.5 per share. We have already paid an interim dividend of ¥4.5, so the annual dividend will be ¥11 per share.

Results of Initiatives under the Two-Year Restructuring Plan

Our goal under the Two-Year Restructuring Plan was to focus the efforts of the entire EKK Group on the creation of a corporate structure that can generate income even with net sales of ¥70 billion or below, which is equivalent to 80% of the historical record of net sales. Our key indicators were operating income, product inventories, capital investment, and depreciation and amortization. While we achieved our target for operating income, results for the other indicators were below target. The reason for this was a dramatic recovery in orders, which resulted in a substantial gap compared with the figure initially set down in the plan. We made considerable progress toward the reduction of our breakeven point. If the fiscal 2009 level is represented as 100%, the breakeven point was lowered to 94.3% in fiscal 2010 and 77.3% in fiscal 2011. Despite the global financial crisis, we believe that these figures are indicative of sustained benefits resulting from efforts on a number of levels, including the reduction of other expenses, the effective allocation of human resources, the consolidation and streamlining of business bases, the expansion of in-house manufacturing, and the realignment of production items. Our overall assessment is that we basically achieved our objectives under the Two-Year Restructuring Plan.



New Three-Year Management Plan Building Foundations for Sustainable Growth —Ensuring Success over the Next Decade

The new three-year management plan adopted by the EKK Group has its theme “Building Foundations for Sustainable Growth.” Our targets for fiscal 2012, the first year of the plan, are net sales of ¥100 billion and operating income of ¥9.3 billion. By the final year of the plan, fiscal 2014, we aim to achieve net sales of ¥120 billion, operating income of ¥15 billion and an operating margin of 12.5%. We have positioned the plan as our first step in the EKK Group’s evolution into a truly global enterprise with a total workforce of 5,000 and affiliated companies in 44 countries.

We will proactively consider various approaches to the achievement of this growth, including the expansion of our line-up of new products, and M&A in fields that offer synergy benefits. Our priority for R&D targeted toward the development of next-generation products will be the discovery of seed technologies that can be germinated into products for new markets, such as hybrid cars. We will also intensify our sales, production and cost reduction activities through collaboration between business sites in Japan and overseas. In addition, we will strive to upskill our workforce through personnel exchanges and strengthen our global management capabilities.

There is concern about the impact of the Great East Japan Earthquake on real economic conditions in Japan during the fiscal year ending March 31, 2012. However, we anticipate continued growth in emerging economies, especially China and India, and a gradual recovery in the advanced economies. While we face challenges in this business environment, we are determined to move forward toward the goals set down in the new three-year management plan by building on the sound and robust corporate fundamentals that we built under the Two-Year Restructuring Plan.

We look forward to the continuing support and understanding of our shareholders as we move forward with our management policies and initiatives for the EKK Group.

New Three-Year Management Plan

Theme

Building Foundations for Sustainable Growth

—Ensuring Success over the Next Decade

Main Initiatives

1. Improvement of global management capabilities
2. Development of human assets as creators of new ideas for value creation
3. Development of global production structures
4. Consistent implementation of a quality-first philosophy
5. Reinforcement of core technologies as the foundation for the development of new products that will flourish 10 years from now

Segment Policies

For Automotive and Construction Machinery Industries

1. Reinforcement of global management infrastructure, promotion of global production in growth markets
2. Transfer of technologies and improvement of front-line decision-making and problem-solving skills
3. Reinforcement in relation to safety, quality and the environment
4. Deeper exploration of core technologies, broadening of new product development

For General Industrial Machinery Industry

1. Development of management structure based on linkage with operations in the Asia-Pacific region and India
2. Optimization of production locations and improvement of delivery date fulfillment ratio
3. Elimination of fatal defects and repeat complaints

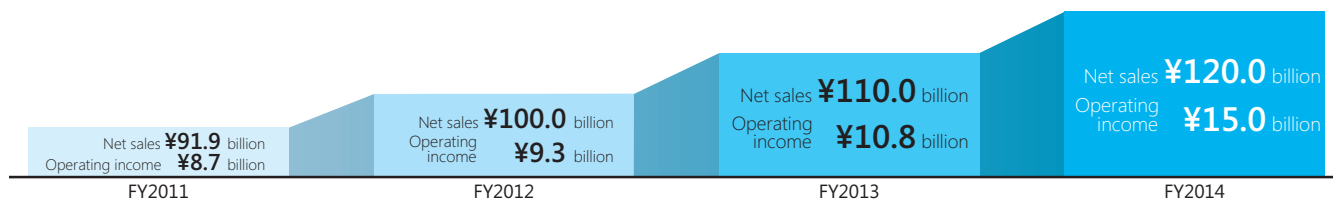
For Marine Industry

1. Full-scale entry into Asian markets
2. Development of environment-friendly products
3. Enhancement of group potential

For Aerospace Industry

1. Improvement of technology transfer systems and manufacturing skills
2. Development of overseas sales networks and expansion of overseas sales
3. Accumulation of unique technologies as the basis for new product development

Numerical Targets



Acquisition of Accumulator Products and Housing Equipment Products

One of our initiatives under the new three-year management plan is the acquisition of divisions relating to accumulator products and housing equipment products from NOK Corporation.

EKK was established in 1964 through the separation of the mechanical seal division of NOK Corporation as an independent company. Since then we have become involved in the manufacture and sale of mechanical seals, specialty valves and other products, primarily for the automotive, general industrial machinery, marine and aerospace industries. NOK Corporation specialized in rubber processing technology, but our manufacturing activities required knowledge of different fields, especially seal technology, specialized welding technology and valve technology, which were based mainly on metal processing technology. EKK has accumulated its own resources of technology and expertise in these fields.

The accumulator and housing equipment products to be acquired consist primarily of metal parts, including metal bellows, and have functions similar to the specialty valves manufactured by EKK for the automotive industries. The acquisition of these products will allow us to explore our technology resources more deeply and switch to in-house production, thereby allowing us to improve our production efficiency and reduce costs.

The acquisition is scheduled to take place in the second half of fiscal 2013.

1. Description of Products to be Acquired

Accumulator Products



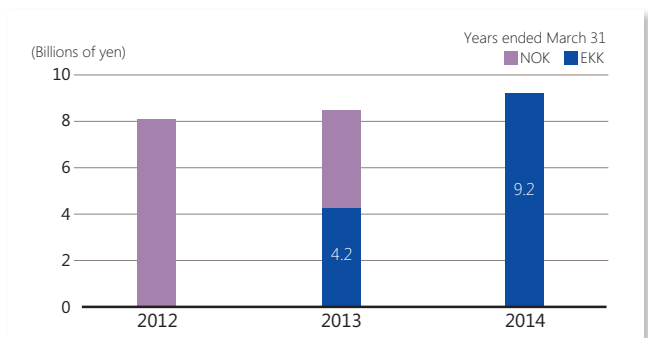
Accumulators store the compression energy of liquids, such as oil or water, by converting it into gas compression energy.

Housing Equipment Products



NOK supplies fluid control equipment for water, gases, specialty fluids and other substances used in various systems, such as home electrical appliances. These products combine NOK's knowledge of seals, including packings, diaphragms and specialty resin seals, with actuator technology used in solenoids, motors and other devices.

2. Effect of Acquisition on Sales



Our Business Segments

Composition Ratio of Net Sales for 2011

Automotive and Construction Machinery Industries

Main end users

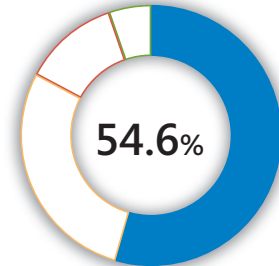


Automotive industry



Construction machinery industry

EKK's main products are mechanical seals, lip seals and specialty valves used in the auxiliary systems of automobiles. EKK is also involved in R&D and production activities relating to floating seals used in construction machinery undercarriages.



¥50,163 million

General Industrial Machinery Industry

Main end users



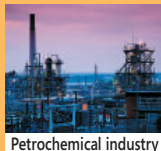
Pulp and paper industry



Petroleum refining industry



Chemical industry

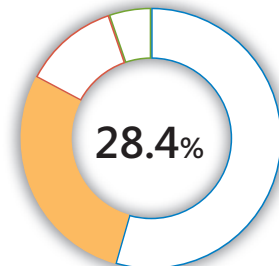


Petrochemical industry



Device manufacturers

EKK is involved in R&D and manufacturing activities relating to mechanical seals for use in pumps and compressors installed in facilities, such as industrial plants and power stations, and in semiconductor fabrication systems and other equipment.



¥26,152 million

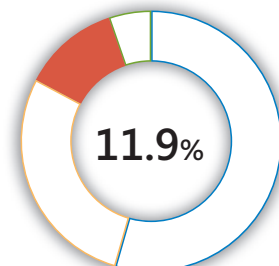
Marine Industry

Main end users



Shipping industry

EKK offers integrated manufacturing services, from R&D to maintenance, for seal systems, especially those used on propeller screws in the drive systems of ships.



¥10,906 million

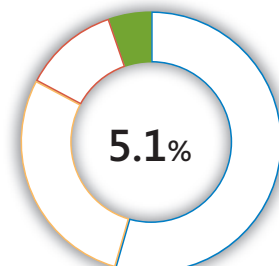
Aerospace Industry

Main end users



Aircraft manufacturers

EKK is involved in R&D and production activities relating to mechanical seals for jet engines in aircraft and space rockets.



¥4,699 million

Product Lineup



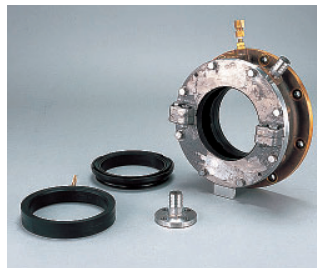
Water pump seals, car air-conditioner seals, floating seals, etc.



Exhaust gas control lead valves, solenoid valves, pressure control valves, air-conditioner variable control valves, etc.



Industrial pump seals, dry gas seals, cartridge seals, mixer seals, metal bellows, couplings, etc.



Stern tube seal bearings, etc. for ships



Segment seals, brush seals, aerospace thrusters, etc.

Overview of EKK Group

Mobility-Related Industries

Supply of mechanical seals for ground, marine and air transportation equipment

For Automotive and Construction Machinery Industries

For Marine Industry

For Aerospace Industry

General Industrial Machinery Industry

Supply of mechanical seals and equipment for pumps, compressors, blowers and mixers used in petrochemical plants and oil refineries

For General Industrial Machinery Industry

Management's Discussion and Analysis

Business Overview

Sales

In the fiscal year ended March 31, 2011, the world economy was affected by a range of negative factors, including financial instability in European countries and substantial exchange rate fluctuations. However, the impetus provided by continued steep growth in emerging economies, especially China and India, helped to keep the world economy as a whole on a gradual recovery trend.

Sustained demand from manufacturers of automobiles, construction machinery and general industrial machinery in emerging economies had a positive impact on the EKK Group's business environment. While this trend helped to maintain strong sales, however, a substantial rise in the value of the yen began to put pressure on income. As the fiscal year drew to a close, the Great East Japan Earthquake triggered a crisis of unprecedented severity with serious implications for Japanese industries, which had previously been moving toward recovery.

The EKK Group used the year under a review as a time to complete its initiatives under the Two-Year Restructuring Plan launched in the previous fiscal year, including a review of business structures, cost-cutting measures and sales promotion activities targeted primarily toward emerging markets.

These initiatives were reflected in the consolidated results. Net sales were 20.8% higher year on year at ¥91,920 million, and operating income increased by 112.5% to ¥8,717 million. Net income was 89.8% above the previous year's level at ¥4,871 million.

Gross Profit, Selling, General and Administrative Expenses and Operating Income

Gross profit rose ¥5,855 million from the previous year, to ¥22,251 million. The ratio of gross profit to net sales improved by 2.7 percentage points, to 24.2%. This improvement was largely the result of sales growth, productivity improvements and cost reductions.

While selling, general and administrative expenses increased by ¥1,240 million year on year, the ratio to net sales improved by 1.4 percentage points to 14.7%.

As a result, operating income for the fiscal year under review increased by ¥4,615 million from the previous year, to ¥8,717 million. The ratio of operating income to net sales also rose from 5.4% to 9.5%, an improvement of 4.1 percentage points.

Other Income and Expenses and Net Income

Other income (net) was ¥1,308 million below the previous year's level. This was mainly due to a decrease in dividend income, an increase in equity in earnings of affiliates, and the absence of extraordinary items shown in the previous year's accounts, including a gain on sales of investments in securities

and a loss on liquidation of business.

Minority interests declined by ¥158 million to ¥904 million.

As a result, consolidated net income for the fiscal year under review rose ¥2,304 million or 89.8% from the previous year, to ¥4,871 million.

Segment Information

For Automotive and Construction Machinery Industries

Sales of products for automotive industries benefited from increased demand in emerging economies and sales growth in Europe. Steady demand in China contributed to sales of products for construction machinery industries. These factors were reflected in net sales of ¥50,163 million and operating income of ¥4,073 million.

For General Industrial Machinery Industry

Net sales totaled ¥26,152 million and operating income ¥3,318 million. These results reflected increased demand for products for petrochemical plants and oil refineries in emerging economies, such as Southeast Asia and India, and for products used in semiconductor manufacturing systems.

For Marine Industry

The number of new vessels built remained steady. This resulted in net sales of ¥10,906 million and operating income of ¥2,058 million.

For Aerospace Industry

In addition to prolonged sluggish market for civilian aircraft, results were also affected by decreased demand for gas turbine seals. Net sales amounted to ¥4,699 million, and there was an operating loss of ¥153 million.

Financial Conditions

Assets

Total assets at the end of the year were ¥103,440 million (an increase of 3.1% from the previous fiscal year).

(Current assets)

Total current assets at the end of the year were ¥54,432 million, an increase of ¥4,279 million year on year. This resulted mainly from a ¥2,309 million increase in cash and deposits and a ¥2,440 million increase in notes and accounts receivable and inventories.

(Fixed assets)

The balance of fixed assets declined by ¥1,188 million from the end of the previous fiscal year, to ¥49,008 million. Property, plant and equipment were reduced by ¥984 million compared with the position at the end of the previous fiscal year. This resulted from the reduction of non-urgent capital investment as part of structural improvement measures under the Two-Year Restructuring Plan. Goodwill rose by ¥1,121 million year on year, mainly because of an increase in goodwill resulting from the acquisition of additional shares in KEMEL Co., Ltd. Investments in securities declined by ¥1,181 million from the level at the end of the previous fiscal year. This resulted primarily from the decreased value of shares in affiliated companies mainly due to exchange translation adjustments.

Liabilities

Total liabilities at the end of the year were ¥62,448 million, an increase of 6.2% year on year.

(Current liabilities)

Total current liabilities at the end of the year were ¥35,029 million, an increase of ¥3,972 million year on year. This was primarily the result of increases in trade accounts payable and accrued expenses.

(Long-term liabilities)

Total long-term liabilities at the end of the year declined by ¥327 million from the end of the previous year, to ¥27,419 million, due mainly to a decrease in long-term debt.

Net Assets

Net assets at the end of the year stood at ¥40,992 million, a decrease of ¥554 million year on year. This was mainly due to posting of net income, decreased foreign currency translation adjustments and minority interests.

Cash Flows

Cash and cash equivalents as of the end of the fiscal year under review (hereinafter referred to as “cash”) increased ¥2,292 million from the end of the previous year to ¥16,310 million on a consolidated basis.

The state of each cash flow and main factors behind them are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥11,225 million (an increase of 5.1% year on year). This was

primarily attributable to income before income taxes and minority interests of ¥8,710 million, ¥4,746 million in depreciation and amortization, an increase of ¥1,878 million in trade accounts payable offsetting an increase of ¥741 million in inventories, an increase of ¥2,621 million in accounts receivable and payment of ¥1,807 million of income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥7,312 million (an increase of 357.4%), due mainly to expenditure of ¥4,114 million on the acquisition of shares of consolidated subsidiaries, ¥2,712 million on the acquisition of facilities, and ¥677 million on payments for purchase of investments in securities.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,465 million, a year-on-year decrease of 78.7%. This was due to dividends paid of ¥720 million and a net decrease of ¥674 million in borrowings.

Dividend Policy

Our basic policy for profit distribution is to strike a balance between dividend payments and internal reserves to strengthen the corporate structure and reward shareholders with stable dividends over the long term. Internal reserves are used for the development of products to meet the needs of our customers in Japan and overseas, and for productive investment that contributes to the efficiency of our production and marketing activities.

Based on the above policy, we have decided to pay an annual dividend of ¥11 per share (an increase of ¥5 from the previous year), including an interim dividend of ¥4.5 per share and a year-end dividend of ¥6.5 per share.

Outlook

There is concern about the impact of the Great East Japan Earthquake on real economic trends in Japan. However, it is widely anticipated that there will be continuing growth in emerging economies, including China and India, and a gradual recovery in the advanced economies. In fiscal 2012, the EKK Group will implement a three-year management plan targeted toward growth in the medium- to long-term perspective. We will proceed following this new three-year management plan to develop our business on a global scale and move forward with activities that help to build our solid earnings base.

Our projections for the year ending March 2012 are net sales of ¥100,000 million (an increase of 8.8% year on year), operating income of ¥9,300 million (an increase of 6.7%) and net income of ¥5,500 million (an increase of 12.9%).

Risk Management Policy

Basic Philosophy

Eagle Industry Co., Ltd. and the Eagle Industry Group companies consider that a corporation is the property of its shareholders, its employees, and the community, and should become an entity that all its stakeholders, including customers, suppliers, and financial institutions, in addition to the above-mentioned three parties, can be proud of. We make continuous efforts to be a strong and highly profitable company by providing products that contribute to society.

We have established a risk management system based on compliance, and are making every effort to fulfill our social responsibilities as a corporation.

Principles

1. We will make every effort to increase our value to society by providing good products and services.
2. We will identify risks and strive to safeguard employee health and safety as well as business resources.
3. In the event of a crisis, we will work to minimize any damage and ensure a prompt recovery.
4. We will identify the risks to stakeholders concerned and make every effort to preserve the health, safety, and profits of these parties.
5. In the event risk becomes evident, we will act responsibly with respect to all stakeholders concerned.
6. We will reflect the risk-related demands of society (changes in laws, social values, etc.) in our risk management system.

Business Risks

(1) Dependence on Automotive Industry, etc.

Nearly 40% of the EKK Group's products are produced for the automotive and auto parts industries, and they are susceptible to trends in automobile production and sales. With regard to sales targeting the automotive and auto parts industries, the EKK Group has entered into a sales agency agreement in the domestic market with NOK Corporation, an associated company of the EKK Group, and we are performing sales activities under a cooperative framework with NOK.

In the automotive industry, including the auto parts industry, we are facing changes in the environment including further progress in globalization and increased competition, business alliances and reorganization, and reduction in procurement costs on a global basis. In addition, domestic auto makers and other companies are shifting production overseas. In line with such developments, auto parts makers, including the Company, are receiving stronger requests than ever for radical cost reduction, technological innovation, and global solution capabilities, in addition to quality improvement and strict observance of delivery time. Given the circumstances, operating results of the EKK Group may continue to be affected by such developments in the future.

Furthermore, the possible future growth in the use of hybrid vehicles, electric vehicles, fuel cell vehicles, and other developments may also have an effect on the EKK Group's performance.

(2) Trends in Raw Material Prices

The EKK Group mainly uses steel, steel products, and synthetic rubber in producing products, and prices of these raw materials are fluctuating due to factors such as market conditions and exchange rate movements. In particular, prices of steel and steel products are fluctuating due to price spikes in iron ore, coking coal and other mineral resources. The procurement cost may increase due to the rise in demand in China and other countries.

While the EKK Group has established a policy of absorbing increases in procurement cost by reducing costs through streamlining and passing cost increases on to production

prices, fluctuations of these raw materials in the future may affect the operating results of the EKK Group.

(3) Response to Technological Changes

The EKK Group has been engaged in R&D in different areas in order to respond to a wide variety of requests from diverse industries. In line with this concept, the EKK Group is proceeding with the development of products that generate synergy effects based on the sealing technology of rotation, fixation, and reciprocation, which has been accumulated over the years. However, in the event that the EKK Group becomes unable to respond to requests concerning technological innovation, and quality improvement in different industries or the EKK Group's technologies, etc. becomes obsolete in the future, its business development may be affected.

(4) Business of Seals for Marine Applications

The EKK Group regards the manufacture and sale of seals for marine applications as one of its most important businesses.

As for the future, we have a policy of responding to marine transportation demands in the world focusing on Asia and striving to expand business in such areas. However, should the demand for shipbuilding fall, the EKK Group's operating results may be affected.

(5) Interest Rate Fluctuation

The EKK Group always pays attention to the level of interest-bearing debt; yet the percentage to total assets is considered relatively high. While interest rates are currently low, future possible fluctuations may affect the EKK Group's operating results.

(6) Exchange Rate Fluctuations

Foreign currency transactions pertaining to overseas business activities are shown in the consolidated financial statements as amounts translated into yen. The financial performance of the EKK Group could be affected by the fluctuation of

exchange rates fixed at the date of translation.

(7) Overseas Business Development

With regard to overseas business development, the EKK Group's fundamental policy is to produce products in the optimal geographic locations, taking into account the demand from customers, product quality, and cost. We have been taking the measures necessary to respond to our customers' developments in overseas markets and have established supply capabilities in regions such as Europe, the U.S., Taiwan, South Korea, Thailand, India, and New Zealand, in addition to those in Japan. Furthermore, based on the alliance with the Burgmann Group, which manufactures and sells mechanical seals and other products in Germany and other countries, we have been moving forward with the manufacture and sale of mechanical seals and other products for general industrial machinery (excluding construction equipment, marine applications and aerospace). As the EKK Group's overseas business expands, its operating results may be affected by factors such as the overseas economic and political situation, exchange rate fluctuations, demand and supply in overseas markets, and changes in regulations applicable to the location of business establishments. Also, the development of business alliances with the Burgmann Group may affect the EKK Group's financial position and operating results.

(8) Disasters and Social Infrastructure Breakdowns

The EKK Group strives to minimize interruptions to production and the disruption of product supplies resulting from disasters and other contingencies through precautions that include fire prevention and anti-seismic measures at key facilities, such as manufacturing sites. However, the operating results of the EKK Group could be affected if its production and sales activities are seriously disrupted by damage to social infrastructure and other contingencies resulting from earthquakes and other natural disasters of unexpected severity.

Consolidated Balance Sheets

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT ASSETS:			
Cash and cash equivalents	¥ 16,310	¥ 14,018	\$ 196,152
Time deposits with maturities over 3 months	1,159	1,142	13,940
Notes and accounts receivable:			
Trade accounts	23,300	21,533	280,211
Allowance for doubtful accounts	(188)	(81)	(2,259)
Inventories (Note 5)	10,898	10,225	131,060
Deferred tax assets (Note 9)	1,296	1,090	15,587
Other current assets	1,657	2,226	19,932
Total current assets	54,432	50,153	654,623
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	3,954	3,805	47,558
Buildings and structures	21,270	20,977	255,798
Machinery and equipment	37,034	36,522	445,384
Furniture and fixtures	4,702	4,238	56,546
Lease assets	415	379	4,988
Construction in progress	566	645	6,807
Total	67,941	66,566	817,081
Accumulated depreciation	(40,816)	(38,457)	(490,875)
Net property, plant and equipment	27,125	28,109	326,206
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Note 4)	9,460	10,641	113,773
Long-term loans	1,816	1,825	21,839
Goodwill	6,080	4,959	73,122
Deferred tax assets (Note 9)	3,204	3,337	38,537
Other assets	1,421	1,445	17,085
Allowance for doubtful accounts	(98)	(120)	(1,179)
Total investments and other assets	21,883	22,087	263,177
TOTAL	¥ 103,440	¥ 100,349	\$ 1,244,006

See notes to consolidated financial statements.

March 31, 2011 and 2010

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 6,464	¥ 6,391	\$ 77,735
Current portion of long-term debt (Note 7)	7,767	7,330	93,408
Trade accounts payable	5,314	4,992	63,909
Income taxes payable	1,943	1,133	23,366
Accrued expenses	6,572	4,464	79,042
Accrued bonuses for employees	1,655	1,135	19,904
Lease liabilities	79	94	952
Other current liabilities	5,235	5,518	62,958
Total current liabilities	35,029	31,057	421,274
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	18,137	18,635	218,120
Lease liabilities	126	107	1,520
Allowance for retirement benefits (Note 8)	8,153	7,944	98,048
Allowance for retirement benefits for directors and corporate auditors (Note 8)	97	179	1,172
Negative goodwill	239	254	2,872
Other liabilities	667	627	8,017
Total long-term liabilities	27,419	27,746	329,749
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14):			
NET ASSETS:			
Shareholders' equity:			
Common stock	10,491	10,491	126,169
authorized, 100,000,000 shares; issued, 49,757,821 shares in 2011 and 2010			
Capital surplus	11,364	11,338	136,667
Retained earnings	21,321	16,859	256,412
Treasury stock—at cost			
1,099,261 shares in 2011 and 1,203,134 shares in 2010	(457)	(495)	(5,491)
Total shareholders' equity	42,719	38,193	513,757
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	96	93	1,157
Foreign currency translation adjustments	(7,029)	(3,282)	(84,541)
Total accumulated other comprehensive income	(6,933)	(3,189)	(83,384)
Minority interests	5,206	6,542	62,610
Total net assets	40,992	41,546	492,983
TOTAL	¥ 103,440	¥ 100,349	\$ 1,224,006

Consolidated Statements of Income

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
NET SALES	¥ 91,920	¥ 76,063	\$ 1,105,478
COST OF SALES	69,669	59,667	837,870
Gross profit	22,251	16,396	267,608
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13,534	12,294	162,761
Operating income	8,717	4,102	104,847
OTHER INCOME (EXPENSES):			
Interest and dividends income	214	881	2,576
Interest expense	(821)	(919)	(9,880)
Loss on disposal of property, plant and equipment	(189)	(138)	(2,285)
Loss on impairment of property, plant and equipment (Note 6)		(38)	
Amortization of transitional obligations for employees' retirement benefits (Note 2.j)		(76)	
Equity in earnings of affiliated companies	1,102	700	13,250
Foreign currency exchange loss	(402)	(253)	(4,833)
Gain on sales of investments in securities		789	
Loss on liquidation of business		(315)	
Others—net	89	670	1,069
Other income (expenses)—net	(7)	1,301	(103)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,710	5,403	104,744
INCOME TAXES (Note 9):			
Current	2,641	2,039	31,757
Deferred	294	(265)	3,533
Total income taxes	2,935	1,774	35,290
INCOME BEFORE MINORITY INTERESTS	5,775	3,629	69,454
MINORITY INTERESTS IN NET INCOME	904	1,062	10,871
NET INCOME	¥ 4,871	¥ 2,567	\$ 58,583
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥ 100.26	¥ 52.86	\$ 1.21
Cash dividends applicable to the year	11.00	6.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
INCOME BEFORE MINORITY INTERESTS	¥ 5,775		\$ 69,454
OTHER COMPREHENSIVE INCOME:			
Valuation difference on available-for-sale securities	4		46
Foreign currency translation adjustment	(1,920)		(23,094)
Share of other comprehensive income of associates accounted for using equity method	(2,024)		(24,339)
Total other comprehensive income	¥ (3,940)		\$ (47,387)
COMPREHENSIVE INCOME:	1,835		22,067
Comprehensive income attributable to owners of the parent	1,128		13,560
Comprehensive income attributable to minority interests	707		8,507

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen							
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Minority Interests
BALANCE, MARCH 31, 2009	49,758	¥ 10,491	¥ 11,338	¥ 14,529	¥ (493)	¥ 35	¥ (4,678)		¥ 2,851
Net income				2,567					
Cash dividends, ¥6 per share				(291)					
Repurchase of treasury stock					(2)				
Change in scope of consolidation				5					
Change in accounting standard for overseas affiliates				49					
Net increase in valuation difference on available-for-sale securities						58			
Net change in foreign currency translation adjustments							1,396		
Change in minority interests									3,691
BALANCE, MARCH 31, 2010	49,758	¥ 10,491	¥ 11,338	¥ 16,859	¥ (495)	¥ 93	¥ (3,282)	¥ (3,189)	¥ 6,542
Net income				4,871					
Cash dividends, ¥7.5 per share				(364)					
Disposal of treasury stock			26						
Repurchase of treasury stock					38				
Change in scope of consolidation				(45)					
Net increase in valuation difference on available-for-sale securities						3			
Net change in foreign currency translation adjustments							(3,747)		
Change in total accumulated other comprehensive income								(3,747)	
Change in minority interests									(1,336)
BALANCE, MARCH 31, 2011	49,758	¥ 10,491	¥ 11,364	¥ 21,321	¥ (457)	¥ 96	¥ (7,029)	¥ (6,933)	¥ 5,206

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income	Minority Interests
BALANCE, MARCH 31, 2010	\$126,169	\$136,354	\$202,763	\$(5,953)	\$1,111	\$(39,471)	\$(38,361)	\$78,688
Net income			58,583					
Cash dividends, \$0.09 per share			(4,381)					
Disposal of treasury stock		313						
Repurchase of treasury stock				462				
Change in scope of consolidation			(553)					
Net increase in valuation difference on available-for-sale securities					46			
Net increase in foreign currency translation adjustments						(45,070)		
Change in total accumulated other comprehensive income							(45,023)	
Change in minority interests								(16,078)
BALANCE, MARCH 31, 2011	\$ 126,169	\$ 136,667	\$ 256,412	\$(5,491)	\$ 1,157	\$(84,541)	\$(83,384)	\$ 62,610

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 8,710	¥ 5,403	\$ 104,744
Adjustments for:			
Income taxes—paid	(1,807)	(1,728)	(21,736)
Depreciation and amortization	4,746	4,857	57,072
Loss on impairment of property, plant and equipment		38	
Allowance for doubtful accounts	87	(96)	1,054
Loss on sales and disposal of property, plant and equipment	209	142	2,510
Equity in earnings of affiliated companies	(1,102)	(700)	(13,250)
Amortization of goodwill	575	508	6,915
(Increase) decrease in trade accounts receivable	(2,621)	(3,690)	(31,523)
(Increase) decrease in inventories	(741)	2,322	(8,909)
(Increase) decrease in interest and dividend receivable	647	(4)	7,787
Increase (decrease) in trade accounts payable	1,878	1,567	22,583
Increase (decrease) in interest payable	(4)	37	(43)
Increase (decrease) in allowance for retirement benefits	81	148	973
Others—net	567	1,876	6,819
Total adjustments	2,515	5,277	30,252
Net cash provided by operating activities	11,225	10,680	134,996
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	195	472	2,346
Purchases of property, plant and equipment	(2,712)	(3,637)	(32,612)
Proceeds from sales of investment in securities	98	5,907	1,175
Payments for purchases of investments in securities	(677)	(3,784)	(8,137)
Acquisition of shares of consolidated subsidiaries	(4,114)	(293)	(49,478)
Payments for acquisition of shares of consolidated subsidiaries, accompanied by change in scope of consolidation		(249)	
Increase in time deposits	(148)	(71)	(1,785)
Decrease in other assets	46	55	549
Net cash used in investing activities	(7,312)	(1,600)	(87,942)

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	219	(1,261)	2,629
Proceeds from long-term debt	6,652	1,102	80,001
Repayments of long-term debt	(7,545)	(5,409)	(90,738)
Repurchase of treasury stock	(9)	(2)	(108)
Disposal of treasury stock	47		569
Dividends paid	(720)	(872)	(8,662)
Repayment of finance lease obligations	(109)	(423)	(1,319)
Net cash used in financing activities	(1,465)	(6,865)	(17,628)
Foreign currency adjustments on cash and cash equivalents	(163)	8	(1,960)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,285	2,223	27,466
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,018	12,194	168,595
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	7		91
CASH AND CASH EQUIVALENTS OF CHANGE IN ACCOUNTING PERIOD OF CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		(399)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 16,310	¥ 14,018	\$ 196,152

See notes to consolidated financial statements.

Additional information

Summary of the assets and liabilities of newly consolidated companies in the year ended March 31, 2010

The Company newly consolidated two companies by acquisition. The summary of the assets and liabilities at the beginning of its consolidation were as follows:

	Millions of Yen
	2010
Current assets	904
Fixed assets	1,462
Current liabilities	(1,964)

Notes to Consolidated Financial Statements

Eagle Industry Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Eagle Industry Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation** — The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 41 significant (40 in 2010) subsidiaries (collectively, the "Group").
- Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.
- 37 (37 in 2010) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.
- All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.
- b. **Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
- Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.
- c. **Inventories** — Inventories are stated substantially determined by the first-in first-out method for finished goods, by the periodical average method for work in process, and by the moving average method for raw materials and supplies (Inventories are measured at lower of cost or net realized value).
- d. **Investments in Securities** — Investments in securities are classified and accounted for, depending on management's intent, as follows:
- Available-for-sale securities, which are not classified as either trading securities nor held- to-maturity debt securities, are recognized at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.
- Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.
- For other than temporary declines in fair value, investments in securities are reduced to net realizable value by a charge to income.
- e. **Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company is computed by the declining-balance method, and depreciation property, plant and equipment of the consolidated domestic subsidiaries is computed substantially by the straight-line method, while the straight-line method is applied to buildings of the Company and its consolidated domestic subsidiaries acquired after April 1, 1998, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 7 to 50 years for buildings and structures, from 3 to 10 years for machinery and equipment. The Company and its consolidated domestic subsidiaries account for impairment or disposal of long-lived assets and discontinued operations. The Companies' long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of their carrying amount or fair value less cost to sell.
- f. **Intangible Assets** — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method, software which is used by the Company is amortized by the straight-line method over 5 years.
- g. **Lease Assets** —
- 1) Property, plant and equipment**
Mainly it consists of vehicles, host computers, servers and computer terminals ("machinery, equipment and vehicles" and "tools, furniture and fixtures").
 - 2) Depreciation method of lease assets**
Lease assets are depreciated over the lease period using the straight-line method with no residual value.
- h. **Goodwill** — Amortization of goodwill is evaluated on an individual basis and amortized within a reasonable period not exceeding 20 years. If the amount is insignificant, it is charged to income when incurred.
- i. **Stock Issue Cost** — Stock issue costs are charged to income as incurred.
- j. **Retirement and Pension Plans** — The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other certain consolidated subsidiaries have defined benefit plans.
- Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the accrued retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.
- The transitional obligation, determined as of April 1, 2000, is amortized over ten years and presented as other expense in the income statement.
- Retirement benefits to directors and corporate auditors are provided by the certain consolidated subsidiaries at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

k. **Research and Development Costs** — Research and development costs are charged to income as incurred.

l. **Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. **Foreign Currency Transactions** — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

n. **Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity and Comprehensive Income.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

o. **Derivatives and Hedging Activities** — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

p. **Per Share Information** — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares, excluding the number of shares held in ESOP account, outstanding for the period.

ESOP is a monetary trust set up by the Company as a welfare measure for employees, similar to Employees Stock Ownership Plan in USA.

The Company transferred its treasury stocks to set up ESOP Trust in August 2010. Those stocks held in the Trust shall be sold to Employees Association of the Company during coming five years.

The Company provides guarantee to the debt owed by ESOP Trust. All assets, liabilities and profit/loss shall be included in the consolidated financial statements of the Company.

The total asset of ESOP Trust as of March 31, 2011 is 982,000 shares

of the Company which amounts to ¥626 million (\$7,535 thousand).

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. ACCOUNTING CHANGE

Provision for disposal of non-current assets — The Group adopted a new accounting standard concerning the provision for future disposal of non-current assets from this fiscal year. The impact of this change on the financial statement is not significant.

Presentation of Comprehensive Income — The Group adopted a new accounting standard concerning the presentation of Comprehensive Income from this fiscal year.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Non-current:			
Marketable equity securities	¥ 476	¥ 465	\$ 5,731
Non-marketable securities	710	90	8,541
Investments in unconsolidated subsidiaries and affiliates	8,274	10,086	99,501
Total	¥ 9,460	¥ 10,641	\$ 113,773

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 315	¥ 167	¥ (6)	¥ 476

*Non-marketable securities: ¥710 million (\$8,541 thousand) is not included for the difficulty of recognition for its fair value.

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 310	¥ 163	¥ (8)	¥ 465

*Non-marketable securities: ¥90 million is not included for the difficulty of recognition for its fair value.

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 3,785	\$ 2,013	\$ (67)	\$ 5,731

5. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Merchandise and finished products	¥ 2,819	¥ 2,524	\$ 33,900
Work in process	5,189	5,022	62,403
Raw materials and supplies	2,890	2,679	34,757
Total	¥ 10,898	¥ 10,225	\$ 131,060

6. IMPAIRMENT OF FIXED ASSETS

The Group classified assets into groups by the type of respective operations based on the business segment divided by managerial accounting categories, which are regarded as the smallest units independently generating cash flows.

The Group recognized impairment losses on fixed assets for the year ended March 31, 2010.

The impaired assets are buildings and structures of production facilities located in Sakado city, Saitama. There are no impaired assets recognized for the year ended March 31, 2011.

Type	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Machinery and equipment		¥ 38	
Total		¥ 38	

7. SHORT-TERM BANK LOANS AND LONG TERM DEBT

Short-term bank loans at March 31, 2011 and 2010 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.68% to 4.82% and 0.57% to 4.37% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Unsecured loans from banks and insurance companies due through 2011 with interest rates ranging from 1.09% to 7.25%	¥ 25,876	¥ 25,847	\$ 311,191
Secured loans from bank and insurance companies due through 2011 with interest rates from 1.17% to 2.10%	28	118	337
Total	25,904	25,965	311,528
Less current portion	(7,767)	(7,330)	(93,408)
Long-term debt, less current portion	¥ 18,137	¥ 18,635	\$ 218,120

Annual maturities of long-term debt at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 7,767	\$ 93,408
2013	6,941	83,475
2014	5,309	63,847
2015	5,104	61,386
2016 and thereafter	783	9,412
Total	¥ 25,904	\$ 311,528

The carrying amounts of assets pledged as collateral for the collateralized long-term debt at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land, property — net of accumulated depreciation	¥ 247	\$ 2,969

The Company entered into an agreement for ¥4,000 million (\$48,106 thousand). Syndicated Loan Facility with Sumitomo Mitsui Banking Corporation as agent. The agreement includes following financial covenants.

1. The consolidated Net Assets as of each fiscal year end shall be above the larger of (i) 75% of Consolidated Net Assets as of March 31, 2010 or (ii) 75% of Consolidated Net Assets as of March 31 of the previous year.
2. The ordinary income of Consolidated Financial Statements as of each fiscal year end shall not be negative for two consecutive fiscal years.

8. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees.

The contributory funded defined benefit pension plan, which was established in 1966 under the Japanese Welfare Pension Insurance Law, was transferred NOK No.1 Pension Plan on September 1, 2004.

In addition, the Company obtained approval of exemption from the future obligation by the Ministry of Health, Labor and Welfare on May 1, 2003 and the Company returned the minimum actuarial liability to the government on February 24, 2005.

Further, some of pension plans (about 40%) was transferred to approved retirement annuity system in 1983, and then it was transferred NOK No.2 Pension Plan on September 1, 2004.

Certain overseas consolidated subsidiaries also have defined benefit pension plans.

The accrued retirement benefits for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ (22,053)	¥ (21,439)	\$ (265,224)
Fair value of plan assets	10,223	10,225	122,943
Unrecognized prior service cost	(237)	(305)	(2,839)
Unrecognized actuarial loss	3,914	3,575	47,072
Accrued retirement benefits	¥ (8,153)	¥ (7,944)	\$ (98,048)

The accrued retirement benefits at March 31, 2011 and 2010 for directors and corporate auditors was ¥97 million (\$1,172 thousand), and ¥179 million respectively.

The components of net periodic benefit costs for the years ended March 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 939	¥ 816	\$ 11,290
Interest cost	412	462	4,954
Expected return on plan assets	(227)	(188)	(2,730)
Amortization of prior service cost	(69)	(69)	(831)
Amortization of actuarial loss	751	637	9,026
Amortization of transitional obligation		76	
Net periodic benefit costs	¥ 1,806	¥ 1,734	\$ 21,709

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets		
NOK No.1	2.5%	2.5%
NOK No.2	2.5%	2.5%
Amortization period of prior service cost	10 years	10 years
Amortization period of actuarial gain / loss	10 years	10 years
Amortization period of transitional obligation		10 years

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Accrued employees' retirement benefits	¥ 3,235	¥ 3,166	\$ 38,905
Accrued bonuses for employees	638	440	7,668
Devaluation of golf membership	131	119	1,578
Accrued retirement benefits for directors and corporate auditors	158	84	1,904
Enterprise tax	144	108	1,732
Tax losses carried forward	180	304	2,167
Write-down of inventories	259	304	3,115
Excess of provision limit for doubtful accounts	204	98	2,455
Other	745	807	8,960
Sub-Total	¥ 5,694	¥ 5,430	\$ 68,484
Less: valuation allowance	(716)	(702)	(8,615)
Total	¥ 4,978	¥ 4,728	\$ 59,869
Deferred tax liabilities:			
Reserve for deferred income tax on fixed assets	¥ 93	¥ 117	\$ 1,118
Undistributed earnings of subsidiaries	266	101	3,199
Unrealized gain on available-for-sale securities	67	64	799
Other	52	19	629
Total	¥ 478	¥ 301	\$ 5,745
Net deferred tax assets	¥ 4,500	¥ 4,427	\$ 54,124

The reconciliation between the effective statutory income tax rate and the actual effective income tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Effective statutory income tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	0.8	1.5
Inhabitants tax	0.5	0.8
Change in valuation allowance	(0.9)	(7.0)
Change in equity in earnings of affiliated companies and unconsolidated subsidiary	(5.1)	(5.3)
Decrease in deferred tax liabilities on undistributed earnings of foreign subsidiaries, accompanied by change in tax law		
Other—net	(2.3)	2.2
Actual effective income tax rate	33.6%	32.8%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥615 million (\$7,402 thousand) and ¥472 million for the years ended March 31, 2011 and 2010, respectively.

11. RELATED PARTY TRANSACTIONS

During the years ended March 31, 2011 and 2010, Eagle Industry had operational transactions with NOK Corporation, 30.7% shareholders of the Company. A summary of the significant transactions between the Company and such a company for the year ended, or as of March 31, 2011 and 2010, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
For the year:			
Sales of mechanical seals	¥ 22,172	¥ 19,430	\$ 266,654
At the year-end:			
Trade accounts receivable	1,789	2,018	21,514

During the years ended March 31, 2011 and 2010, Eagle Industry had transactions with Seiwa Jisyo Corporation of which the Company's directors hold more than 50% of shares. A summary of the significant transactions between the Company and such a company for the year ended, or as of March 31, 2011 and 2010, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
For the year:			
Rent for buildings	¥ 49	¥ 48	\$ 587

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair value of financial instruments as of March 31, 2011 and 2010. The following did not include the items recognized its difficulty of aggregation of fair value.

	Millions of Yen		
	Carrying Amounts	Fair Value	Differences
1. Cash and deposits	¥ 17,469	¥17,469	
2. Notes and accounts receivable	23,300		
Allowance for doubtful accounts	(188)		
Total	23,112	23,112	
3. Investments in securities			
Available-for-sale securities	476	476	
4. Trade accounts payable	(5,314)	(5,314)	
5. Short-term bank loans	(6,464)	(6,464)	
6. Long-term debt	(25,904)	(26,669)	¥ (765)
7. Derivatives, net	(6)	(6)	

	Millions of Yen		
	2010		
	Carrying Amounts	Fair Value	Differences
1. Cash and deposits	¥ 15,160	¥15,160	
2. Notes and accounts receivable Allowance for doubtful accounts	21,533 (81)		
Total	21,452	21,452	
3. Investments in securities			
Available-for-sale securities	465	465	
4. Trade accounts payable	(4,992)	(4,992)	
5. Short-term bank loans	(6,391)	(6,391)	
6. Long-term debt	(25,965)	(26,786)	¥ (821)
7. Derivatives, net	(1)	(1)	

	Thousands of U.S. Dollars		
	2011		
	Carrying Amounts	Fair Value	Differences
1. Cash and deposits	\$ 210,092	\$ 210,092	
2. Notes and accounts receivable Allowance for doubtful accounts	280,211 (2,259)		
Total	277,952	277,952	
3. Investments in securities			
Available-for-sale securities	5,731	5,731	
4. Trade accounts payable	(63,909)	(63,909)	
5. Short-term bank loans	(77,735)	(77,735)	
6. Long-term debt	(311,528)	(320,735)	\$ (9,207)
7. Derivatives, net	(72)	(72)	

(1) The method and assumptions used in estimating the fair value of financial instruments are as follows:

Short-term financial instruments

For cash and deposits, notes and accounts receivable, trade accounts payable and short-term bank loans, the carrying amount approximates fair value due to the short period to maturity.

Investments in securities

Fair value is market price.

Long-term debt

Fair value is estimated using the discounted cash flow analysis based on the Company's current incremental borrowing rate.

(2) Non-marketable securities of ¥8,984 million (\$108,042 thousand) is not included in "Investments in securities" above.

Expected maturities of deposits and receivables at March 31, 2011 are as follows:

	Millions of Yen			
	Within 1 Year	Over 1 Year and within 5 Years	Over 5 Years and within 10 Years	Over 10 Years
Cash and deposits	¥ 17,469			
Notes and accounts receivable	23,300			
Total	40,769			

	Thousands of Dollars			
	Within 1 Year	Over 1 Year and within 5 Years	Over 5 Years and within 10 Years	Over 10 Years
Cash and deposits	\$ 210,092			
Notes and accounts receivable	280,211			
Total	490,303			

13. DERIVATIVES

The Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

1. Derivatives not designated for hedging accounting

The Group had the following derivatives contracts outstanding at March 31, 2011 and 2010:

	Millions of Yen					
	2011			2010		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts:						
Selling U.S.\$	¥ 41	¥ (1)	¥ (1)	¥ 27	¥ (1)	¥ (1)
Selling EUR	¥ 34	¥ (1)	¥ (1)	¥ 37	¥ (1)	¥ (1)
Selling S. \$	¥ 13	¥ (0)	¥ (0)	¥ 12	¥ (0)	¥ (0)
Buying U.S.\$	¥ 127	¥ (3)	¥ (3)	¥ 45	¥ 1	¥ 1

	Thousands of U.S. Dollars		
	2011		
	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:			
Selling U.S.\$	\$ 491	\$ (9)	\$ (9)
Selling EUR	\$ 408	\$ (16)	\$ (16)
Selling S. \$	\$ 154	\$ (4)	\$ (4)
Buying U.S.\$	\$ 1,523	\$ (42)	\$ (42)

2. Derivative designated for hedging accounting (for long-term debt):

		Millions of Yen	
Classification	Items	2011	2010
Interest rate swap	Interest rate swap/ Amount of contract	¥ 14,574	¥ 23,249
	receipt change/ (over 1 year)	4,688	16,608
	payment fixation Fair value		
		Thousands of U.S. Dollars	
Classification	Items	2011	
Interest rate swap	Interest rate swap/ Amount of contract	\$ 175,277	
	receipt change/ (over 1 year)	56,379	
	payment fixation Fair value		

Interest rate swap is qualified for hedging accounting and meets specific criteria.

Notes to Consolidated Financial Statements

The contract or notional amounts of derivatives which are shown in the above tables do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

14. CONTINGENT LIABILITIES

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 89	\$ 1,070
Trade notes endorsed	2,476	29,778

The Company entered into a guarantee agreement with an unconsolidated subsidiary.

	Millions of Yen						Thousands of U.S. Dollars							
	Automotive and construction machinery industries	General industrial machinery industry	Marine industry	Aerospace industry	Total	Eliminations	Consolidated	Automotive and construction machinery industries	General industrial machinery industry	Marine industry	Aerospace industry	Total	Eliminations	Consolidated
Net sales														
Third party sales	¥ 50,163	¥ 26,152	¥ 10,906	¥ 4,699	¥ 91,920		¥ 91,920	\$ 603,284	\$ 314,520	\$ 131,158	\$ 56,516	\$ 1,105,478		\$ 1,105,478
Inter-segment transactions	583	1,190	8		1,781	¥ (1,781)		7,009	14,311	98		21,418	\$(21,418)	
Total	50,746	27,342	10,914	4,699	93,701	(1,781)	91,920	610,293	328,831	131,256	56,516	1,126,896	(21,418)	1,105,478
Segment operating income (loss)	4,073	3,318	2,058	(153)	9,296	(579)	8,717	48,986	39,906	24,750	(1,839)	111,803	(6,956)	104,847
Segment assets	40,250	25,876	10,365	4,482	80,973	22,467	103,440	484,068	311,192	124,658	53,901	973,819	270,187	1,244,006
Others														
Depreciation and amortization	3,073	1,207	228	198	4,706	40	4,746	36,952	14,517	2,743	2,385	56,597	475	57,072
Increase in tangible and intangible assets	¥ 2,586	¥ 835	¥ 1,678	¥ 41	¥ 5,140	¥ 24	¥ 5,164	\$ 31,094	\$ 10,045	\$ 20,184	\$ 495	\$ 61,818	\$ 294	\$ 62,112

(2) Geographical Segment

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2011 and 2010 were summarized as follows:

	Millions of Yen					Thousands of U.S. Dollars									
	2011					2010									
	Japan	Asia/Oceania	Other	Eliminations/Corporate	Consolidated	Japan	Asia/Oceania	Other	Eliminations/Corporate	Consolidated	Japan	Asia/Oceania	Other	Eliminations/Corporate	Consolidated
Sales to customers	¥63,460	¥20,819	¥7,641		¥91,920	¥52,824	¥17,025	¥6,214		¥76,063	\$763,195	\$250,381	\$91,902		\$1,105,478
Inter-area transfer	10,320	2,327	205	¥(12,852)		8,003	1,213	848	¥(10,064)		124,111	27,991	2,464	\$(154,566)	
Total sales	73,780	23,146	7,846	(12,852)	91,920	60,827	18,238	7,062	(10,064)	76,063	887,306	278,372	94,366	(154,566)	1,105,478
Operating expenses	68,947	19,813	7,462	(13,019)	83,203	59,231	15,899	6,983	(10,152)	71,961	829,195	238,277	89,747	(156,588)	1,000,631
Operating income	4,833	3,333	384	167	8,717	1,596	2,339	79	88	4,102	58,111	40,095	4,619	2,022	104,847
Total assets	¥73,229	¥22,743	¥7,468		¥103,440	¥88,251	¥21,267	¥11,240	¥(20,409)	¥100,349	\$880,686	\$273,515	\$89,805		\$1,244,006

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2011 and 2010 amounted to ¥35,504 million (\$426,987 thousand) and ¥30,017 million, respectively.

16. SUBSEQUENT EVENTS

For the previous fiscal year (from April 1, 2009 to March 31, 2010) The Company has acquired a portion of its shares in Kobelco Eagle Marine Engineering Co., Ltd., a consolidated subsidiary, as follows:

(1) Purpose for acquisition

The Company has been developing a joint venture mechanical seal business for the marine industry with Kobe Steel, Ltd.. In order to deal with this industry facing a period of global comprehensive change, the company made Kobelco Eagle Marine Engineering Co., Ltd. a wholly-owned subsidiary.

(2) Seller

Kobe Steel, Ltd.

(3) Date of acquisition

May 10, 2010

15. SEGMENT INFORMATION

The Group adopted a new accounting standard concerning the disclosure of segment information from this fiscal year.

(1) Industry Segments

The Company defines following four business segments available for disclosure. Each segment provides its own financial information, based on which the board shall be able to review the result periodically and allocate the resources.

The four segments are "Business for automotive and construction machinery industries," "Business for general industrial machinery industry," "Business for marine industry" and "Business for aerospace industry."

The information on each business segment of the Company and its subsidiaries for the years ended March 31, 2011 were summarized as follows:

(4) Overview of the subsidiary

Trade name: KEMEL Co., Ltd.

Scope of business: Manufactures and sales of stern tube seal

(5) Number of shares to be acquired: 2,240 shares

Purchase value: ¥3,290 million

Number of shares after the purchase: 6,400 shares

Percentage of ownership after the purchase: 100%

For this fiscal year (from April 1, 2010 to March 31, 2011), there are no subsequent events.

Appropriations: Cash dividends

The General Meeting of Shareholders of the Company held on June 23, 2011 approved the following appropriations of retained earnings for the year ended on March 31, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Appropriations: Cash dividends	¥323	\$ 3,881

Independent Auditors' Report

To the Board of Directors of Eagle Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Eagle Industry Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eagle Industry Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Nihombashi Corporation

NIHOMBASHI CORPORATION

June 23, 2011

Network (as of March 31, 2011)

The EKK Group consists of Eagle Industry Co., Ltd. (the Company), 47 subsidiaries, and 55 affiliated companies. The principal businesses of the EKK Group cover manufacturing and marketing of mechanical seals and special valves, as well as repair and construction services.

Domestic

Production and Sales Companies [11]

For Automotive and Construction Machinery Industries

- ★ Okayama Eagle Co., Ltd.
 - ★ Shimane Eagle Co., Ltd.
 - ★ Hiroshima Eagle Co., Ltd.
 - ★ Eagle Service Co., Ltd.
- and 1 company

For General Industrial Machinery Industry

- ★ EagleBurgmann Japan Co., Ltd.

For Marine Industry

- ★ KEMEL Co., Ltd.
- ★ Lignum-Vitae Co., Ltd.
- ★ Shin Ninomiya Metal Co., Ltd. *

For Aerospace Industry

- ★ Valcom Co., Ltd.
- ★ Eagle Industry Hokkaido Co., Ltd.

Sales Agent [1]

- NOK Corporation

Sales and Service Company [1]

For Aerospace Industry

- ★ Eagle Engineering Aerospace Co., Ltd.

Other [1]

NOK Group Service Corporation

Overseas

Production and Sales Companies [33]

For Automotive and Construction Machinery Industries

- ★ Eagle Industry Taiwan Corporation
 - ★ NEK Co., Ltd.
 - ★ EKK Eagle [Thailand] Co., Ltd.
 - ★ Eagle Industry [Wuxi] Co., Ltd.
 - ★ Simrax B.V.
 - ★ Eagle Industry France S.A.S.
- and 2 companies

For General Industrial Machinery Industry

- ★ EagleBurgmann Australia Pty., Ltd.
 - ★ EagleBurgmann New Zealand, Ltd.
 - ★ PT. EagleBurgmann Indonesia
 - ★ EagleBurgmann India, PVT. LTD.
 - EagleBurgmann Germany GmbH & Co.KG
- and 20 companies

Sales and Service Companies [44]

For Automotive and Construction Machinery Industries

- ★ EKK Eagle Industry Asia-Pacific Pte., Ltd.
- and 1 company

For General Industrial Machinery Industry

- EagleBurgmann France S.A.S.
 - EagleBurgmann Italia s.r.l.
- and 33 companies

For Marine Industry

- ★ KEMEL Europe, Ltd.
- ★ KEMEL USA Inc.
- ★ KEMEL Asia Pacific Pte., Ltd.

For Aerospace Industry

- ★ Eagle Engineering Aerospace Singapore Pte., Ltd.
- and 3 companies

Others [12]

For Automotive and Construction Machinery Industries

- ★ EKK, Inc.
 - ★ Eagle Europa GmbH
- and 2 companies

For General Industrial Machinery Industry

- ★ EBI Asia Pacific Pte., Ltd.
 - EBI Atlantic A/S.
 - EBI Asia Pte., Ltd.
 - EBI Middle East A/S
- and 4 companies



★: Consolidated subsidiaries

■: Affiliated companies accounted for under the equity method

●: Other affiliated company

No sign: Unconsolidated and affiliated companies not accounted for under the equity method

* As of May 1, 2011, Shin Ninomiya Metal Co., Ltd. changed its name to Eagle Highcast Co., Ltd.

Corporate Data (as of March 31, 2011)

Company Profile

Name	Eagle Industry Co., Ltd.
Headquarters	1-12-15, Shiba-Daimon, Minato-ku, Tokyo 105-8587, Japan http://www.ekk.co.jp/eng/
Business Outline	Manufacturing and marketing of mechanical seals for wide-use, processing and industry purposes, special valves, marine-related products, bellows and diaphragm coupling
Paid-in Capital	10,490,981,500 yen
Number of Employees	716 (Non-consolidated), 4,454 (Consolidated)
Offices	Head Office: Tokyo Branches: Mito, Kita-Kanto, Tokyo, Nagoya, Osaka, Kobe, Hiroshima, Kyushu Factories: Saitama, Okayama

Board of Directors and Corporate Auditors (as of June 23, 2011)

Director, Chairman	Masato Tsuru
Representative Director, President	Tetsuji Tsuru
Representative Director, Executive Vice President	Asahiko Ishiyama
Senior Managing Director	Yasunari Unemura
Senior Managing Director	Fumiaki Aono
Senior Managing Director	Shinji Abe
Senior Operating Officer	Takao Shimomura
Senior Operating Officer	Toshiyuki Yamaguchi
Senior Operating Officer	Shozo Takahashi
Senior Operating Officer	Eiichi Tsuruta
Senior Operating Officer	Masaki Nakao
Senior Operating Officer	Takafumi Tsuchiya
Operating Officer	Takanori Todoroki
Operating Officer	Masanobu Ito
Operating Officer	Sumio Ikeda
Operating Officer	Norio Uemura
Operating Officer	Yukinori Kakeda
Operating Officer	Sumio Yamamoto
Standing Corporate Auditor	Nobuo Shinohe
Standing Corporate Auditor	Masaaki Hirahara
Auditor	Kazuaki Motozato
Auditor	Kiyoshi Shiga
Auditor	Gen Kajitani

Stock Information

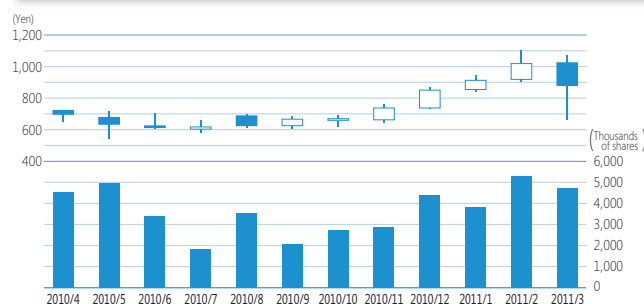
Number of Authorized Shares	100,000,000
Number of Shares Issued	49,757,821
Number of Shareholders	3,625

Major Shareholders

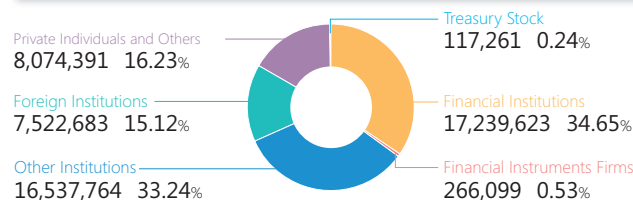
Name of Shareholders	Number of Shares Held (thousands)	Equity Ownership (%)
NOK Corporation	14,227	28.66
Freudenberg Beteiligungs-GmbH	3,800	7.65
Japan Trustee Services Bank, Ltd. (Trust Account)	2,796	5.63
The Dai-ichi Life Insurance Company, Limited	2,758	5.55
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,564	3.15
Sumitomo Mitsui Banking Corporation	1,542	3.10
Eagle Industry Employees Association	1,485	2.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,318	2.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,169	2.35
The Master Trust Bank of Japan, Ltd. (Employee Stock Ownership Plan Trust Account)	982	1.97

- Figures for equity ownership are calculated excluding treasury stock.
- Freudenberg Beteiligungs-GmbH was reorganized from a GmbH company to an AG company, Freudenberg Beteiligungs AG, as of May 23, 2011.

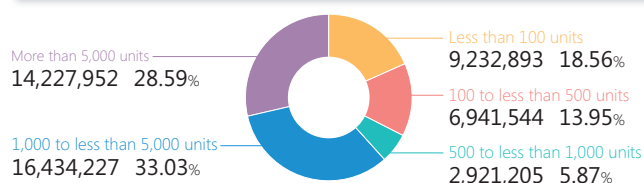
Stock Price Chart



Distribution of Shares by Type of Shareholder (shares)



Distribution of Shares by Number of Shares Held (shares)



EAGLE INDUSTRY CO., LTD.

1-12-15, Shiba-Daimon,
Minato-ku, Tokyo 105-8587, Japan
Tel. +81-3-3438-2291 Fax. +81-3-3432-5448
<http://www.ekk.co.jp/eng/>