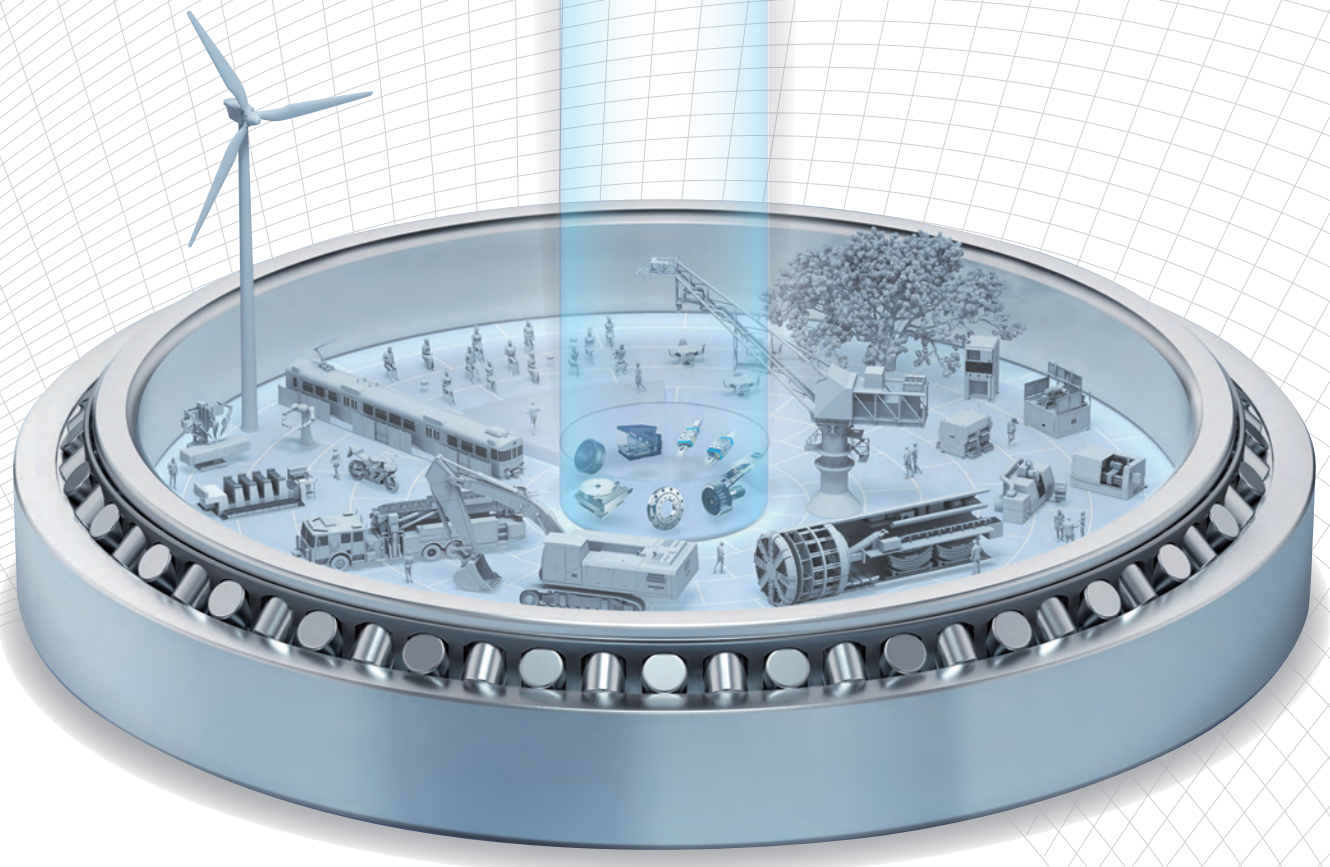


Integrated Report 2022

April 1, 2021–March 31, 2022



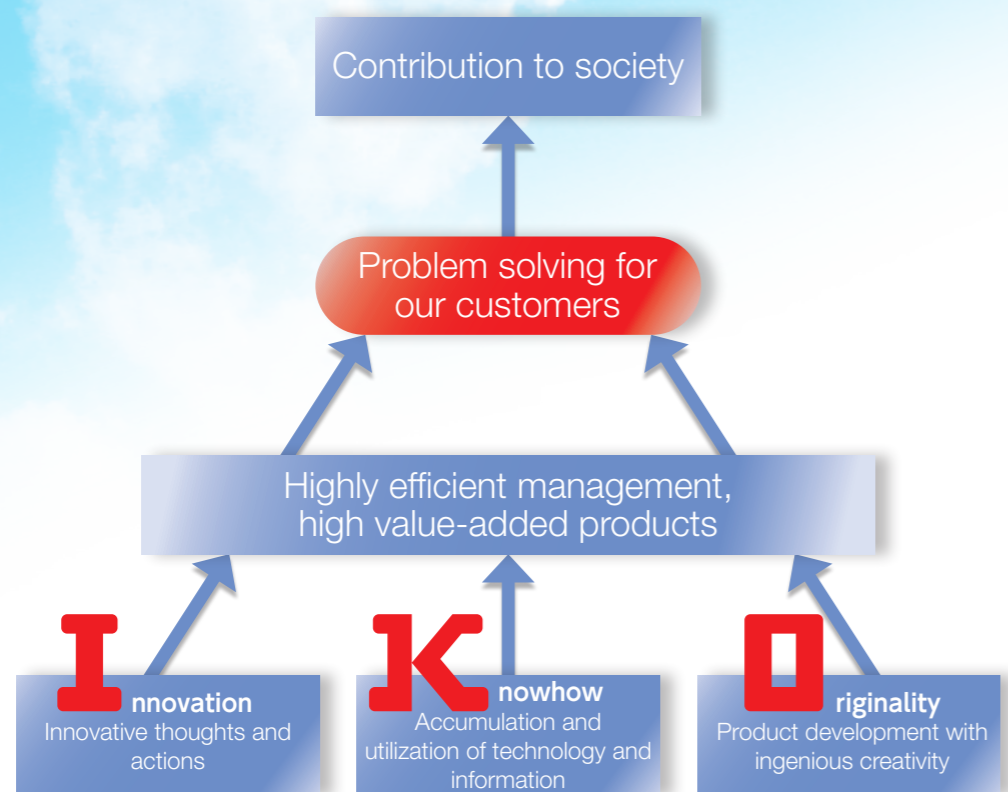
IKO

NIPPON THOMPSON CO., LTD.

Management Philosophy

A Company Centered on Technology Development That Contributes to Society

At Nippon Thompson, we have earned the trust of our customers by focusing on their needs and through the manufacture and sale of important mechanical components, such as bearings and bearing-related equipment. In order to further grow as a global company and have a strong presence, we aim to become a company centered on technology development that focuses all of our expertise and passion into solving the problems of our customers.



Nippon Thompson's **IKO** brand name is an acronym of the company's core beliefs

—*innovation, knowhow and originality*—

with products that are artfully creative and based on advanced technology.

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Editorial Policy

Nippon Thompson has published our first *Integrated Report* to inform all stakeholders of our initiatives to create sustainable social value and improve our Group value over the medium to long term. It is our hope that this report will help you gain a deeper understanding of our group from both the financial and nonfinancial perspectives.

Reporting Period

April 1, 2021–March 31, 2022

* In this report, FY means the fiscal year ending/ended March 31.
* The report includes some activities from before as well as after the reporting period.

Scope of Reporting

Nippon Thompson Co., Ltd. and consolidated subsidiaries

* In this report, "the Company" refers to Nippon Thompson on a nonconsolidated basis and "the Group" refers to the Nippon Thompson Group.

Reference Guidelines

- International Integrated Reporting Framework by the International Financial Reporting Standards Foundation (IFRS)
- *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation* by the Ministry of Economy, Trade and Industry (METI)
- *Environmental Reporting Guidelines 2018* by the Ministry of the Environment
- GRI Sustainability Reporting Standards by the Global Reporting Initiative

Cautionary Statement Regarding Forward-Looking Statements

Forward-looking statements in this report, such as performance forecasts, are based on the Company's assessment following information available at this time, and involve potential risks, uncertainties, and other factors. Therefore, please note that changes in these factors could cause actual results to differ substantially from those discussed in the forward-looking statements.

At a Glance

Establishment
1950

Net Sales
62.2 billion yen

Operating profit
5.8 billion yen

Equity Ratio
59.6%

ROE
6.7%

Number of Employees
2,688

(Consolidated, fiscal year ended March 31, 2022)

Main Products

Needle Roller Bearings

We were the first company to successfully develop needle bearings in Japan. Needle bearings are bearings with thin, needle-shaped rollers. They are used in a wide variety of products, and they contribute to making machines more compact.



Linear Motion Rolling Guides

Our Linear Motion Rolling Guides are an essential part of the positioning mechanisms in many types of machines. Used in a wide range of equipment, from state-of-the-art semiconductor manufacturing equipment to machine tools, Linear Motion Rolling Guides support manufacturing in just about every industry.



Mechatronics Series

The Mechatronics Series combines precision processing technology and electronics. A linear motion rolling guide, ball screw, and motor are integrated between the bed and the slide table to achieve precise positioning and to move things efficiently to their proper location.



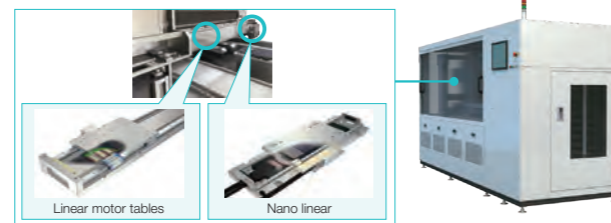
Application Fields

Electronics-related Devices and Equipment

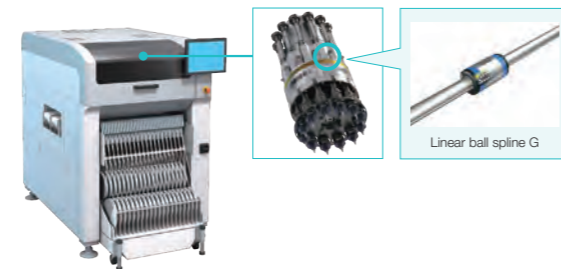
Semiconductor manufacturing equipment (exposure equipment)



Semiconductor inspection equipment (handlers)

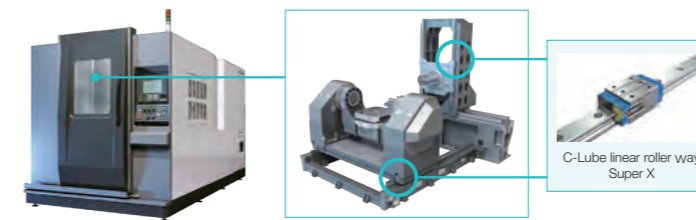


Electronic component mounting machines



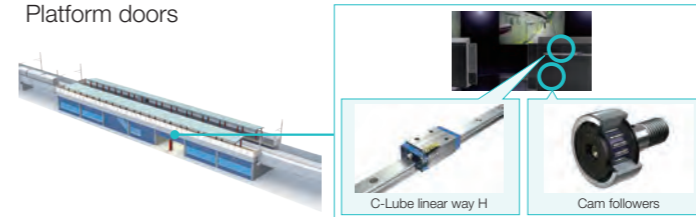
Machine Tools

Machining centers

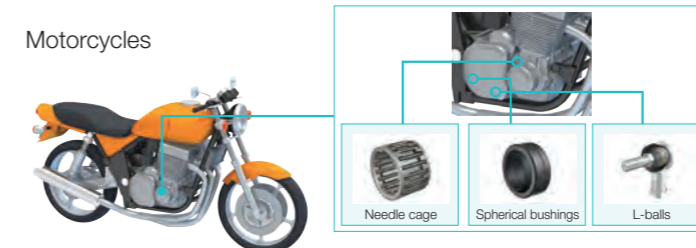


Transportation Equipment

Platform doors

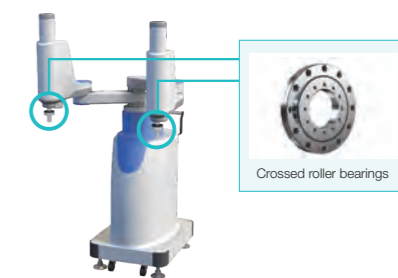


Motorcycles

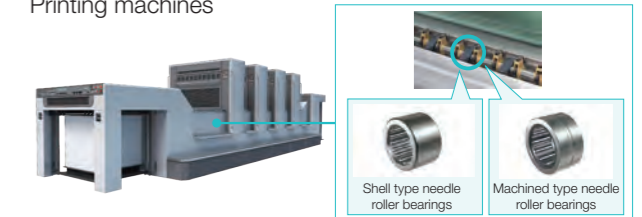


General Industrial Machinery

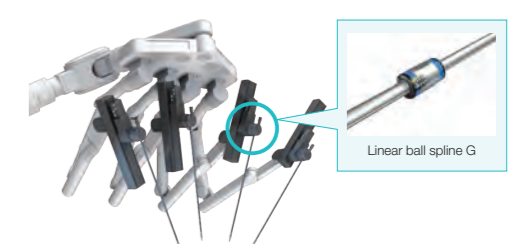
Dual-armed SCARA robots



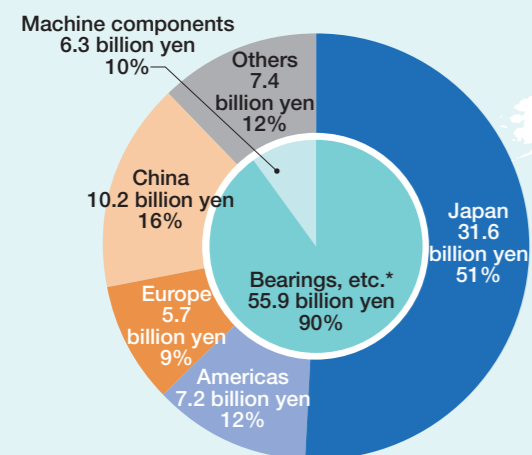
Printing machines



Surgical support robots



Net sales composition ratio (by product and region)



* Bearings, etc.: Needle roller bearings, linear motion rolling guides, Mechatronics series

Global business fields



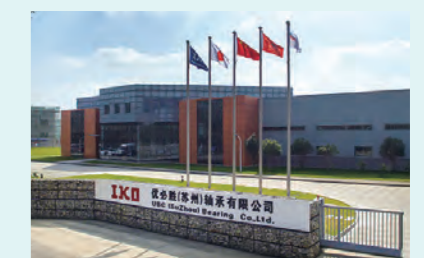
Main production sites



Gifu factory complex (Japan)



IKO Thompson Vietnam Co., Ltd. (Vietnam)



UBC (Suzhou) Bearing Co., Ltd. (China)

Value Creation Trajectory

Trends in Net Sales (Billions of yen)

From 1950 Founding and Early Days

The Company, established as Daiichi-Kogyo Co., Ltd., selling bearings and other products, became the first company in Japan to successfully develop needle roller bearings inhouse. The Company name was changed to Nippon Thompson Co., Ltd., and **IKO**, the corporate brand, was registered as a trademark, laying the foundation for today's business activities.

- 1950 **Daiichi-Kogyo Co., Ltd., the predecessor of Nippon Thompson Co., Ltd., is established.**
- 1956 **Began R&D for needle roller bearings.**
- 1959 **Established the Himeji Factory in Himeji, Hyogo, and began manufacturing needle roller bearings.**
- 1963 **Changed the company name to Nippon Thompson Co., Ltd. Registered and trademarked **IKO** as the corporate brand.**
- 1964 **Established the Kamakura Factory in Kamakura, Kanagawa.**
- 1968 Stock listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.
- 1969 **Established the Gifu factory complex in Mino, Gifu.**

From 1970 Growth and Expansion

We started global business expansion by establishing overseas sales subsidiaries, and strived for business growth by launching the production and sales of linear motion rolling guides to increase the scope for using rotary bearings in flat slide sections.

- 1971 **Established IKO International, Inc. in Illinois, USA.**
- 1972 Established Technological Laboratory in Kamakura, Kanagawa.
- 1975 **Established Nippon Thompson Europe B.V. in Rotterdam, the Netherlands.**
- 1982 **Entered into a capital alliance with Daruma-Sangyo Co., Ltd. in Gifu (currently a consolidated subsidiary: Nippon DIC Co., Ltd. in Nagoya).**
- 1985 Established the Technical Center at the Gifu factory complex.
- 1989 Established Mugegawa MFG. Co., Ltd. in Seki, Gifu (currently the Mugegawa Factory).

From 1990 Maturity and Transition

We made every effort to contribute to the global environment by acquiring ISO 14001 certification, developing products that contribute to reducing the negative impact on the environment. In addition, we established our first overseas production factory, in Vietnam, to build a global production system.

- 1991 Launched the new **IKO** as a symbol of the Company's management philosophy. **Innovation Knowhow & Originality**
- 1997 Acquired ISO 9002 certification for Gifu Factory 3 and Gifu Factory 5 at the Gifu factory complex (subsequently acquired by the First, Second, Sixth and Kamakura Factory and acquired ISO 9001 certification).
- 2001 Acquired ISO 14001 certification for Gifu factory complex (also certified in Kamakura site in 2003).
- 2003 Created our own Green Procurement Standards.
- 2004 Acquired Gifu Environmentally Conscious Business Facility Certificate in Gifu factory complex.
- 2006 **Established IKO-Thompson (Shanghai) Ltd. (China). Established IKO Thompson Vietnam Co., Ltd. in Vietnam.**

From 2010 Change and Dynamism

We expanded our overseas operations with the aim of becoming a company with a competitive edge and presence in the global marketplace. In 2021 we formulated our Basic Sustainability Policy, and we are working hard to achieve both sustainable growth for our Group and social sustainability.

- 2012 Launched the Company's first **IKO** Medium-Term Business Plan.
- 2014 **Established IKO Thompson Asia Co., Ltd. in Thailand.**
- 2015 Established IKO Thompson Korea Co., Ltd. in South Korea. Established IKO Brasil Serviços Empresariais Eireli In Brazil.
- 2016 Established IKO Thompson Bearings Canada, Inc. in Canada.
- 2017 **Acquired two companies engaged in the manufacturing and sales of bearings in China; UBC (Shanghai) Precision Bearing Mfg. Co., Ltd. and UBC (Suzhou Bearing Co., Ltd.)**
- 2021 Formulated the Basic Sustainability Policy.
- 2022 Transferred shares to the Tokyo Stock Exchange Prime Market.



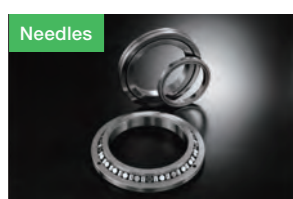
1959 Began production of needle roller bearings incorporating thin needle-shaped rollers. Catalogs at that time show items that are still being manufactured and sold today.



1960 A motorcycle with needle cages for engine connecting rods won first place in the Isle of Man Tourist Trophy (TT) motorcycle race in Great Britain, attracting much attention.



1964 Developed crossed roller bearings that can simultaneously support loads in all directions with a single bearing.



1978 Introduced linear motion rolling guides, an evolution of rotary bearings to linear motion.



Ball recirculating type linear motion rolling guide LW

1982 Introduced a modular product incorporating the Linear series, ball screws, and motors.



Mechatronics Product CPT

1983 Introduced the world's first roller recirculating type linear motion rolling guide.



Linear Roller Way LRW

1996 Launched a high-precision linear motor-driven stage in a rigorous pursuit of compactness.



Nano-Linear NT

2002 Launched a maintenance-free series of linear motion rolling guide.



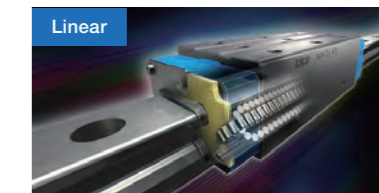
C-Lube linear way L*

2008 Launched ultra-compact ball screw drive stages.



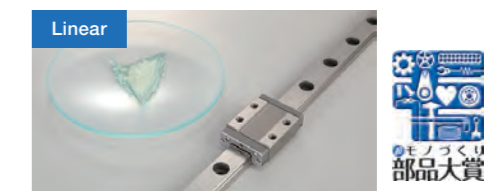
Micro Precision Positioning Table™

2016 Launched the linear roller way, which achieves the ultimate in high precision (low fluctuation specification).



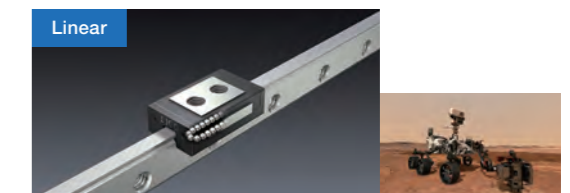
MX master grade

2019 Launched the world's first liquid crystal lubrication linear way.



Liquid crystal lubrication linear way

2020 Linear Way L is used for NASA Mars rover.



* IKO's proprietary lubrication component, C-Lube, is used in many of our products. C-Lube minimizes the use of lubrication oil and supplies the optimal amount of lubrication oil for long period, so it is maintenance free over the long term and contributes to preserving the global environment.

Message from the CEO



With our corporate culture of integrity, we are committed to enhancing the value of the IKO brand and helping to resolve social issues, to create a corporate group that is trusted by all of our stakeholders.

Shigeki Miyachi
Shigeki Miyachi
 President and CEO

The sincere attitude of every employee is the source of our trust, reliability, and high quality.

On this occasion, we decided to publish the *Integrated Report* to communicate the current state and growth strategy of the Group to all of our stakeholders. We hope that the *Integrated Report 2022* will help your understanding of the Group, and that it will become a medium for deepening the bonds between the Group and all our stakeholders.

After working for 29 years in financial institutions, I joined Nippon Thompson in 2008, and was appointed President & CEO in 2012.

What particularly impressed me when I joined the Company was the earnestness and sincerity of the employees. Every employee is sincere in his or her work and works hard to tackle challenges. I believe that this dedication to work is the reason customers and society trust Nippon Thompson, and that this integrity guarantees the high quality of our products.

We believe that our corporate culture, with the emphasis on the importance of working with integrity, is the foundation of the Group's superiority and is an asset that must be passed on to the next generation.

What we have focused on in our management to date

When I became Managing Director and General Manager of the Corporate Planning Department in 2010, my first major task was to formulate a medium-term business plan. Until that time, we had never developed a medium-term business plan because the demand for our products is highly volatile and the business environment is difficult to predict. However, for the Group to grow sustainably, it is essential for all employees to understand and share the vision of what we are aiming for in the future and to mobilize our combined strengths. In addition, as part of the process of realizing our long-term vision, it is necessary to formulate a medium-term business plan for three to five years and to continue with these initiatives. Fortunately for us, the president and

senior managing director at the time agreed with my idea, and we made a start on formulating the first medium-term business plan that covered the following three years. In drafting this plan, we had thorough discussions among the managers and employees about the future direction and strengths of the Group, which fostered a sense of unity among the employees that transcended the boundaries of the organizational silos. Looking back on those days, I think it was also an enormous achievement to share, among the Group's employees working around the world, the philosophy and values that are cherished by the Company.

Nippon Thompson's vision

Since the formulation of our first medium-term business plan, we have spent a lot of time discussing the fundamentals of management within the Group, specifically the reexamination of our management philosophy and the design of our future vision.

First, looking at our management philosophy, the more deeply we discussed it, the more we realized that our long-established philosophy, "A Company Centered on Technology Development That Contributes to Society" accurately expresses the essential value of the Group. For this reason, we decided that we would once again promote this credo—passed down by our predecessors from generation to generation and cherished as a guideline for action—as our banner for paving the way to the future. The realization of the Group's Management Philosophy of "A Company Centered on Technology Development That Contributes to Society" is supported by the three components of our brand name: I = *innovation* (revolutionary thoughts and actions), K = *knowhow* (accumulation and use of technology and information), and O = *originality* (highly creative product development). Since registering IKO as a trademark in 1963, we have carefully nurtured this brand. IKO was the first in Japan to successfully develop needle roller bearings inhouse and is a symbol of outstanding technology and quality. Today, IKO is recognized as a global brand in the machinery industry, including semiconductor manufacturing equipment and machine tools, and is highly regarded as a symbol of trust.

Since our establishment in 1950, we have conducted business with the support of a wide range of stakeholders. Based on this history, we have identified five stakeholders—customers, shareholders, business partners, employees, and competitors—and have outlined the kind of company that we want to be for each of them. We have reaffirmed our aspiration to be a company that is trusted, highly regarded, and consulted first by our customers; that can continually increase corporate value for shareholders and investors;



that our business partners can establish a long-term win-win partnership with; employees can fulfill their professional goals through their work and keep their dreams alive; and have the No. 1 competitive advantage in niche markets, compared with our competitors. We also reaffirmed the importance of always considering what is best from the viewpoint of our stakeholders and acting accordingly when formulating and implementing our management plans and business strategies, and have made this the cornerstone for formulating medium-term business plans.

Global society is currently facing a period of historic change, with the digital shift, the evolution of AI and IoT, and social demands for sustainability, including the SDGs. In these times, it is essential for us to take the next leap forward step by step through the steady implementation of our medium-term business plan, while maintaining the corporate culture we have cultivated as a Group. We are determined to make every effort to achieve the goals set out in Medium-Term Business Plan 2023, under the banner of the management philosophy that has been entrusted to us as the IKO brand, in order to realize our ideal vision.

Medium-Term Business Plan 2023: Deepening, expanding, and embracing change

After implementing the third of our three-year medium-term business plans, in May 2021, we announced Medium-Term Business Plan 2023, which will conclude in the fiscal year ending March 31, 2024. What makes Medium-Term Business Plan 2023 different from the first three plans is that it incorporates the opinions and thoughts of many junior employees. In addition to the management team, mid-level employees such as general managers and section managers, who will be responsible for the future of Nippon Thompson, were also invited to participate in lively discussions regarding the ideal state of the Group and

initiatives for realizing our vision. We are proud of the fact that our plan appeals to a wide range of generations, as we have embodied in the strategies and initiatives the fresh ideas and strong aspirations that our junior employees have for the Company.

In formulating the plan, we first set IKO VISION 2030 for reaching the goal of *co-creating value as a technology development based company—co-creating a sustainable future* (consolidated net sales of 100 billion yen or more, operating profit of 15 billion yen or more, and an ROE of 10% or more by FY2031). We then determined our policy for the three years through March 2024 by backcasting from that goal. Our basic strategy is value enhancement and value co-creation through *deepening, expanding, and embracing change*. We will accelerate our efforts to create value by further deepening existing businesses that strengthen the present (*deepening*), the development of new technologies and new markets that create the future (*expanding*), and behavior change, organizational capacity change, and digital transformation to build a strong management foundation (*embracing change*).

We have decided not to set a numerical target for the final year, but instead to aim for an operating profit of 7 billion yen and an ROE of 7% or higher (both figures revised upward in May 2022), as average figures for the three years under review. As supply and demand fluctuates markedly in the bearing industry, where our core business is based, becoming fixated on business performance in a single fiscal year is not an ideal strategy. Considering the importance of continuing to grow from a medium- to long-term perspective while securing stable earnings, we have set the three-year average values for operating profit and ROE as KPIs (key performance indicators).

In Medium-Term Business Plan 2023, we strongly encourage all Group employees around the world to reconsider the meaning and value of the IKO brand and make it a guide for their daily activities. By taking on new challenges to further improve the value of the IKO brand, we believe that the Group will be able to move forward to the next stage of growth.

The Group's material issues

The Group has introduced a range of new technologies and products to society, in this way contributing to the development of industry and the enrichment of people's lives around the world. For example, our roller-type linear motion rolling guides—we were the first company in the world to successfully commercialize them—have contributed enormously to the development of high-precision, compact semiconductor manufacturing equipment and machine

tools. In addition, a C-Lube linear way, which uses built-in lubrication, is an environmentally friendly product that achieves maintenance-free operation for long periods of time, due to its oil-minimizing construction. The Group considers it an important mission to contribute to sustainability in all aspects of society, the economy, and the environment, by developing proprietary technologies and products, and by strengthening our management structure.

Therefore, in conjunction with the formulation of Medium-Term Business Plan 2023, we have organized the material issues of our group into six themes:

- (1) Implement corporate activities to realize a prosperous global environment
- (2) Contribute to technological innovation by leveraging core technologies
- (3) Contribute to social development by providing products society needs
- (4) Provide healthy, safe, and secure environments for people
- (5) Contribute to a society in which diverse people can thrive and be rewarded for their work
- (6) Improve continuously compliance and governance

When tackling these material issues, we believe that there are three issues in particular that we should focus on: the further improvement of quality; the development and better use of human resources; and strengthening our corporate governance.

Looking first at quality, we consistently pursue high quality in all areas, from development, production, and sales to after-sales service, not to mention maintaining and enhancing high product quality and providing that to our customers. Quality, in the broadest sense, can also include the dedication of our employees to their work and their genuine customer service. Going forward, we will continue to further refine our superior quality, the foundation of our reliability and our customers' trust.

For human resources, we believe that employees working hard at their jobs is the greatest driving force behind the Group's sustainable growth. We will continue to focus on developing employees who will be responsible for the future of the Group. At the same time, we will revitalize our organization through initiatives, such as ensuring diversity when hiring, supporting the full participation of female employees, and by creating an environment and culture that encourages boldly taking on challenges.

For corporate governance, we have been continually

working to strengthen management oversight and to ensure effective, speedy decision-making. Three of the nine members of the Board of Directors are from outside IKO, and a female independent outside director was appointed at the General Meeting of Shareholders held in June 2022. In addition, given the current status of our global operations, with numerous local staff in the U.S., Europe, China, Vietnam, and other countries, we intend to ensure further diversity by appointing overseas nationals to the management team. Governance is the foundation of all corporate activities. We will continue to improve the effectiveness of our Board of Directors and continually strengthen our governance structure.

Without risk, there is no growth; The key is to always keep challenging ourselves

Although the first half of 2022 marks the halfway point of Medium-Term Business Plan 2023, there are still many challenges ahead. Although the C-Lube linear way and other mainstream products contribute significantly to the Group's earnings, we are unable to fully meet customer demand due to constraints on supply. In addition, there are many existing product groups that can be expected to contribute even more to profits by adding new value. From a medium- to long-term perspective, it will be necessary to make capital investments, develop new products, and renew existing products quickly and effectively. I have been telling the employees of the Group the importance of taking on challenges. The same can be said for management; we also need to take on challenges. I intend to promote decisive management by taking appropriate risks where we are rewarded accordingly, while mitigating excessive risks through governance.

The global economic and social situation is constantly shifting, especially with the repeated spread of COVID-19 and heightened geopolitical risks associated with Russia's invasion into Ukraine. In addition, as I have already mentioned, the demand for our products is volatile, and it is necessary to secure an appropriate level of financial reserves to prepare for negative changes in the external environment and for market fluctuations in the short to medium term. Going forward, I will continue to steer the Company in a flexible way, while keeping an eye on both the offensive and defensive aspects of investment in growth and financial soundness.

Maximize our corporate value by leveraging the collective strength of the Group

We position the distribution of profits to shareholders as an important management issue, and are mindful of both maintaining stable dividends and adding to internal reserves. For the fiscal year ended March 31, 2022, the Company paid an annual dividend of 13 yen per share, for a consolidated payout ratio of 22.3%. For the fiscal year ending March 31, 2023, we plan to increase the annual dividend by 5 yen to 18 yen per share.

If you look only at the past few years when we have achieved good results, you may be inclined to think that our dividend payout ratio is low. However, we believe that the best way to respond to the support of our shareholders is to continue to pay stable dividends, as we have done even in years when the external environment deteriorated and earnings were low. We hope that you will focus on both our average dividend payout ratio over the medium to long term and on our investment in growth to maximize shareholder value.

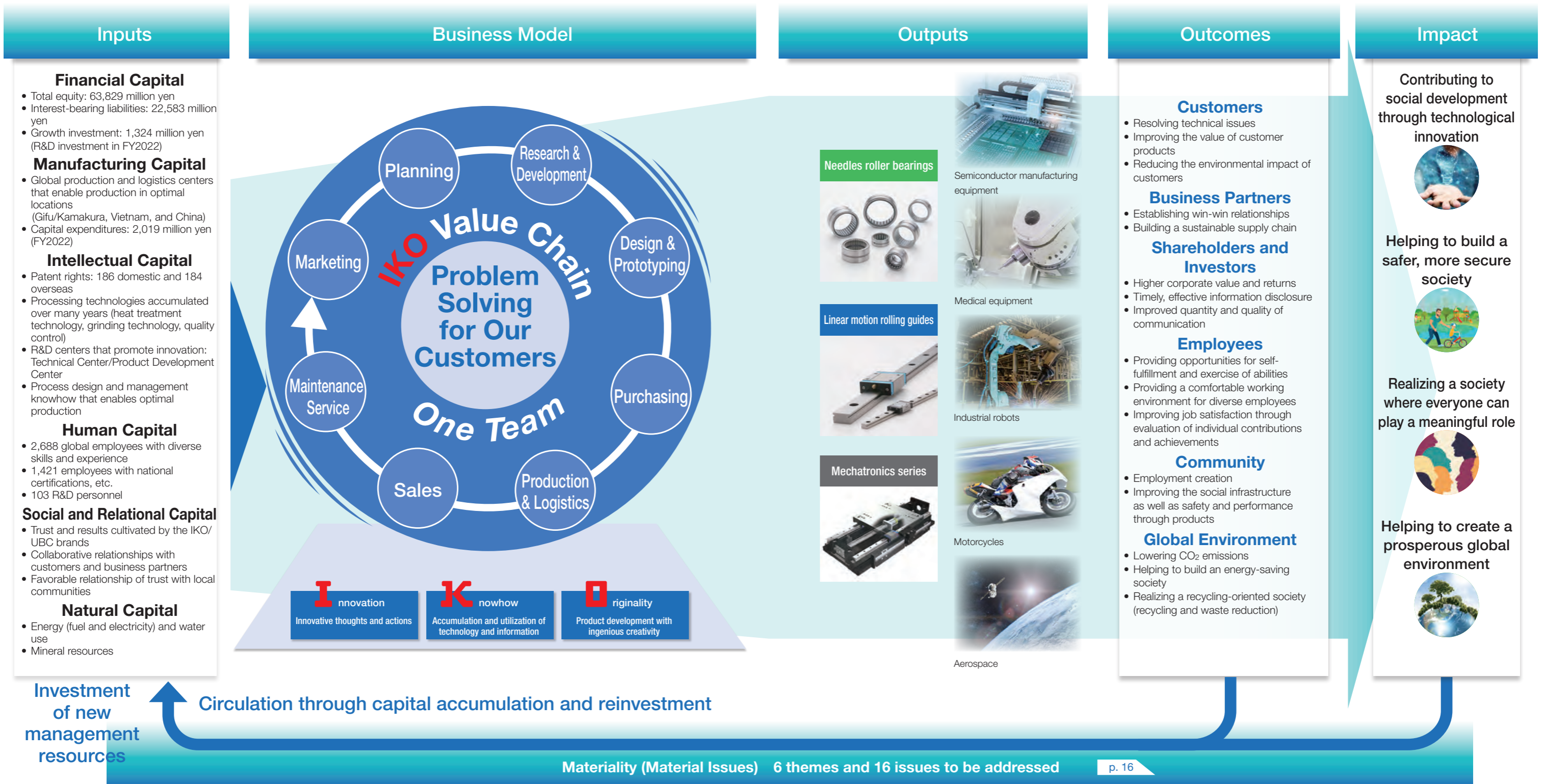
We have entered the second half of our plan of implementing initiatives for the fiscal year ending March 31, 2023. We will continue to be a corporate group that is trusted by all stakeholders, including customers, shareholders, investors, business partners, employees, and competitors. So, the Group will invest management resources in the solid progress of the medium-term business plan, with a view to achieving the long-term vision that we aim for. At the same time, we will work to maximize our corporate value. We would like to ask all of our stakeholders for their continuous understanding and support.



Value Creation Process

Based on the unique strengths we have cultivated over the years, Nippon Thompson will contribute to the development of society throughout the entire value chain.

Management Philosophy: A Company Centered on Technology Development That Contributes to Society



External Environment

Realizing a decarbonized society, maturation of developed countries, and the rise of emerging countries
 Declining working population, human rights issues, and technological innovation leading to more diverse and sophisticated requirements

Source of Value Creation

The value creation of our Group begins with every employee being on “the same page” as our customers.

We achieve sustainable value creation by connecting the “value function” of the entire Group, including partner companies, quickly and effectively.

The “four abilities” of the value chain that collaborate around problem solving for our customers

◆ Understanding Value

We accurately understand the problems and requirements of our customers, while also grasping market and technological trends, and work to create ideas for technologies and services that will provide future value for our customers.

◆ Strengths/differentiating factors

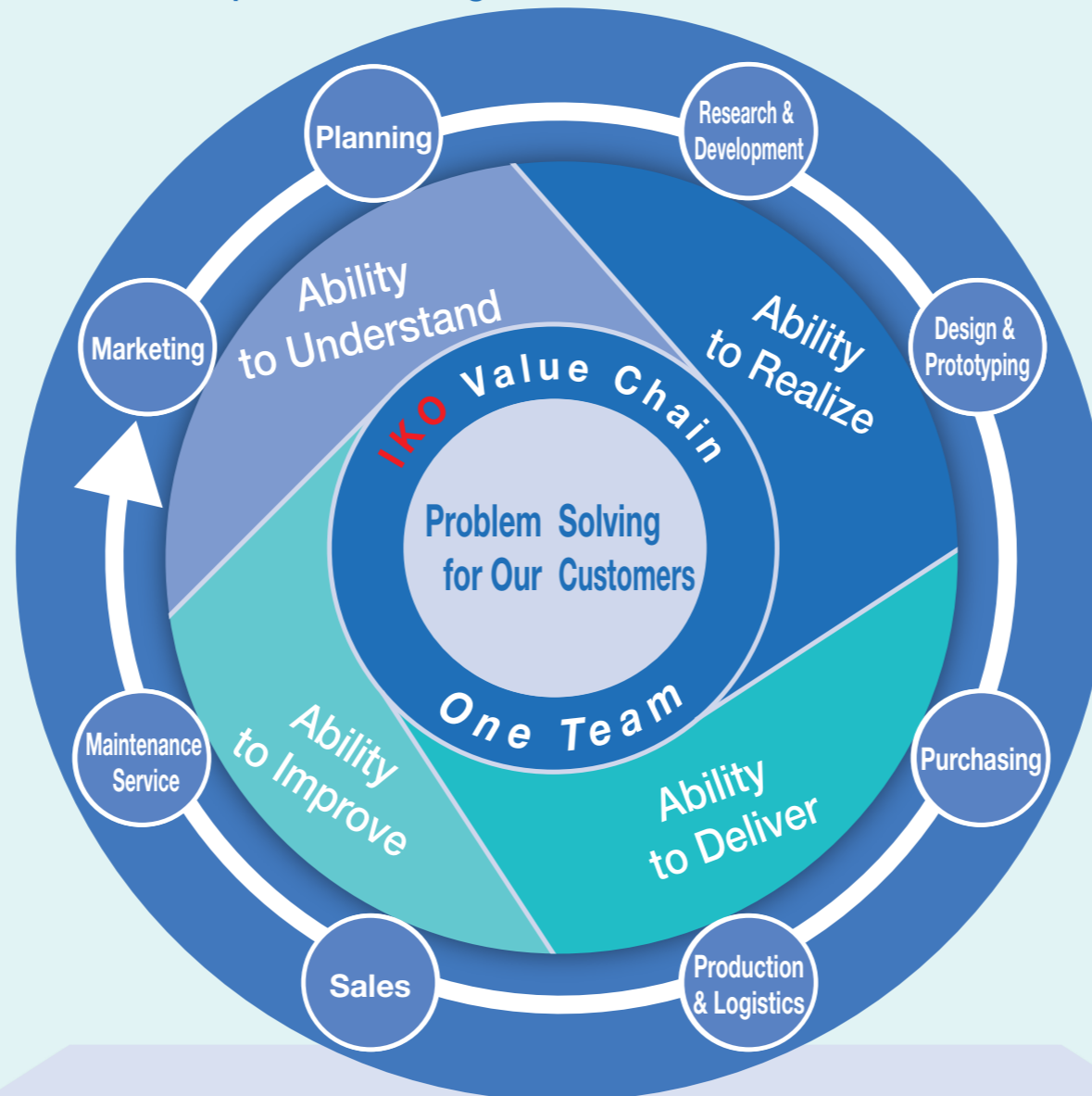
- Solving technical issues by integrating sales, sales engineering, and development
- Providing optimal products and services through customization

◆ Improving Value

By using detailed feedback on product issues through after-sales follow-up with customers, we improve the value of our products and link this activity to the further development of new products and services.

◆ Strengths/differentiating factors

- Detailed support through a well-developed network of direct sales offices and cooperation with specialized trading companies
- Prompt and sincere response to customer requirements for problem solving



◆ Realizing Value

We have strengths in practical R&D and product design, flexible prototype support, and process design that we use to meet our customers' unique and specific needs with optimal functionality and cost.

◆ Strengths/differentiating factors

- R&D, product design, and precision processing technologies that create high-quality/high-precision products that accurately meet customer requirements
- Production technology that can flexibly provide value-added solutions for niche needs for special products and small-lot production

◆ Delivering Value

We work with our partners to produce high-quality, highly reliable products and to build a global supply system that flexibly responds to fluctuating demand.

◆ Strengths/differentiating factors

- Quality control system throughout our supply chain
- Needles: Flexible production system and extensive inventory lineup
- Linear/Mechatronics: Customization based on needs and quick delivery

Organizational Culture and Code of Conduct Supporting Value Functions

The belief in the IKO brand is the driving force for growth

Innovation

Revolutionary thoughts and actions

Know how

Accumulation and use of technology and information

Originality

Product development with ingenious creativity

Materiality (Key Issues)

Positioning of Materiality (Key Issues)

The Group promotes sustainable management in order to achieve both our own sustainable growth and social sustainability through our corporate activities. When promoting sustainable management, we identify material (key) issues arising for various social problems, and we

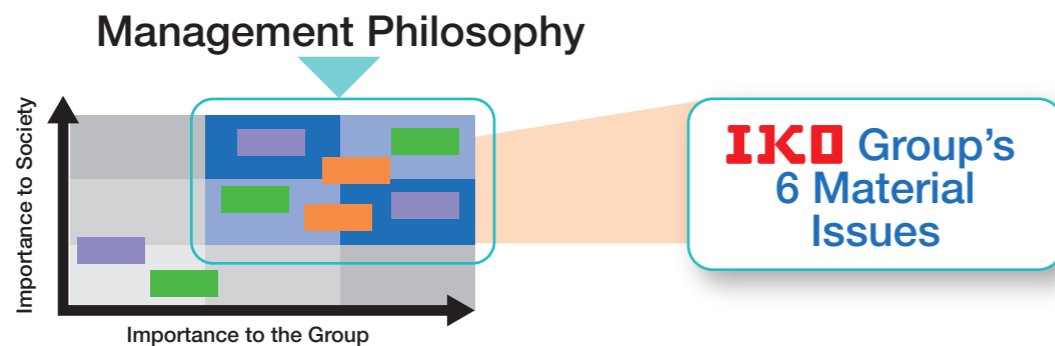
develop initiatives in line with our basic sustainability policy (see p. 29 for details), based on our management philosophy of being a technology development-oriented company that contributes to society.

Promotion of Sustainable Management p. 29



Materiality Identification Process

- Step 1** List the issues that are relevant to the Group from among the various social problems (Reference) SDGs, ESG key issues of global peer companies, and opinions of internal and external stakeholders
- Step 2** Identify highly important issues by mapping the issues listed on the two axes: importance to society and importance to the Group
- Step 3** Organize the identified issues of high importance into six material themes by grouping them based on their relationship to the vision of the Company's management philosophy
- Step 4** Discussion and approval by the Board of Directors of the identified material issues and processes



Identified Material Issues

For the identified material issues, we organized them into 16 issues to be addressed from the investors' point of view, taking into consideration the opinions of external consultants. We are also promoting specific initiatives to

resolve these issues (for details, p. 29, Promotion of Sustainable Management). We will continue to review our material issues in light of changes in social conditions and the business environment.

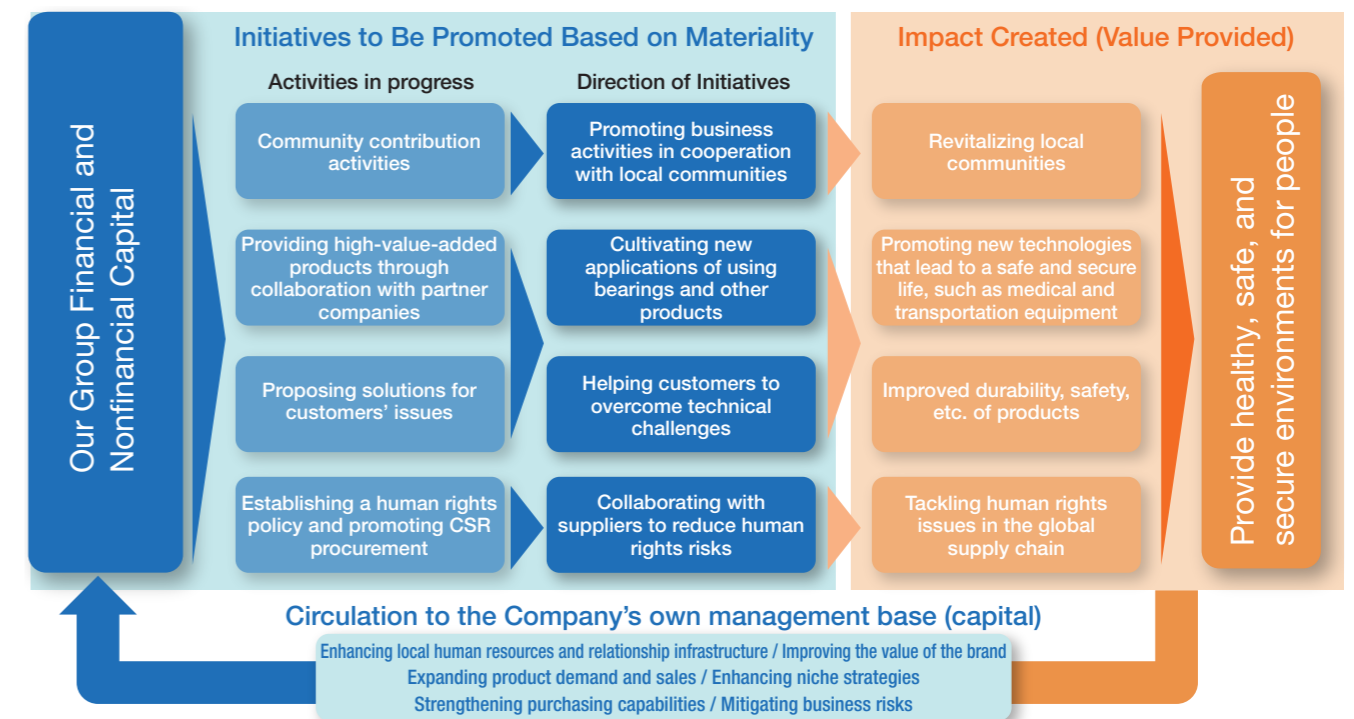
Promotion of Sustainable Management p. 29



● Value creation and capital circulation for the material issue: "Provide healthy, safe, and secure environments for people"

Through initiatives based on addressing materiality, the Group aims to maximize the value provided to society through business and to help to realize a sustainable

society (creating positive impact), while accumulating and strengthening our management base (capital), in this way achieving the sustainable growth of our Group value.

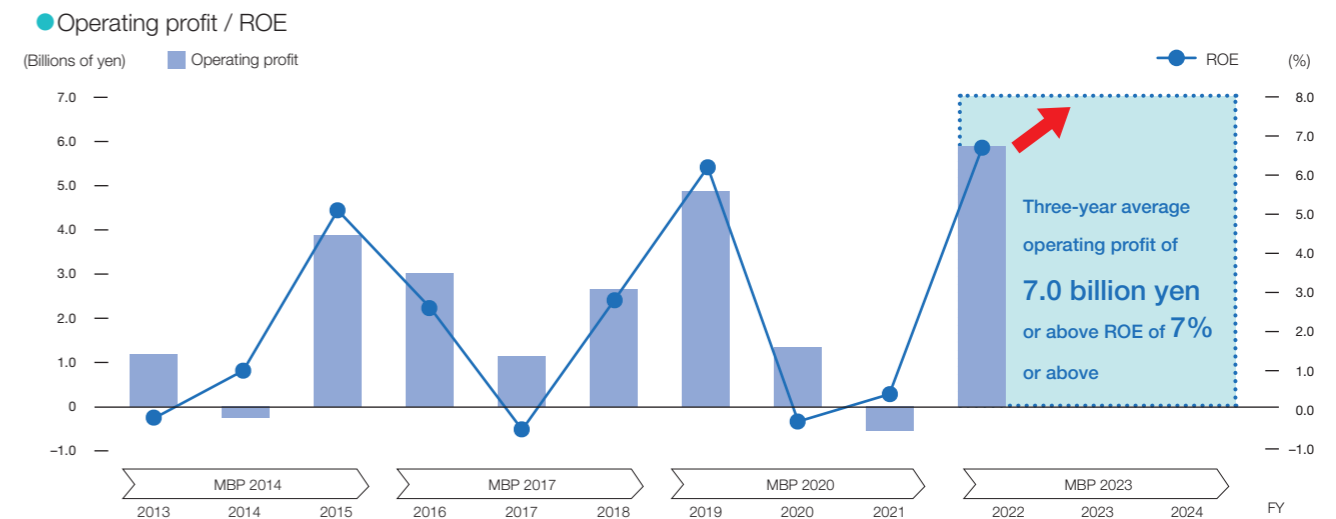


History of Growth Strategies: Past to Present Medium-Term Business Plans

In our Medium-Term Business Plan 2020, we had positioned *heightening profit awareness* as a key phrase, and worked on this as a way to reap results. For reaching this goal, we utilized our consolidated subsidiaries IKO Thompson Vietnam and UBC (China), which are strategic platforms that we have been strengthening, as well as the integrated core ERP system that we deployed. To help resolve key cross-departmental issues, we have made significant progress by strengthening interdepartmental and inter-organizational collaboration, including the formation of cross-functional teams.

At the same time, the business environment surrounding the

Group fluctuated enormously during the three-year period of the Medium-Term Business Plan 2020. Although we started the first year of the plan with record-high net sales, we were unable to achieve our initial financial targets as a result of the worsening trade friction between the US and China as well as the COVID-19 pandemic, which required a temporary adjustment to production. However, demand now continues to grow, especially for semiconductor-related products, and opportunities for our Group's growth are becoming even bigger, such as opportunities from next-generation communication standards (5G) and increased demand for automated industrial machinery.



	Medium-Term Business Plan 2014 1st (April 2012 to March 2015)	Medium-Term Business Plan 2017 2nd (April 2015 to March 2018) Change & Challenge	Medium-Term Business Plan 2020 3rd (April 2018 to March 2021) Change & Challenge—Next Stage ACCOMPLISH	Medium-Term Business Plan 2023 4th (April 2021 to March 2024) Deepening, Expanding, Embracing Change	IKO VISION 2030											
Positioning and Themes	Formulating our vision, direction and long-term vision for the Company	Shift to “Offensive Management”	Establishing a “Highly Profitable Organization”	“Value Enhancement, Value Co-Creation”	<p>Collaborating with customers primarily and co-creating value as a technology development based company</p> <p>— co-creating a sustainable future —</p>											
Basic Policy	<p>◆ “Three Challenges of Growth Strategies” to Achieve Our Long-Term Vision</p> <p>(1) Establishing a global business structure (2) Developing new products using core technologies (3) Strengthening collaboration with partner companies</p>															
Financial Targets	<p>◆ “Three Challenges of Growth Strategies” to Achieve Our Long-Term Vision</p> <ul style="list-style-type: none"> Reinforcing the global business structure (manufacturing/sales centers, global procurement) Strengthening our financial position 															
	(Billions of yen)	2013	2014	2015	Final year target	2016	2017	2018	Final year target	2019	2020	2021	Final year target	2022		
	Net sales	35.9	39.2	44.9	60.0	43.6	44.1	55.2	60.0	57.5	47.4	44.3	70.0	62.2		
	(three-year average)	40.1			60.0	47.7			60.0	49.8			70.0	62.2		
	Operating profit	1.1	-0.2	3.8	6.0	3.0	1.1	2.6	7.0	4.8	1.3	-0.5	8.0	5.8		
	(three-year average)	1.6			6.0	2.3			7.0	1.9			8.0	5.8		
	ROE	-0.2%	1.0%	5.1%	Not available	2.6%	-0.5%	2.9%	7% or above	6.2%	-0.3%	0.4%	8% or above	6.7%		
	(three-year average)	2.0%			Not available	1.7%			7% or above	2.1%			8% or above	6.7%		
Achievements and Challenges	<p>Outcomes</p> <ul style="list-style-type: none"> Sharing and grasping approaches on our direction and long-term vision Strengthening the Company's structure by resolving financial issues <p>Challenges</p> <ul style="list-style-type: none"> Ability to respond to the external environment (market conditions / foreign currency volatility) Defensive management focused on strengthening financial position 				<p>Outcomes</p> <ul style="list-style-type: none"> Capacity expansion of overseas production center (Vietnam) Execution of M&A (acquisition of UBC in China) Deployment of integrated core ERP system (SAP) <p>Challenges</p> <ul style="list-style-type: none"> Profitability management (priorities/asset efficiency) Ability to implement tactical measures (interdepartmental collaboration) 				<p>Outcomes</p> <ul style="list-style-type: none"> Profitability improvement through the use of an integrated core ERP system (SAP) Transforming HR management system Strengthening their capabilities of domestic/overseas production sites Strengthening interdepartmental collaboration through cross-functional teams <p>Challenges</p> <ul style="list-style-type: none"> Securing stable profits (resilience to market fluctuations) Sustainable growth from a long-term perspective (preemptive investment toward social change) Awareness and behavior transformation at the individual layer 				<p>Medium-Term Business Plan 2023 emphasizes steadily resolving imminent issues, even amid major social change, while at the same time firmly proceeding with our long-term direction and ensuring that forward-looking tactical measures are also being implemented.</p> <p>Constantly taking the customer's point of view, we will create high-added-value throughout the IKO Group's value chain, including partner companies, to achieve sustainable growth and realize our long-term vision, IKO VISION 2030.</p>			
	<p>Set three-year average target to build a corporate structure that is more resilient to market fluctuations.</p> <p>Operating 7 billion yen profit: or above</p> <p>ROE of 7% or above</p>															
	<p>Net sales 100 billion yen or above</p> <p>Operating profit 15 billion yen or above</p> <p>ROE 10% or above</p>															

Medium-Term Business Plan 2023

Positioning of Medium-Term Business Plan 2023

The three-year Medium-Term Business Plan 2023 (fiscal year ended March 2022 to fiscal year ending March 2024), currently underway, is a plan to tackle the challenges of change in society and to ensure growth under the theme *value enhancement and value co-creation*.

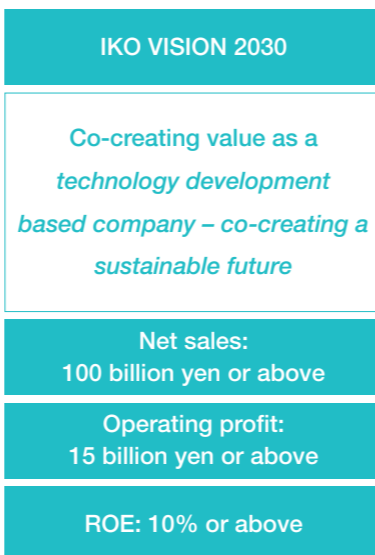
This plan ensures that any outstanding issues are completely resolved and summarizes what should be

promoted in advance during these three years through backcasting from IKO VISION 2030.

To maintain a medium- to long-term perspective and steadily reform, under a rapidly changing and volatile business environment, we have set our financial targets as three-year averages.

Create the Future

Steadily achieve what we need to do now for the future



Strengthen the Present status
Resolve remaining issues completely

A Solid Step Up to Sustainable Growth!
Medium-Term Business Plan 2023: Value Enhancement & Value Co-Creation

Medium-Term Business Plan 2020: Establishment of a Highly Profitable Organization

	2015/4–2018/3 (three-year average actual)	2018/4–2021/3 (three-year average actual)	2021/4–2024/3 (three-year average target)
Operating profit	2.2 billion yen	1.8 billion yen	7 billion yen or above
ROE	1.7%	2.1%	7% or more

Collaborating with customers primarily and co-creating value as a *technology development based company*

These words express our Group vision for the year employees will always think and act from the customer's perspective to establish their trust in us to be consulted first, collaborate directly with customers and partner companies through ways that include the active use of digital technologies, provide faster and more accurate solutions, as well as create new value.

IKO VISION 2030 was established to ensure sustainable growth by aiming for the common long-term goals for the entire IKO Group, while facing major changes in the business environment.

Three Basic Policies and Specific Strategies

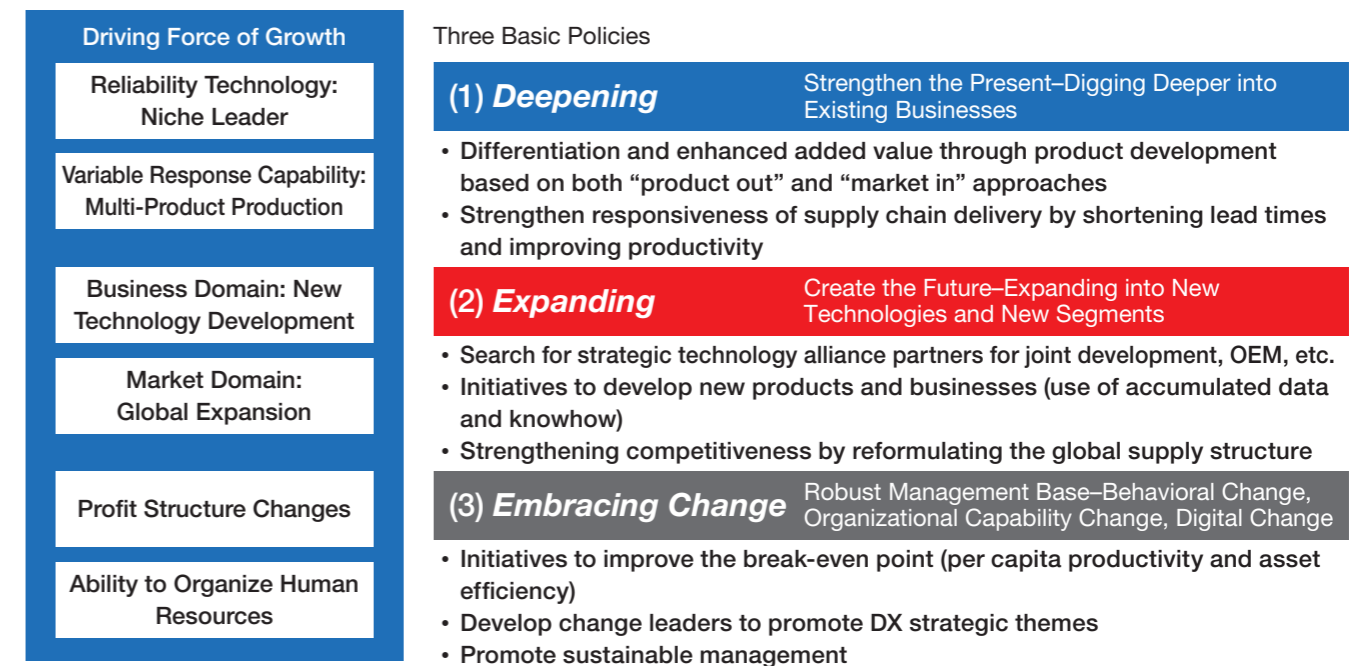
To ensure our growth from a long-term perspective, we are developing tactical measures based on the three basic policies: *deepening*, *expanding*, and *embracing change*.

Deepening is an initiative to further explore existing businesses that have been cultivated as our Group strengths, to strengthen our resilience to market fluctuations and to secure stable profits.

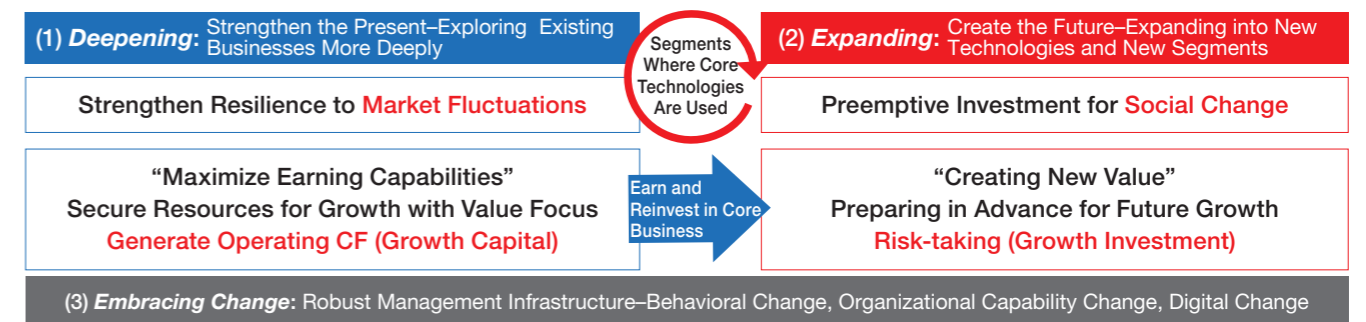
Expanding is an initiative to realize sustainable growth by continuing to explore and tackle new technologies and new business segments in response to society change.

Embracing change is an initiative to strengthen our management base through awareness/behavioral change at the individual level, organizational capability change, and digital change in order to implement *deepening* and *expanding*.

Three basic policies and initiatives in the Medium-Term Business Plan for achieving sustainable growth



Well-balanced management that captures social changes and continues to create future value



Embracing change to management for enabling both *deepening* and *expanding*

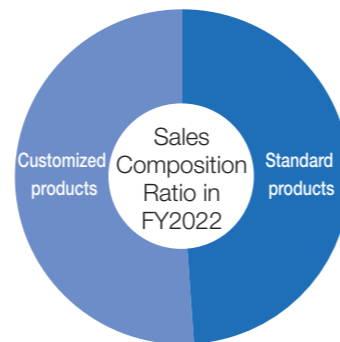
While the two strategies of *deepening* and *expanding* are interconnected, there are many differences in the work processes and the criteria for value judgment between initiatives to deepen existing operations and initiatives to expand into new operations. For this reason, it is not easy to implement both of these two strategies.

To accomplish our goals, we are conducting initiatives that emphasize *embracing change* in our organizational capabilities, by "establishing methods and rules" that allow for decisions based on different criteria, and by promoting specific measures to "create a system for awareness/behavioral reforms."

Business Overview

The Group has a rich lineup of products in stock through multiproduct production. This enables us to supply products in small lots and with short delivery schedules, in response to customer demand for high-quality, high-precision products. We have created a high value-added business model by responding quickly and flexibly to requests that require special form factors (shapes and sizes).

As a testament to this strength, about half of our net sales come from customized products made to custom order requirements and equipment specifications. Even after delivery, all departments work together to provide attentive after-sales service, including our hands-on response to customer inquiries.



Overview by Product Category

Bearings, etc.

Needle roller bearings are used in a wide range of fields, including automobiles, motorcycles, joints in robotic arms, and for general machinery, such as printers and textile machines. Overseas sales account for about 60% of our total sales, and we are aggressively expanding into the Asia region, which has enormous potential demand, by producing IKO brand products at our production subsidiary in China. We have built a stable revenue base in the global market using a business model that allows us to flexibly respond to small-lot jobs, which is difficult for some large companies to execute.

Worldwide demand is growing for **linear motion rolling guides** as machine components that contribute to the sophistication and power savings of semiconductor manufacturing equipment, machine tools, and other machinery industries.

The Group has an industry-leading lineup of products in various sizes that has penetrated into a wide range of industries, from large machine tools to machinery and equipment that require compactness and space saving.

Machine Components

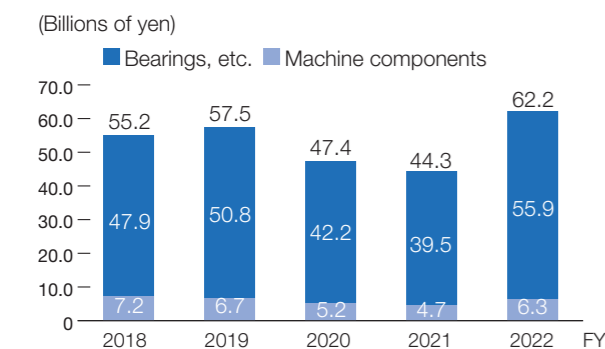
Sales of machine components account for approximately 10% of total net sales, including products purchased from

More expansion is expected over the medium to long term as our industry continues to face fluctuations in demand and capital investment. This expansion is expected in electronics-related industries especially, including the shift to electronics in the machinery industry for the development of next-generation technologies, IoT, AI, and smart factories, as well as automation and advanced production lines, particularly in emerging countries.

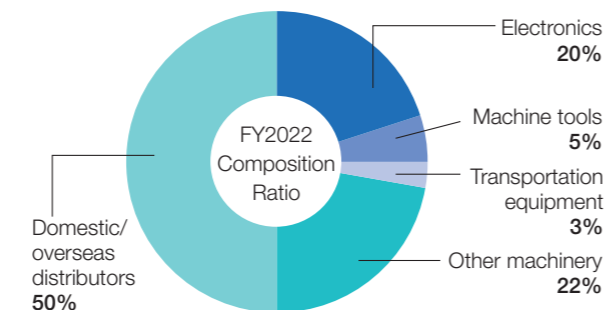
The **Mechatronics series** is the integration of machining technology and electronics, making possible customized solutions to meet customer equipment specifications. In addition to production at a dedicated factory equipped with a large clean room, which was launched in 2017, we are also collaborating with overseas companies. The Mechatronics series is widely used in high-precision positioning mechanisms for measuring, processing, and assembly machines, as well as in state-of-the-art LCD/flat panel display manufacturing equipment and semiconductor manufacturing equipment.

other companies and those made into system products into which our partners have embedded our products.

Trend of Consolidated Net Sales by Product Segment



Net Sales by Industry



Demand Overview by Industry

Electronics

The market surrounding electronics-related industries continues to grow, not only for devices such as PCs and smartphones, but also for the recent progress of IoT in home appliances and self-driving vehicles. Demand for semiconductors indispensable for these devices is expected to grow even more in the future as they become increasingly miniaturized, highly integrated, and more power efficient, and growth in this industry is expected to lead to increased earnings for the Group.

Major Applications

- Semiconductor manufacturing equipment
- FPD manufacturing equipment
- Electronic component mounting machines
- Electronic component inspection equipment

Machine Tools

Machine tools that process components from metals and other materials with high precision and efficiency. Demand for our products is expected to increase going forward. The latest machining centers, which are capable of precise and complex machining, and other technological advances in machine tools have traditionally required high-speed, high-rigidity, high-precision linear motion rolling guides and needle roller bearings.

Major Applications

- Machining centers
- Multi-axis machining centers
- Lathes
- Grinding machines
- Electrical discharge machines

Transportation Equipment

Many characteristics are required for transportation equipment, including drivability and economy, comfort, safety, and quietness, and our efforts continue to create unique technologies and innovative products. High precision and quality are required to maintain smooth and stable drive. Further, stable demand can be expected in the future due to the shift to EVs in automobiles in preparation for a carbon-neutral society and the deployment of platform doors at railway stations.

Major Applications

- Automobiles
- Motorcycles
- Railway cars
- Aircraft
- Platform doors

Other Machinery

Many machines are used on production lines, and in addition to basic capabilities such as high load capacity and high rigidity, it is important to have the required technical capabilities and reliability for responding to new initiatives and systemization. Medical devices used to diagnose, treat, and prevent diseases have also made significant technological advances in recent years, and their markets are growing worldwide. As the performance requirements are extremely precise, and special characteristics such as high speed, accuracy, rigidity as well as low vibration, and easy maintenance are required, demand for high quality, high-value-added products is expected to increase.

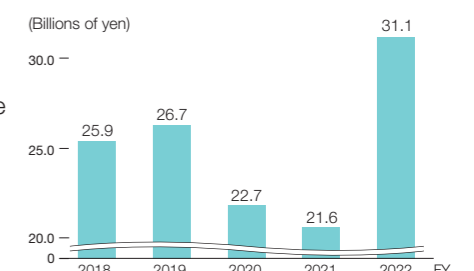
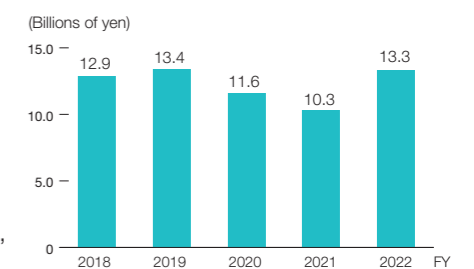
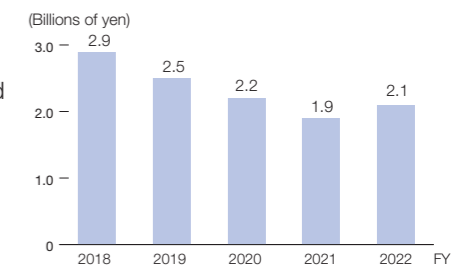
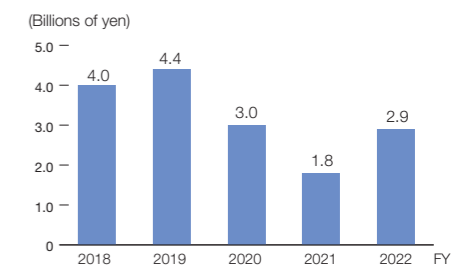
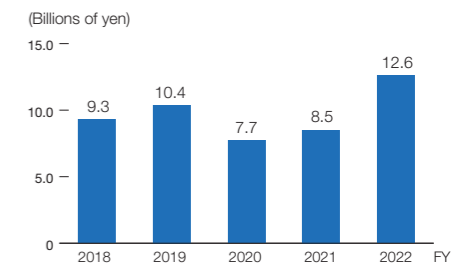
Major Applications

- Industrial robots
- Printing machines
- Construction machines
- Textile machines
- Measuring instruments
- Medical equipment

Domestic/Overseas Distributors

This category includes the aftermarket segment, with products for domestic and overseas distributors as well as for repairing and maintenance. Japanese motorcycle manufacturers and machine tool manufacturers are now shifting to overseas production, and deliveries to overseas production sites are also included in this category. Consequently, this industry accounts for approximately 50% of our sales, and continues to grow steadily.

Trend in Consolidated Net Sales



Business Strategy

Our Group's business is growing worldwide through the supply of machine components that are indispensable to all industries, from electronics-related industries to machine tools and transportation equipment. The core of our value creation is that we provide high-quality products that quickly meet the challenges and demands of our customers.

The IKO brand is highly credible and trusted due to the accumulation of value creation through our sincere activity to solve customers' problems in collaboration with external partners, as well as the business units responsible for the value chain.

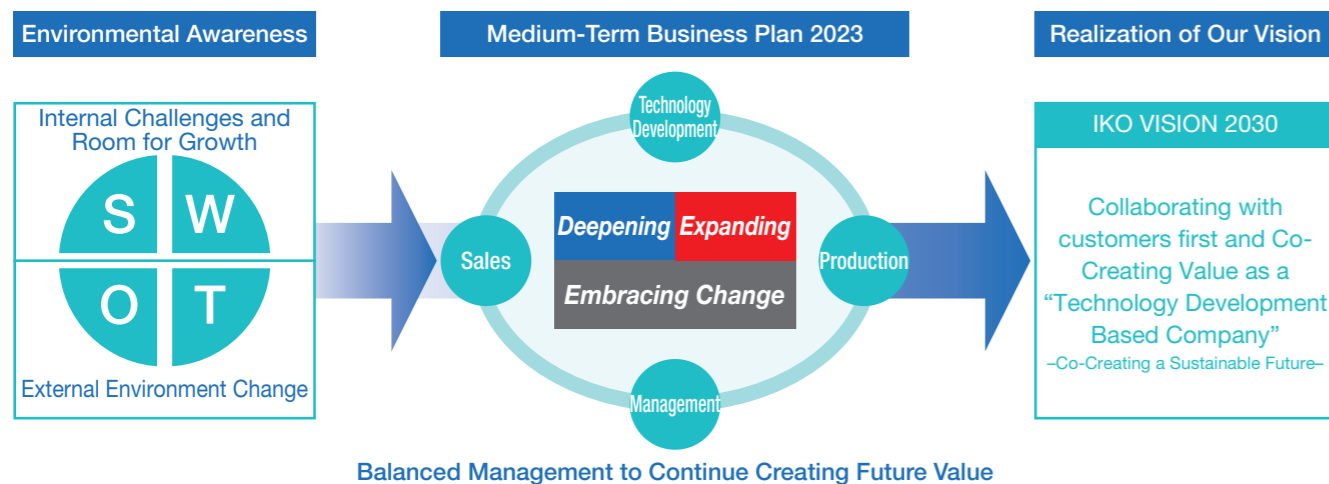
At the same time, global society is undergoing a period of historic change, including a digital shift, the evolution of AI and IoT, and social demand for sustainability, including the SDGs. We will address issues that could be potential risks, while continuing to take on the challenge of new growth opportunities where we could leverage the Group's strengths to achieve sustainable value creation.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ● IKO brand, trusted for high quality and precision ● A corporate culture that values integrity ● Product technology strengths in both miniaturization and high precision/rigidity ● A sales and marketing network that enables us to provide attentive services ● A multiproduct production system that deals with customization and small-lot requirements 	<ul style="list-style-type: none"> ● Further efficiency improvements in the multi-product business model ● Establish a stable production and supply system that anticipates demand trends
Opportunities	Threats
<ul style="list-style-type: none"> ● Rapid growth of electronics-related markets ● Increasing needs for miniaturization, high precision, and high functionality due to more miniaturized semiconductors, development of the medical industry, etc. ● Large growth potential in global markets, especially in emerging economies ● Increased demand expected for high-efficiency bearings for a decarbonized society 	<ul style="list-style-type: none"> ● Rise of competitors in emerging countries and intensifying cost competition ● Negative impact of geopolitical risks on supply chain

Direction of Company-wide Strategies

Under Medium-Term Business Plan 2023, in addition to further *deepening* the strengths developed by each business segment, we will continue with the balanced implementation of *expanding* and *embracing change* to respond to medium- and long-term social changes, with the aim of realizing our vision, IKO VISION 2030.



Sales Department



The source of our value creation is our ability to address our customers' needs and then propose solutions that focus on those needs. We want to expand our global niche strengths into new areas.

◆ Environmental Awareness and Issues

The Needle series is the legacy of the IKO brand, and the driving force behind our group growth as a profit generating sources since the Company's establishment. The Linear series and Mechatronics series are expected to grow significantly in the future as we address technological innovations, such as state-of-the-art semiconductor manufacturing equipment and advanced medical equipment. Our broad, well-balanced product lineup, geared toward sustainable growth, is the result of our Sales Department's attentive management of customer feedback, which changes over time, as well as our ability to develop products while foreseeing market trends.

In recent years, the downsizing of machinery and equipment and the reduction of environmental loads have been increasingly emphasized, and our Group compact and maintenance-free products have grown to become our mainstream products. We believe it is essential to continue to identify high value segments that only IKO can provide, while keeping up with the latest market trends, and to develop solution proposals that capture the essence of issues on a global scale.

◆ Features and Strengths

The IKO Group has 50 domestic and overseas sales offices (22 in Japan and 28 overseas), and we are implementing customer-oriented sales proposals by expanding direct sales. We are also strengthening partnerships with highly specialized trading companies dedicated to specific customers and industries, and creating a structure that enables us to provide more extensive and attentive support.

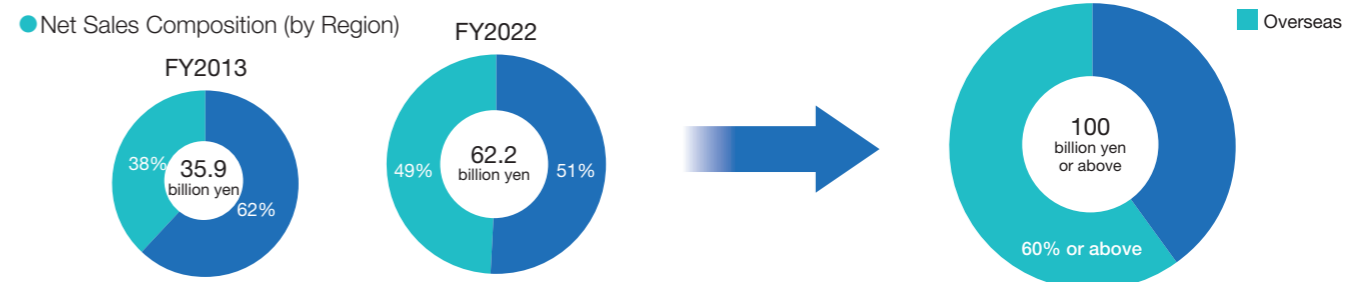
With our legacy as a bearing trading company founded in 1950, the DNA of our Company has been firmly inherited by our current Sales Department. With a strong belief in proposal-based sales activities, and the customer's perspective, we have earned a high level of trust by constantly seeking to add value for our customers, not only by selling our own products, but also by providing sales and services for complete sets of products and equipment in collaboration with our alliance partners.

◆ Policy and Future Initiatives

Under Medium-Term Business Plan 2023, the IKO Group is launching sales initiatives that make the most of the management resources being developed as our assets, including the strength of our product lines, supply capabilities, and human resource skills. First, we are introducing strategic products that aim to become global niche leader products by accurately grasping the needs of each country, industry, and customer, as well as by concentrating resources into prioritized regions and strengthening our business structure. At the same time, to create resources for global expansion, we are also working on human resource development, strengthening cooperation with each business partner, and improving services and marketing strengths through DX (digital transformation).

The Sales Department will use and develop IKO's unique legacy and strengths, which have been inherited and refined, to their full extent, in order to secure profits for investing in growth. Further, the Company will take on the challenges of developing new technologies and entering into new markets, and in this way we realize the sustainable creation of value.

◆ Substantial room for growth in emerging countries and other global markets Global deployment of the *niche leader* concept to achieve sustainable growth



Technology Development Department

The source of our value creation is the unique and advanced technological strengths supporting the IKO brand. We hope to grow together with society and our customers by creating “new value” by facing their challenges sincerely.



Shin Kasahara
Managing Director
In Charge of Technology

◆ Environmental Awareness and Issues

As the digital shift accelerates throughout the world, next-generation technologies such as IoT, AI, and smart factories are developing significantly, demand for our products is expected to grow continuously. In particular, the miniaturization of semiconductors and advancements in medical equipment have increased the need for bearings and components with superior specifications, such as “small size, high functionality, and high accuracy,” and the needs for each application are becoming far more subdivided, making the technical issues more diverse and complex.

Our product policy for compactness and high accuracy, which IKO's technical developers have persistently pursued, is in line with current industry trends and is increasing the value proposition of our products in the market. At the same time, in the low-end market, price competition is becoming the main factor, partly due to the rise of emerging countries' companies. Going forward, we will continue to pursue high quality, transform our human resources, and transform our organizational capabilities to take on the challenge of developing new products and services that will drive growth.

◆ Policy and Future Initiatives

In our Medium-Term Business Plan 2023, we have set strengthening developers' marketing perspectives as a priority. It is important for developers to visit customers to deepen the dialogue in order to gain a deeper understanding of the value that customers need. For this reason, we are also reviewing our organizational structure and development process flow. We have begun to review our on-the-job training and education programs to help developers to transform their behavior and improve their professionalism.

We will strive to differentiate ourselves by achieving a balance between improvement (market in) development that accurately identifies needs and issues through dialogue and proposal (product out) development that identifies latent needs that customers are not yet aware of, with prototypes of technology-driven products.



◆ Features and Strengths

In the Technology Development Department, we always care about our customers' feedback and place the highest importance on our integrity for solving issues.

We were the first company in Japan to develop needle roller bearings, and have expanded our business domain to include linear motion rolling guides and the Mechatronics series since then.

Our high technological strengths that support the development of the IKO brand of high-quality, high-precision products are the result of the multiple years of experience and knowhow that we have accumulated by working closely with the Production Department to fulfill customers' requirements and overcome challenges one by one.

While the main functions expected of bearing mechanisms are extremely simple—lightweight, smooth, and long-lasting—customers recognize the unique characteristics of the IKO brand, which leads us to where we stand today. The Technology Development Department is taking on the challenge of creating new de facto standards that start with building relationships of trust with customers.

◆ Development of products and services that continue to make a difference for the IKO brand, and the direction of technological innovation



Production Department

Pride in manufacturing excellence is the source of our value creation. We aspire to evolve IKO's unique knowhow globally to create high-quality products.



Nobuya Hideshima
Senior Managing Director
In Charge of Production
Department

Tooru Okajima
Managing Director
Deputy in Charge of
Production Department

◆ Environmental Awareness and Issues

Traditionally, the bearing industry's structure has centered on mass production, mainly for the automotive industry. However, this is changing with the recent shift to EVs. Under these changes, we expect steady demand for the Needle series in the areas we have been focusing on, and upgrading the multi-product manufacturing system we have established will be a challenge for strengthening our competitiveness. In the linear motion rolling guide series, the main challenge is to enhance supply capacity to respond to significant market growth, particularly in the semiconductor industry, as well as to provide “instantaneous power” to respond to the rapidly fluctuating business cycle.

To establish a sustainable supply chain, it is necessary to have production and purchasing that consider the environment and human rights. A healthy, safe, and rewarding work environment is another inevitable challenge. We are committed to our mission of “contributing to the global community through local-based manufacturing.”

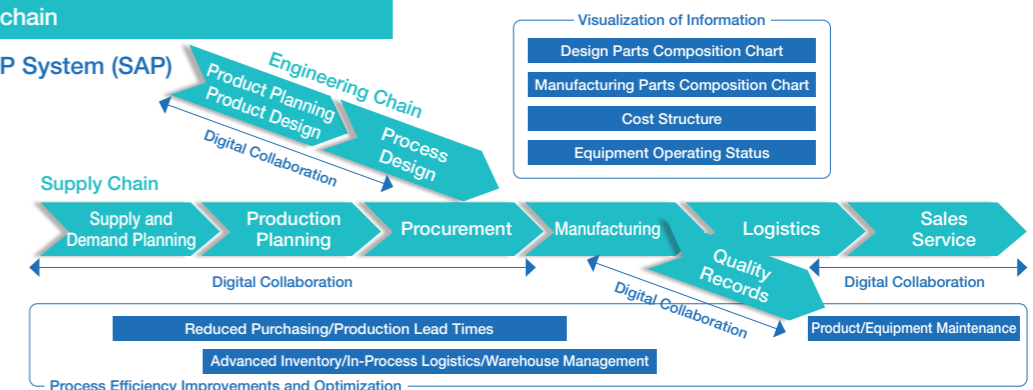
◆ Policy and Future Initiatives

To establish a production system that can respond to customer needs flexibly and quickly, we have set strengthening Q, C, and D, including reducing lead times and strengthening production technology capabilities to achieve these goals as key themes of our Medium-Term Business Plan 2023. More automation and the use of digital technology are also key to refining IKO's unique production model and further improving productivity. In particular, the integrated core ERP system (SAP) introduced in 2016 has improved information sharing and collaboration throughout the value chain, which has been a major force in promoting the current medium-term business plan.

In addition, as global warming gains strength around the world, environmentally friendly manufacturing is a top priority that is increasingly demanded by society. We will not only continue to steadily save energy at our production sites, but we will also actively promote environmentally friendly manufacturing that uses renewable energy sources, such as solar power.

◆ Strengthening the production system throughout the entire value chain

Integrated Core ERP System (SAP)



Financial Strategy



Guided by the need for a sound financial foundation, we aim to achieve capital efficiency and strengthen shareholder returns by improving profitability, in this way achieving sustainable growth of corporate value.

Koji Shimomura
Managing Director

Environmental Awareness

The IKO Group has formulated the three-year Medium-Term Business Plan 2023: Deepening, Expanding, and Embracing Change, starting in April 2021, and we have set financial targets: operating profit of 4.5 billion yen or above and an ROE of 5% or above on average over the three-year period of the plan. Our goal is to achieve stable and solid corporate value improvements even under an unstable business environment.

In FY2022, the first year of our Medium-Term Business Plan, the business environment remained uncertain, including disruptions in logistics due to the repeated emergence of COVID-19 variants, as well as soaring fuel and raw material prices. However, there were some tailwinds in business environment surrounding our group, such as rapid growth in demand for domestic and overseas capital expenditures, driven by demand for semiconductor manufacturing equipment and other electronics-related devices.

As a result, business performance exceeded our target, with consolidated net sales 62.2 billion yen in total, up 40.5% year-on-year, a record high; operating profit amounting to 5.8 billion yen (operating margin of 9.5%), due in part to the sales increase and the production volume increase and the effect of the yen's depreciation; and an ROE of 6.7%.

The initiatives included in this medium-term business plan are progressing well, and we have revised upward our financial targets to an operating profit of 7 billion yen or above and an ROE of 7% or above on average over the three-year period. We revised our targets based on the expectation of continued investment growth in our targeted markets during the planning period. We will improve capital efficiency and ROE while accelerating our drive to further study and implement growth strategies.

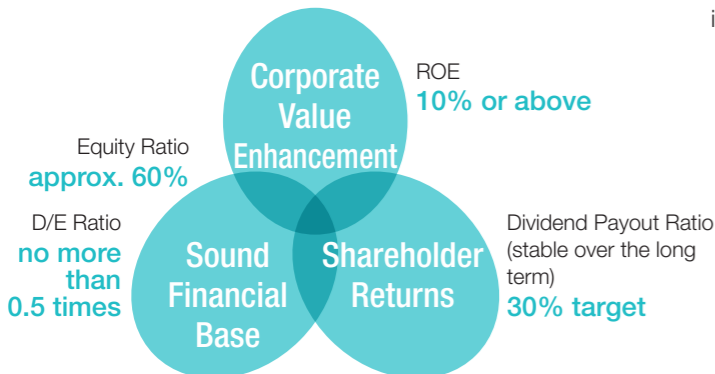
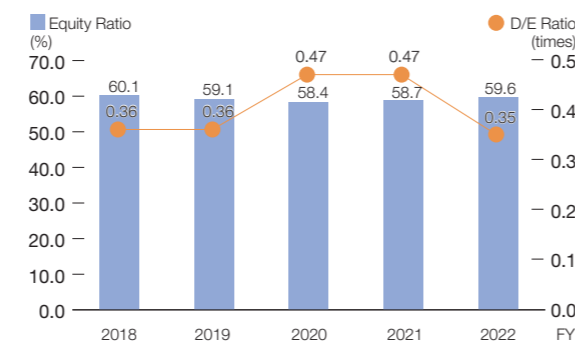
Basic Financial Policy

In line with our policy of strengthening the financial position, the Group will work to boost profitability to achieve sustainable growth, improve capital efficiency, and increase shareholder returns.

Under an environment where customer requirements are becoming increasingly sophisticated and diversified, our goal is to secure stable profits and achieve sustainable growth in the future by strengthening our response to market fluctuations and social change. To reach this goal, we have formulated IKO VISION 2030, which is intended to achieve consolidated net sales of 100 billion yen or above, an operating profit of 15 billion yen or above, and an ROE of 10% or above in FY2031. We will continue to challenge ourselves and transform the IKO Group in both financial and nonfinancial areas, including balancing investment for growth with financial discipline and promoting ESG (environmental, social and governance) management.

As a financial KPI, we have set the target for ROE at 10% or above, which exceeds the cost of shareholders' equity (8 to 9%), with the aim of strengthening profitability and improving capital efficiency. In addition, we will strive for sustainable growth through profitability and better capital efficiency, by maintaining a strong financial structure with a target equity ratio of 60%.

For procuring funds, the Company will strive for stable and flexible financing, principally using operating cash flow and liquidity on hand to fund investments for business growth, while considering the option of sourcing funds from capital markets, if the investment amount exceeds inhouse financings. We aim to maintain a D/E ratio (interest-bearing liabilities/net assets) of no more than 0.5 times, and will expand and strengthen our business through active growth investments, while maintaining financial discipline.

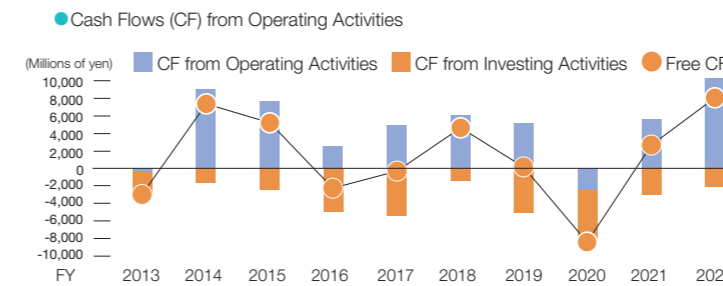


Cash Allocations

To achieve the financial targets set out in IKO VISION 2030, we will allocate capital reserve to growth investments that create additional value from a medium- to long-term perspective.

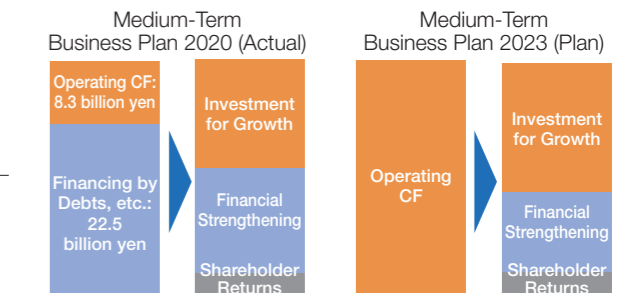
In addition to investments in human resource development and R&D to help us to resolve social issues and social needs, as well as growth investments in, for instance, DX, M&As, and alliances, we will prioritize investments in sustainability, as well as stable and continual shareholder returns.

As for capital expenditures, we intend to invest in increased production capacity, automation, and labor



savings, as well as in energy conservation leading to decarbonization and a reduced environmental impact. We also plan to invest in increased production capacity, including the acquisition of new sites and the construction of new plants, in order to invest in the growth of strategic products that are among our group's major strengths.

The primary source of capital reserve for these investments will be operating cash flow and liquidity on hand, as well as funds from other financing methods, if necessary. In addition, we will continue to maintain sound financial positions in order to continue stable financing.

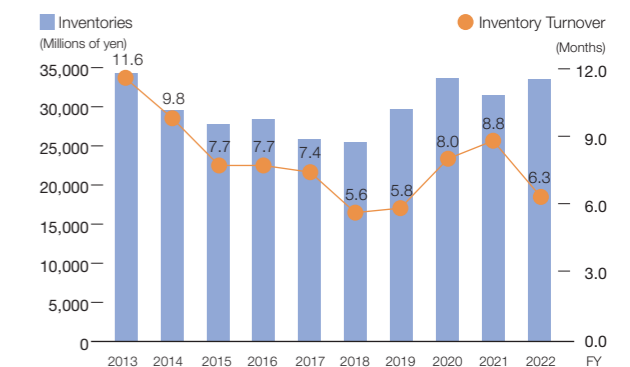


Approach for Inventory Strategy and Capital Turnover Efficiency

Our group business model secures a reasonably high profit margin by offering a wide variety of products available through multi-product manufacturing and by enabling a flexible supply that includes the small-lot distributor market, which is difficult for large companies to access. As a result, the number of months of stock turnover is generally long.

In FY2022, inventories at the end of the period increased to 33.5 billion yen, an increase of 2.0 billion yen year over year, mainly due to more work in process, as orders remained at a high level in response to strong demand and rapidly increased production. On the other hand, inventory turnover (based on net sales) was equivalent to 6.3 months, a significant decrease from 8.8 months at the end of the previous year, partly due to higher net sales. For future inventory levels, taking into consideration the continuing high level of orders, we will promote inventory optimization by holding down stock levels, aiming for an inventory turnover equivalent to six months, an appropriate level for us.

In addition, shortening the cash conversion cycle (CCC) is essential to strengthen our ability to generate cash flow. We will strive to improve asset efficiency through more thorough fund management, including through account receivables collections, keeping in mind the level of inventories necessary to respond promptly to customer needs.



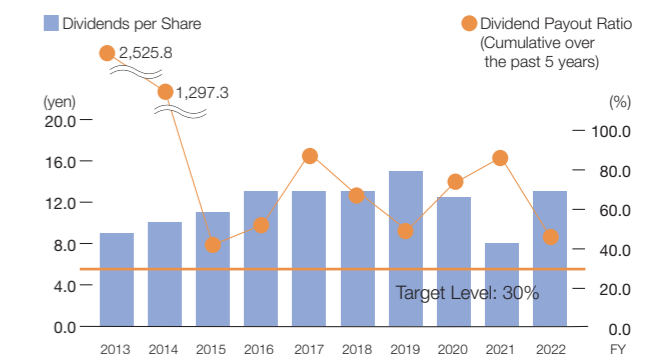
Shareholder Returns Policy

The Company positions shareholder returns as one of the most important management issues. Our basic policy is to maintain a stable dividend, while comprehensively taking into consideration the business performance of each fiscal year, the level of retained earnings necessary for future business development, and other management factors.

As the demand for our products is extremely volatile and our performance fluctuates widely, we aim to meet the expectations of our shareholders by paying a stable dividend each fiscal year, and we set the medium- to long-term dividend payout ratio targets 30% (cumulative dividends for the most recent five years).

In addition, the Company will consider repurchasing shares, as necessary, by comprehensively taking into account the business environment, financial environment,

growth investments, stock price levels, and other management factors.



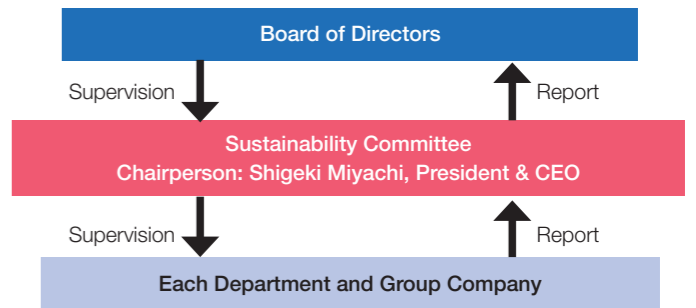
Sustainable Management Promotion

Basic Sustainability Policy

Under our management philosophy — *A Company Centered on Technology Development that Contributes to Society* — the Group aims to achieve both sustainable growth and social sustainability by promoting corporate activities that are innovative (*innovation*), based on advanced technology (*knowhow*), and rich in creativity (*originality*), which is the essence of the IKO brand philosophy. In addition, through the implementation of the Code of Conduct and the IKO Group Materiality—the guidelines for shared values and actions by all officers and employees of the Company and the Group—we will strive to build a relationship of trust with our stakeholders, improve our corporate value, realize a prosperous global environment, and develop a sustainable society by providing products society needs.

Sustainable Management Promotion System

In January 2022, the Group established the Sustainability Committee, chaired by the president and CEO, to promote sustainable management Group-wide and across the organization based on our Basic Sustainability Policy. The Committee meets regularly, in principle once every half year, mainly to develop a sustainability promotion system and to review issues related to each material issue (materiality), with the aim of steadily advancing sustainable management and improving our corporate value.



IKO Group Materiality: 6 Themes		Long-Term Targets for 2050 (Vision)	Medium-Term Targets for 2030	Action Plan	Specific SDGs
(1) Implement corporate activities for realizing a prosperous global environment	Environmental considerations in business activities	• Carbon neutrality throughout the entire Group	• Reduce actual greenhouse gas emissions from business operations by 50% or more from the baseline year	<ul style="list-style-type: none"> Continue and strengthen energy conservation Develop specific action plans to achieve medium-term targets Improve accuracy of calculating greenhouse gas emissions of Group subsidiaries 	6, 7, 12, 13, 14, 15
	Promoting supply chain management	• Carbon neutrality throughout the entire supply chain	<ul style="list-style-type: none"> Achieve a high level of accuracy when calculating greenhouse gas emissions and build a system for collaboration toward carbon neutrality Strengthen and help deepen global CSR procurement initiatives 	<ul style="list-style-type: none"> Improve accuracy of calculating supply chain greenhouse gas emissions Formulate CSR procurement guidelines Coordinate CSR procurement policies with partner companies 	12, 13, 14, 15
	Adapting to climate change	• More sophisticated sustainable management linked to adapting to climate change	• Enhance corporate value while responding to climate change	• Respond to and disclose achievement of TCFD recommendations	14, 15
(2) Contribute to technological innovation by leveraging core technologies	Promoting open innovation, such as industry-academia-government collaboration	• A company that thoroughly refines all technologies related to machine elements and receives requests for technological collaboration from around the world	• Continue and strengthen technological collaboration with industry, academia, and government agencies	<ul style="list-style-type: none"> Proactively collaborate with external parties with a strong awareness of open innovation Strengthen alliances with partner companies 	8, 9
	Taking on the challenge of new technologies and new business domains	• Accelerating our contribution to technological innovation by globally developing new markets and new business domains	<ul style="list-style-type: none"> Product development that takes into account regional characteristics and global sales growth (overseas net sales ratio of 60% or more) Develop new products with value for solving social issues, such as carbon neutral components 	<ul style="list-style-type: none"> Strengthen marketing analysis to accurately capture market trends Expand sales in overseas markets Develop better products through better contact with customers 	17
(3) Contribute to social development by providing products society needs	Pursuing product quality and safety	• No. 1 product quality in the industry	<ul style="list-style-type: none"> Global quality control system Maintenance and improvement of product quality 	<ul style="list-style-type: none"> Maintain and strengthen quality management system Strengthen quality education for employees Continue providing regular survey feedback to partner companies 	8, 9
	Providing flexible and stable products	• 100% customer delivery satisfaction	<ul style="list-style-type: none"> Flexible delivery by reducing production lead times Promotion of automation Improve productivity by using DX and IoT 	<ul style="list-style-type: none"> Review systems for stable production Reduce production lead times for target model numbers Deepen inventory strategy 	12, 17
(4) Provide healthy, safe, and secure environments for people	Co-existence with local communities	• Becoming a company that is needed and trusted by contributing to the community and society	• Maintain good relations and revitalize local communities	<ul style="list-style-type: none"> Clean up areas in surrounding regions and rivers Collaborate with neighboring schools to support the development of the next generation Participate into and support local activities 	4, 5, 8, 9
	Providing products leading to healthy, safe, and secure lifestyles	• Manufacturer of key components that create the future for all industries leading to the realization of healthy, safe, and secure lifestyles	<ul style="list-style-type: none"> Create and provide high value-added products leading to healthy, safe, and secure lifestyles Develop products together with customers, free from preconceived ideas 	<ul style="list-style-type: none"> Strengthen our offer of high value-added products through collaboration with partner companies, etc. Provide solutions to customers' issues 	8, 9
	Respecting human rights	• Realization of corporate activities as well as co-existence and co-prosperity ensuring full social safety in the global supply chain	• Instill human rights policies and establish a system for conducting human rights due diligence in the global supply chain	<ul style="list-style-type: none"> Formulate a human rights policy Instill human rights policies into the supply chain Conduct human rights due diligence 	10, 11
(5) Contribute to a society where diverse people can thrive and be rewarded for their work	Strengthening recruitment and employee training	• A group of employees that creates high added value in a challenging way	<ul style="list-style-type: none"> Acquire talented employees who will be responsible for the future of the Group Human resource development through personnel rotation and education, etc., and improve educational opportunities tailored to individual preferences and careers 	<ul style="list-style-type: none"> Clarify the Group's human resource requirements Implement talent management Enhance self-development support system 	4, 5, 8, 10
	Building a rewarding work environment	• Work environment that realizes an optimal work-life balance	• Develop a high degree of employee engagement improving various systems, etc.	<ul style="list-style-type: none"> Develop systems related to diversified work styles Implement measures to improve employee engagement 	11
	Promoting diversity and inclusion (D&I)	• Contributing to the development of a sustainable society by ensuring diversity in human resources, regardless of gender, nationality, career, etc.	• Expand diversity by increasing the ratio of women in management and supervisory positions, etc.	<ul style="list-style-type: none"> Promote women's activities, including better childcare support Actively assign foreign nationals and mid-career hires to core human resources 	11
(6) Continually improve compliance and governance	Improving internal controls and ensuring compliance	• A system where all employees have a deep understanding of the purpose of risk management, compliance, information security, etc., and are able to put these into practice successfully	• Develop a system so that all employees understand the purpose of risk management, compliance, information security, etc., and are capable of practicing these successfully	<ul style="list-style-type: none"> Improve the content of all committee discussions Strengthen employee education, dissemination, and self-assessment Strengthen cybersecurity 	
	Continuously improving corporate governance	• Highly fair and transparent management through the Group's strong governance system	• Strong governance system in the Group	<ul style="list-style-type: none"> Improve effectiveness of the Board of Directors, such as ensuring diversity Strengthen Group governance, including qualitative improvement of Board of Directors' deliberations 	16
	Enhancing information disclosure and communication with stakeholders	• Maintaining good relationships with stakeholders by ensuring transparent disclosure of information	• Ensure transparent information disclosure and build good relationships with stakeholders	<ul style="list-style-type: none"> Enhance voluntary, timely and appropriate information disclosure Strengthen IR activities, including heightened communication with investors Implement stakeholder engagement (dialogues) 	

Environmental Considerations during Business Operations

As a company centered on technology development that contributes to society, we will boldly take on environmental challenges and aim to realize a prosperous global environment through the creation of products.



Nobuya Hideshima
Senior Managing Director,
Chief Environmental Management Officer

Basic Approach

Recognizing that the preservation of the global environment is an important issue common for all humankind, the Group has been working to help resolve social issues, for instance by providing products where the C-Lube lubrication part is included that use IKO's proprietary advanced technologies, based on global environment-friendly development approach with Oil Minimum as the key concept. As part of our corporate social responsibility, we will continue to strengthen our environmentally friendly corporate activities and contribute to the realization of a prosperous global environment.



Environmental Management System

Recognizing the importance of co-existence and co-prosperity with local communities in our business activities, we have been promoting environmental management under our Environmental Policy since 1998. The Environmental Committee, chaired by the executive director in charge of the Production Department, sets our

annual environmental issues and monitors the progress of our environmental management activities. Both the Production and Engineering Department and the Sales and Management Department have established environmental committees and are working as *one team* to realize a prosperous global environment.

Environmental Policy

1. As a company that manufactures and distributes needle roller bearings, linear motion rolling guides, and mechatronics products, we strive to fully understand the environmental impact of our business activities, products, and services as well as working to reduce this impact.
2. We promote sustainable environmental protection by focusing our environment management system on the prevention of pollution.
3. We further enhance our environmental protection policy by setting our own management standards that address environmental concerns; cooperating with environmental protection initiatives implemented by national and local governments and; complying with laws, regulations, agreements, and other legislation related to environmental protection.
4. Under our management principal of being a company centered on technology development that contributes to society, we continually design and develop products for reducing our negative impact on the environment.
5. We provide environmental education to all employees in order to instruct them on our environmental policy and raise their awareness of the need for environmental protection.

Environmental Management System



Environmental Plan and Progress in FY2022

As shown in the table below, our efforts to reduce our environmental negative impact in FY2022 were focused on two key areas: global warming countermeasures and resource recycling. We set targets consistent with those established by the industry associations to which we belong, and we have achieved our targets for almost all

items. However, since targets have not been achieved in some items, we will continue to strengthen our initiatives to achieve them. In addition, we will increase our medium- to long-term efforts, including by continually achieving targets, reviewing target values, and adding initiatives for the items to be achieved.

Item	Targets for FY2022	Actual Results for FY2022	Degree of Achievement
Global warming countermeasures	Reduce per unit CO ₂ emissions from bearing operations in 2030 by 28% compared with FY1998 levels	38.6% reduction from FY1998	Achieved
	Reduce unit energy consumption by 1.0% year on year	2.4% reduction year on year	Achieved
	Reduce unit energy consumption by 1.0% on average over five fiscal years	0.6% reduction in five-year average per-unit energy consumption	Achieved less than 80%
Resource recycling	Achieve a recycling rate of at least 96% in FY2031	Recycling rate: 96.6%	Achieved
	Reduce final disposal volume by 92% in FY2026 compared with FY2001	Final disposal amount: 97.8% reduction	Achieved

Third-Party Evaluations and Certifications

As a company centered on technology development that contributes to society, as stated in our management philosophy, the Group believes that we have an important responsibility to maintain a rich global environment for future generations. We established our Environmental Policy in 1998, and in 2001, our main production centers, in the Gifu area, obtained ISO 14001 certification, the

international standard for environmental management systems. In 2003, in the Kamakura area, and in 2013, IKO Thompson Vietnam Co., Ltd. also obtained this certification, and we are developing environmental initiatives based on international standards as well as complying with various regulations, such as the ELV Directive and the RoHS Directive in Europe.

Acquired ISO 14001 Certification

Site	Year Acquired
Gifu Area	2001
Kamakura Area	2003
IKO Thompson Vietnam Co., Ltd.	2013



Resource Recycling (Waste)

Basic Approach

In order to build a recycling-oriented society, the Group is working to reduce the waste we generate and to improve recycling rates based on the principles of reduce, reuse, and recycle. We believe that the Group's social role in

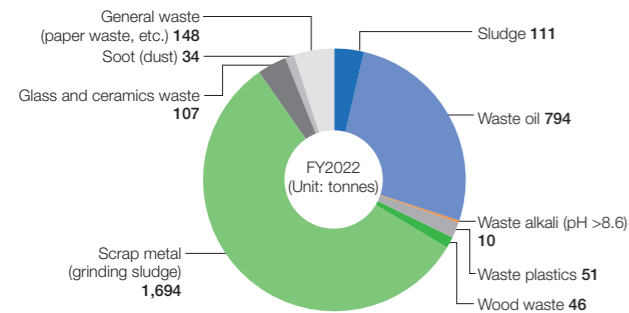
Initiatives to Reduce Waste Generation

The main waste materials generated from our operations are scrap metals (grinding sludge), waste oil, sludge, grinding wheels, and waste plastic. In the Production and Engineering Department, our medium- to long-term target is to achieve a recycling rate of 96% or higher by FY2031 and a 92% reduction in landfill disposal by FY2026, compared with FY2001. Our main initiatives to help reach

building a recycling-oriented society is extremely important, and we will contribute to creating a sustainable society through our initiatives from a variety of perspectives.

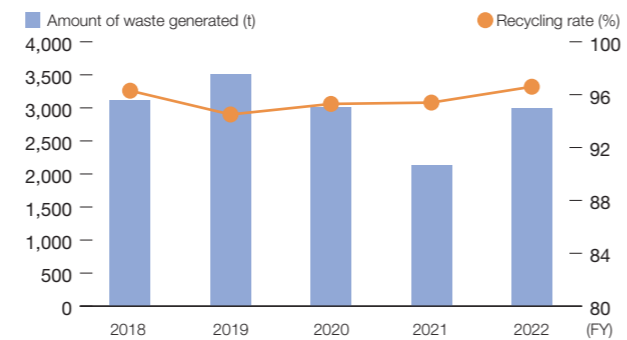
these targets are compressing scrap metals (grinding sludge), and reusing packaging materials in special boxes for transportation. We also participate in activities promoted by local governments to reduce plastic waste, and are working hard to reduce the number of plastic containers in the cafeteria and to stop providing beverages in plastic containers.

Breakdown by Waste Type

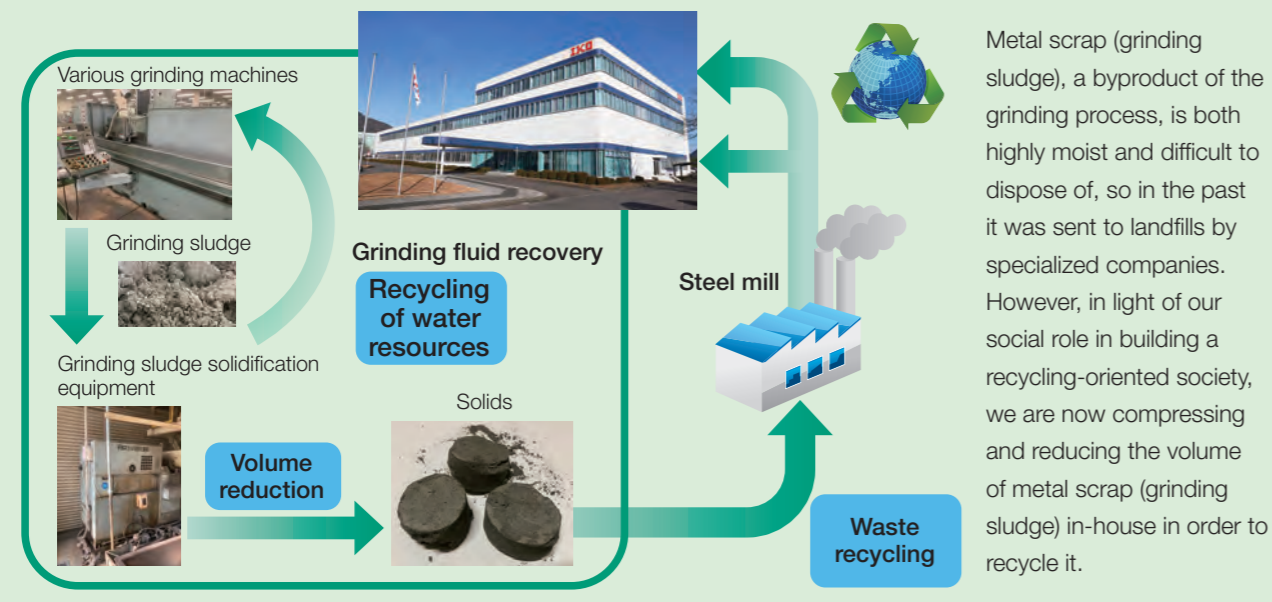


* The above are the totals from domestic production centers (Gifu and Kamakura areas).

Waste Generation Trends and Recycling Rate



Recycling Metal Scrap (Grinding Sludge)



Hazardous Materials Management

Basic Approach

Believing that delivering environmentally friendly products to our customers will lead to the realization of a rich global environment, the Group has been promoting green procurement with the understanding and cooperation of our suppliers by establishing the Green Procurement Standard in 2003. Prohibited substances are restricted for intentional use under international laws and regulations, including the RoHS II Directive, the European hazardous substance control law, and the TSCA regulation, the US hazardous substance control law. Where there is a regulated threshold value, a guarantee is required that the content concentration is less than that value. We also believe that data should be made available on the presence or absence of use and the concentration of regulated substances, so we provide all information on these substances at the request of our customers.

Hazardous Substance Management Initiatives

Substances subject to notification under the PRTR Law are strictly controlled and reported annually to local governments.

Changes in PRTR Law Reporting (emissions and transfers to the atmosphere) (kg)

Substance name	Main applications	FY2018	FY2019	FY2020	FY2021	FY2022
Methyl naphthalene	Fuel	15	14	19	13	27
Methylene bis(4,1-phenylene) diisocyanate	Packing cushioning material	5	0	0	0	6
1, 2, 4-trimethylbenzene	Fuel	7	5	0	0	0
Inorganic cyanide compound	Heat treatment agent	0	198	188	0	0

* The above are the totals from domestic production centers (Gifu and Kamakura areas).

Water Resources

Basic Approach

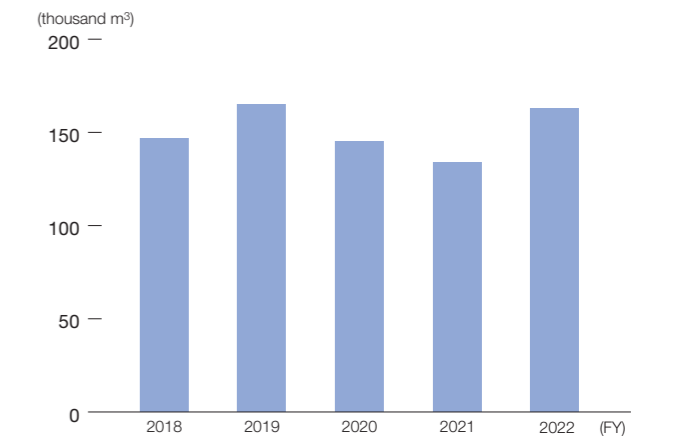
The Gifu factory complex, the Group's domestic production center, is next to the Nagara River, one of the three clearest rivers in Japan, and we consider the management of water resources to be an important issue

for environmental conservation. In addition to reducing water consumption by reusing water, we will continue our initiatives for strict water quality control that follow all laws and regulations.

Initiatives for Water Resource Conservation

In some cases, the Group's business operations use a large amount of water, and the main applications are fluid for grinding and cooling water used during production. However, for these applications, we basically employ a circulation method, and our facilities are designed to minimize water use, replenishing only the amount of water that decreases due to natural evaporation. Further, we are moving ahead with plans to further reduce water consumption, including replacing hot water boilers and water-cooled cooling towers with air-cooled versions.

Water Consumption (5 years)



* The above water consumption are the totals from domestic production centers (Gifu and Kamakura areas) and IKO Thompson Vietnam Co., Ltd.

Responding to Climate Change

Basic Approach

To achieve carbon neutrality by 2050, the Group established a Sustainability Committee in January 2022 and is preparing to endorse the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure). In addition, the Group will work to understand our

greenhouse gas emissions throughout the whole supply chain, set medium- to long-term reduction targets, and proactively reduce greenhouse gas emissions.

Responding to TCFD Recommendations

The Group recognizes the impact of climate change on our sustainable growth and is preparing to respond to the TCFD's recommendations. Based on the TCFD's recommendations, we will promote the following framework and disclose the contents as early as possible.

Governance

The Group has set addressing climate change as an important issue. The Sustainability Committee will examine the details of specific initiatives and build a system for monitoring and supervision by the Board of Directors.

Strategy

We will identify climate change-related risks and opportunities, assess their financial impact, and incorporate them into our strategy at the earliest possible stage.

Risk Management

Based on the operation of the environmental management system, we assess and handle risks at the Environmental Committee meetings held twice a year.

Indicators and Targets

We have set greenhouse gas emissions as our climate change indicators. For Scopes 1 and 2, we will reduce greenhouse gas emissions by 50% or more by FY2031 from the baseline year (the most recent maximum emissions), through aggressive energy savings, the use of carbon offsets, and other measures. We are also working to achieve carbon neutrality by FY2051.

Initiatives to Reduce Greenhouse Gas Emissions

The Group believes that reducing greenhouse gas emissions is an important issue for realizing a rich global environment. At our domestic production centers, we have been installing solar panels since August 2013. In addition to promoting employee awareness of energy conservation by visual representations of power generation, the solar panels have also contributed to reducing CO₂ emissions at power companies. In November 2021, we began to promote the use of renewable energy for inhouse consumption, for example, by using solar panels to supply electricity used for production at some of our factories. Currently, we are considering installing solar panels at other domestic and overseas production centers to further increase the ratio of electricity from renewable energy

sources. We are also promoting energy-saving initiatives, such as replacing air-conditioning equipment that previously used heavy oil as a heat source with electric air conditioning and replaced fluorescent and mercury lamps with LED lighting. To achieve carbon neutrality by 2050, we will further strengthen our initiatives to reduce CO₂ emissions.



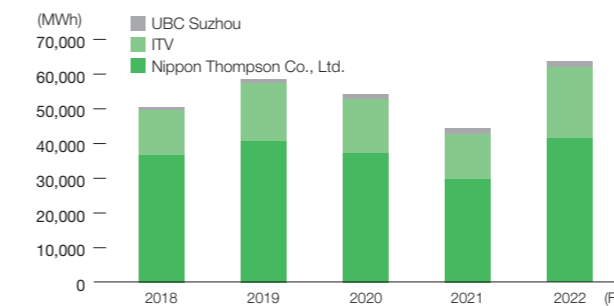
Trends in Energy Consumption / Trends in Greenhouse Gas Emissions and Reduction Targets

As part of our efforts to reduce greenhouse gas emissions, we have set the baseline year as FY2019 and aim to achieve a reduction of 50% or more from our baseline emissions, 22,080 t-CO₂, by FY2031. IKO Thompson Vietnam Co., Ltd. (ITV) and UBC (Suzhou) Bearing Co., Ltd. (UBC Suzhou), our overseas production subsidiaries, use the emission intensity database disclosed by the Ministry of the Environment of Japan and the electricity emission factors for every country published by the Institute for Global Environmental Strategies (IGES) and International Energy Agency (IEA). Due to calculation accuracy issues, we have not set a clear medium- to long-term target at this stage. However, we will work with our production sites to improve the accuracy of our calculations, setting a

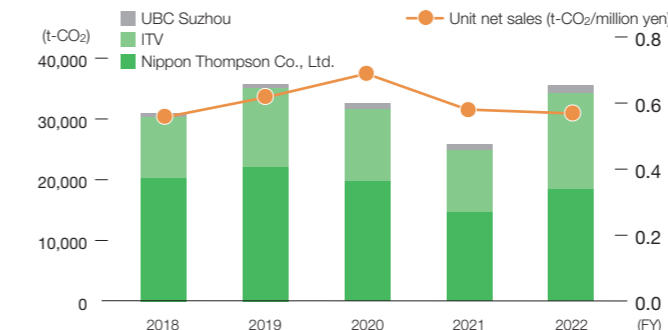
medium- to long-term target as soon as possible.

In FY2022, actual greenhouse gas emissions (Scopes 1 and 2) were 18,385 t-CO₂ at the Company; 15,930 t-CO₂ at ITV; and 1,248 t-CO₂ at UBC Suzhou. The total (35,563 t-CO₂) was up 37% from the previous fiscal year, while emissions per unit of net sales (denominator) were 2.2% lower than the previous fiscal year. Emissions in FY2022 increased from the previous fiscal year mainly due to the impact of production adjustments in FY2021 in response to the economic downturn caused by the spread of COVID-19. In order to achieve our medium- to long-term targets, we will continue to strengthen our Group-wide initiatives to reduce greenhouse gas emissions.

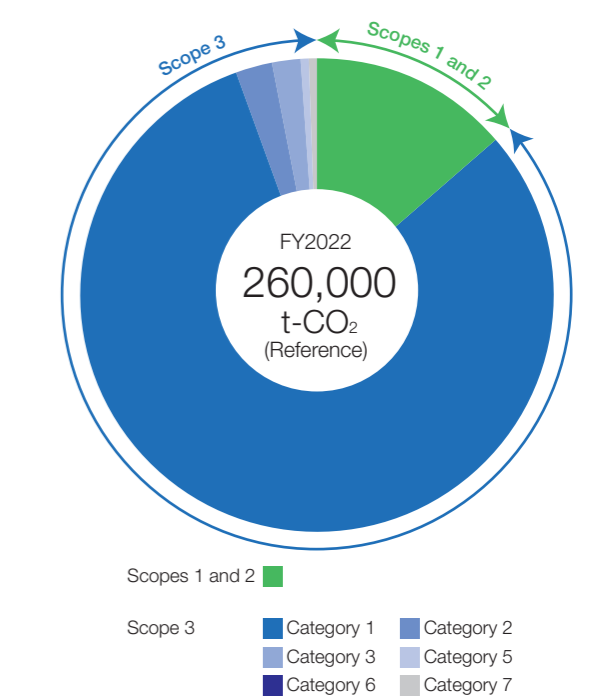
Electricity Consumption



Greenhouse Gas Emissions (Scopes 1 and 2)



Greenhouse Gas Emissions (Scopes 1, 2, and 3)



* The Group has begun to calculate Scope 3 in order to understand the degree of impact on climate change from our supply chain. As shown in the pie chart (above), today Scope 3 Category 1 is understood to have the greatest impact, accounting for more than 80% of the total.

Future Plans

Following the TCFD's recommendations, going forward, we will identify the risks and opportunities that climate change poses to the Group's corporate activities, analyze and consider their impact on our earnings, etc., then strengthen our disclosure of information at the earliest possible stage. In addition, we are calculating supply chain greenhouse gas emissions using the guidelines of the

Ministry of the Environment and the Ministry of Economy, Trade and Industry. However, there are some items that have not been calculated yet or have been calculated only in a simplified form. We will work to improve the accuracy of our calculations, clarify the greenhouse gas emissions of the entire supply chain, and proactively reduce emissions.

Pursuing Product Quality and Safety

Basic Approach

The pursuit of *quality*, one of the strengths of the Group, originates from our strong belief, deeply rooted in all employees throughout our long history, that we, as the whole Group, want to “continue to produce products that our customers trust and are satisfactory to them.” The Group has set the policy for quality on the right path and will maintain and improve high quality standards by repeatedly making optimal overall improvements without being content with just the status quo, and provide products that customers can use safely and comfortably.

Quality Control System and Initiatives

Quality Control System

We believe that the high quality and precision of our products is a major reason why customers choose the IKO brand. The Group has developed a quality system for our departments in Japan and is expanding this to overseas production plants to maintain and improve the high quality of the entire Group. To provide attentive support under our unified quality policy, we have established and are operating a quality assurance system and quality improvement system at all sites.

Quality Control Initiatives

For efficient quality assurance and to improve customer satisfaction, the Group has obtained ISO 9001 certification, an international management system standard, at the Gifu and Kamakura areas, as well as at IKO Thompson Vietnam Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd.

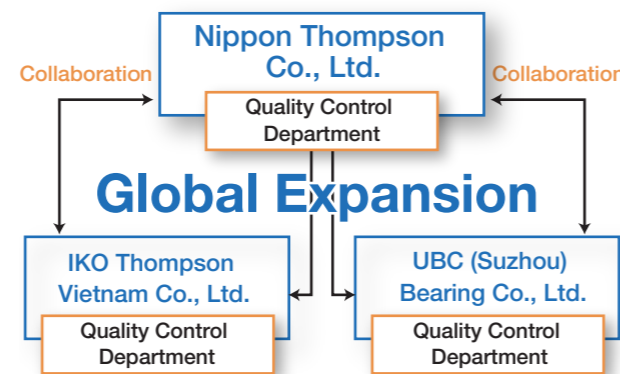
As part of our quality control for production, we have introduced an inspector system. The person in charge of each department assigns inspection assistants, who are certified as inspectors, from among experienced employees and who have knowledge and skills related to inspections in that certification category. We are also working to maintain and improve the level of quality for in-house processes by conducting regular internal audits once a year as well as ad hoc internal audits.

In addition, once a year, we evaluate our suppliers in terms of quality, delivery, and cost. We provide feedback to our suppliers on the results of these periodic evaluations,

Quality Policy

We are committed to quality first, and every one of us will use our creativity and ingenuity to create products that satisfy our customers. We will make improvements to ensure that these actions remain effective.

Shin Kasahara, Managing Director and Quality Assurance Officer



and are working to strengthen our quality control system throughout the entire supply chain.

Creating Quality to Improve Customer Satisfaction

Quality is an extremely important element of our products, which is the core of the IKO brand. We will continue to maintain and improve quality within the Group and further strengthen our supply chain management to build an optimal overall quality control system.

In addition to product quality, our quality of service, such as our ability to respond to and make proposals to customers, is also one of our strengths. We value every type of quality through our products and will further strengthen our customer-oriented quality so that the superiority of the IKO brand can be communicated more widely and effectively.

Human Capital

Realizing a Society Where Diverse Human Resources Can Play Active Roles

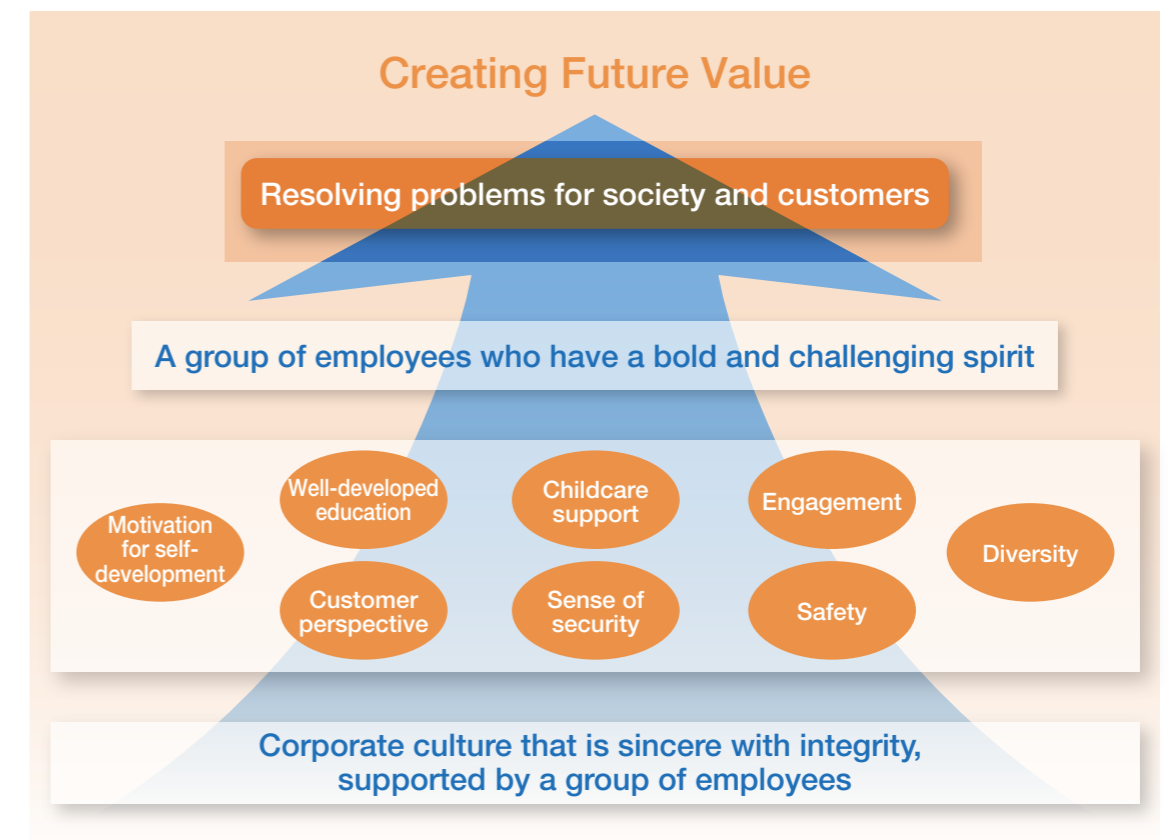
Human Resources Strategy

Basic Approach

Guided by our management philosophy—A Company Centered on Technology Development That Contributes to Society—we believe that helping to resolve social issues faced by society and our customers will lead to the sustainable improvement of our corporate value.

For this reason, it is essential that we continue to be a company that is trusted and is relied upon both by society and our customers. So, we position the sincerity and seriousness of our corporate culture and human resources (human capital) as the source of our value creation.

Based on these strengths, we will work on recruiting, human resource development, compensation and evaluation systems, and the creation of a comfortable working environment to foster employees' willingness to take on challenges, support autonomous growth, and improve engagement. Guided by being “a group of employees who have a bold and challenging spirit” as the pillar of our human resource strategy, we will boost corporate value by upgrading our human capital even more.



Strengthening Human Resource Development

Developing Human Resources through Education

The Group believes that the trust and support of society and customers through the sincerity and integrity of our employees is the source of value creation, and that it is important to develop human resources that encourage a spirit of challenge based on these principles.

As a specific policy, we are working on on-the-job training, one pillar of our development, and our corporate culture is supported by a system where the entire workplace carefully attends to and educates every employee individually.

In addition, we are striving to develop leaders through offsite training based on varied job levels with the intention of implementing human resource strategies. We are also conducting practical training for every department. In addition, we will reinforce the development of the next generation of management executives through training for senior managers and others.

Also for human resource development, since 2008 the Group has accepted many technical trainees from IKO Thompson Vietnam Co., Ltd., and is promoting skill exchanges. We position this training as a contribution to the development of human resources who will be responsible for the economic development of their region, and will also lead to develop internationally-minded employees through the diverse experiences of our personnel, something that we will continue to work in the future.

Indicators	FY2019	FY2020	FY2021	FY2022
Percentage of employees receiving training by job level [%]	12.6	14.2	11.9	10.0
Training cost per person [thousands of yen]	28	34	16	20

Creating a Rewarding Work Environment

Bolstering Systems to Support Employees' Sense of Security

We believe that the execution of our human resource strategy requires human resource development from a medium- to long-term perspective and that an environment where employees can work with a sense of security is essential to achieving this goal.

To foster a sense of security among employees, we consider benefits to be an important issue. So, we focus on improving programs, such as housing and meal subsidies, in cooperation with labor unions, with which we maintain a good relationship, in order to increase the level of employee satisfaction. In addition, we are working to improve employee engagement by fostering individual growth and realizing career plans through interviews based on a self-assessment system and a target management system.

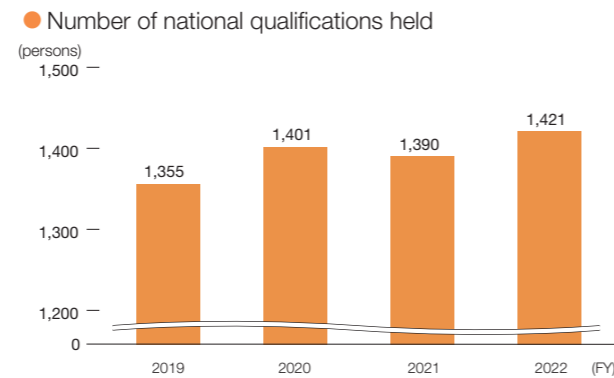
Through these initiatives we have been able to keep our turnover rate low for many years and have been able to develop human resources from a medium- to long-

Indicators	FY2019	FY2020	FY2021	FY2022
Rate of employees leaving for personal reasons [%]	1.4	2.3	1.0	1.1
Turnover rate within three years of employment [%]	10.6	9.4	11.1	13.5

Supporting Self-Directed Career Growth

From the viewpoint of supporting employees' autonomy and encouraging their desire to grow, we promote initiatives to support self-development. From this perspective, we help our employees to acquire national qualifications, such as technical skill tests, and every year we see a large number of employees gaining qualifications. With the improvement of employee skills through these activities, we aim to further improve quality and provide high value-added products. In addition, from FY2023, we will establish a new incentive system for public qualifications to support the autonomous growth of our employees.

We will continue to examine training programs suited to the work and needs of our employees while working to build an education system that develops individuality.



* Some employees hold multiple certifications.

term perspective. We will examine current systems and approaches to continue supporting our employees' sense of security.

Support for Balancing Childcare and Work

Balancing childcare and work is a major barrier to employees' career plans, and to foster a sense of security among employees, we provide childcare support while paying close attention to them as much as possible.

We have set up systems based on this perspective, and our childcare leave and shorter working hours for childcare exceed the legal requirements. We also support employees who take childcare leave to balance work and childcare by working closely with their departments and the HR Department to address their individual concerns, as much as possible.

We will continue to consider ways to provide better childcare support by listening to our employees, and at the same time, we are promoting the use of childcare leave for men.

Indicators	FY2019	FY2020	FY2021	FY2022
Number of people taking childcare leave	1	2	4	10
Childcare leave return percentage [%]	100	100	100	100

Promoting Diversity and Inclusion (D&I)

Basic Approach

We believe that it is essential to ensure diversity, for example when appointing employees, to prevent biased thinking and to generate sustainable profits. Diversity is important for the development of technology useful to a global society, making products at appropriate prices, sales for proposing and supplying high value-added products, and the administrative departments that support them.

For this reason, the Group promotes diversity and inclusion (D&I) to boost corporate value from multiple perspectives, including gender and other diversity and skills, and we strive to create an environment where every employee can work on their own initiative with a sense of fulfillment.

Moreover, to respond to the diversified needs of society, we consider securing diversity in human resources to be an important issue. Accordingly, we will work to develop employees by supporting them guided by their own career goals in harmony with their respective work styles, based on the principle of providing fair opportunities for skill development and career advancement to all employees regardless of gender, age, nationality, work experience, etc.

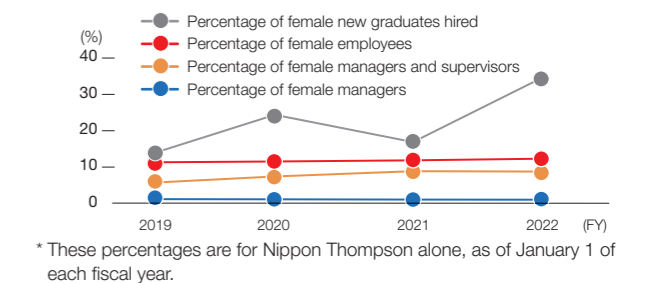
Specific Initiatives

Guided by our Basic Policy on Diversity and Inclusion, we are committed to ensuring diversity in our hiring and appointment of employees.

The Company, as a manufacturer, especially in the machinery industry, tends to have a high percentage of male employees. To overcome this situation, in recent years we have hired a set percentage of female employees with the measures such as holding company information sessions for women. As a result, the percentage of females among all employees and among core personnel has steadily increased.

We will continue these activities and, in combination with the strengthening of childcare support, aim to ensure diversity in our human resources, including appointing women to core personnel positions, with the following specific targets by the end of March 2025.

- [Target 1]** Steadily increase the percentage of women among all full-time hires to 20% or more
- [Target 2]** Increase the number of women in management positions and above by 1.5 times or more compared with March 2022



* These percentages are for Nippon Thompson alone, as of January 1 of each fiscal year.

Occupational Health and Safety Initiatives

Basic Approach

We see our human capital as a source of value creation, and especially as a manufacturing company with many employees engaged in production, and we consider safeguarding the health and safety of our employees to be one of the highest priorities for corporate management. Therefore, we aim to harmonize our business activities with employee health and safety based on the principle of minimizing physical hazards and adverse effects on the health of all people participating in our business activities through the participation of all employees in health and safety programs.

Indicators	FY2019	FY2020	FY2021	FY2022
Annual paid leave taken (%)	55.8	62.8	64.5	62.8
Average monthly overtime hours	17:42	12:23	4:22	10:55
Occupational accident frequency rate	2.601	0.379	2.584	0.739
Occupational accident severity rate	0.029	0.001	0.006	0.001

* Frequency and severity of occupational accidents do not include employees hired from outside the Company (temporary employees).

Health and Safety Initiatives

All members of the Group are aware of the importance of "safety first" and are engaged in health and safety programs that maintain safe, comfortable workplaces that enable employees to work with enthusiasm and vigor. Specifically, we are working to prevent accidents by holding regular factory safety patrols, by conducting risk assessments, and distributing information at safety and health committee meetings and council meetings. In addition, we are working to raise awareness of accident prevention by displaying accident-free records (number of days) at every workplace within the worksite.

At the same time, by establishing a mental health consultation desk and monitoring long working hours, we will further promote the health and safety of all employees, as we consider this a priority issue.

Supply Chain Management

Basic Approach

As our business grows globally, we believe that in order to earn the trust of the international community, not only the Group but also our entire supply chain must take responsible actions to meet the demands of society.

Basic Procurement Policy

- We will procure fairly and optimally from suppliers with competitive prices, focusing on quality, cost, and on-time delivery.
- We will comply with all laws and regulations and conduct fair transactions.
- We will promote green procurement as we conduct procurement that considers the global environment.
- We will build a supply chain that will develop sustainably and fulfill our social responsibilities through our corporate activities.

CSR Procurement Initiatives

It is essential for a company to grow sustainably not only to fulfill its legal responsibilities, but also to fulfill its social responsibilities as a member of society through corporate activities, in other words, CSR initiatives. Since FY1999, our basic philosophy has been “to accomplish environment-friendly corporate activities as a corporate social responsibility, to reduce our environmental loads, and contribute to creating a rich global environment.” In 2003, we established the Green Procurement Implementation Standards to promote green procurement.

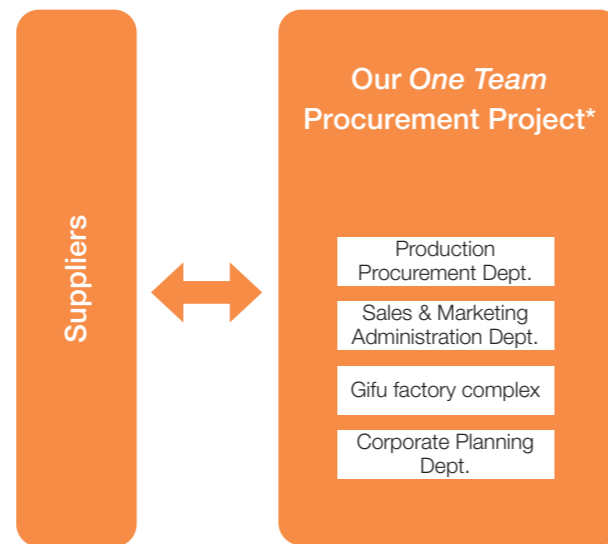
In July 2022, we formulated the IKO Group Supplier CSR Procurement Guidelines to achieve our social responsibility more broadly, including the consideration of human rights and labor issues as well as environmental issues.

Going forward, to improve the effectiveness of the guidelines, we will work closely with our suppliers to promote the use of the guidelines and strengthen our initiatives.

For details on the IKO Group Supplier CSR Procurement Guidelines, please see the Company’s website.

<https://www.ikont.co.jp/pdf/csrguideline20220719.pdf> (in Japanese)

CSR Procurement Promotion System



* A Company-wide cross-functional organization consisting of the Production Procurement Dept., the Sales & Marketing Administration Dept., the Gifu factory complex, and the Corporate Planning Dept.

Respect for Human Rights throughout the Entire Supply Chain

Since the Group conducts business globally, we believe that considering human rights based on international standards is the foundation for managing sustainability, and we have been promoting respect for human rights, as stated in our Code of Conduct.

In recent years, the importance of corporate initiatives to respect human rights has been increasing significantly, and we recognize that we are required to take the initiative to respect human rights not only in our own company but also in our supply chain. With this perspective in mind, we would like to ramp up respect for human rights throughout

the entire supply chain. It is clearly stated in the IKO Group Supplier CSR Procurement Policy Guidelines that we will respect basic human rights, including the prohibition of forced labor and child labor. In addition to this, we plan to formulate and announce our own Human Rights Policy by the end of FY2023.

Through these activities, we aim to promote respect for human rights for all stakeholders related to our business activities in cooperation with various stakeholders including business partners.

Co-existence with Local Communities and Social Contribution

Basic Approach

We aim to be a company that is needed and trusted by the community and society by contributing, through our corporate activities, to the creation of a safe and secure society in all regions. We believe that this will not only improve our brand image, but will also lead to increasing our corporate value as we enhance our human capital

by good corporate citizenship, as defined in our Code of Conduct.

Please refer to the Company’s website (below) for the Code of Conduct.

<https://www.ikont.co.jp/company/eco/csr-action-plan.html> (in Japanese)

Specific Initiatives

The entire Group, including not only our domestic but also our overseas sites, has been deeply involved in community activities. In particular, in the Gifu area, our main production center, we have been contributing to the local community over the years, from example by cleaning up along roads

and riverbanks, participating in community revitalization events, giving factory tours to nearby schools, and making donations to local charities, in this way building strong relationships with the local community.



River cleanup drives



Classroom participation at a neighboring junior high school



* The photo on the left shows a class, and on the right shows a commemorative photo taken during a collaborative bus service.



Introducing the Company to students at neighborhood events



Factory tour for neighborhood residents



Ceremony for donations to Mino City, Gifu Prefecture



* Source: Work Notebook for Elementary School Students, 2022 Edition



Corporate Governance

Basic Approach

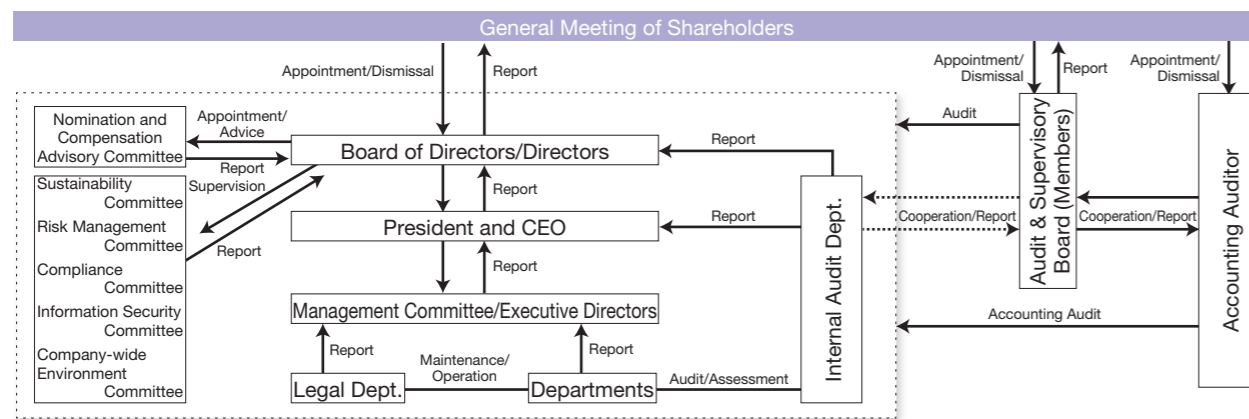
We believe that one of our priorities is facilitating prompt and effective decision making, enhancing supervision of business execution, ensuring compliance and increasing management transparency to achieve sustainable growth and improve corporate value over the medium to long term under a basic management policy of continuing to develop together with society by promoting corporate activities in consideration of our social mission and pursuing development

of technologies to meet user needs and preservation of the environment globally. Based on this belief, we will enhance corporate governance.

Please refer to the Company's website below for the Basic Policy on Corporate Governance.

<https://www.ikont.co.jp/ir/business/pdf/governancepolicy20151110.pdf> (in Japanese)

Corporate Governance System



Corporate Governance Structure

Organization	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Advisory Committee	Management Committee
Composition	9 members (6 internal + 3 external) * Chaired by the president and CEO	4 members (1 internal + 3 external) * Chaired by the full-time Audit & Supervisory Board member	4 members (1 internal + 3 external) * Chaired by outside director	6 members (6 internal) * Chaired by the president and CEO
Objectives	Ensuring efficient execution of duties by directors	Monitoring and supervising management	Deliberate and report on matters related to nomination and compensation as a voluntary advisory body to the Board of Directors	Prompt management of decision-making and business execution
Main Discussion Items	• Decisions on important management matters • Supervision of business execution	• Checks on business execution • Reporting on the status of internal audits, etc.	Matters related to nomination and compensation of directors and Audit & Supervisory Board members, etc.	Confirmation of progress against targets and for solutions to issues, etc.
Number of Meetings Held (FY2022)	18 times	14 times	3 times	42 times

- In June 2022, the Board of Directors made progress in diversifying membership with the addition of a new female outside director who has extensive experience and achievements in international corporate management.
- In the Nomination and Compensation Advisory Committee, we require that the majority of the committee members are outside directors and that the chairperson of the committee is an outside director, in this way ensuring independence and objectivity.

Improving Corporate Governance

	2015	2022
Policy Formulation	<ul style="list-style-type: none"> • Established Basic Policy on Corporate Governance • Formulated handling and management standards for cross-shareholdings 	<ul style="list-style-type: none"> • Formulated policy for determining the details of directors' compensation, etc. • Formulated basic sustainability policy
Improving the Objectivity of Management Decisions	<ul style="list-style-type: none"> • Increased number of outside directors (appointment of several independent outside directors) • Assessed effectiveness of the Board of Directors 	<ul style="list-style-type: none"> • Established Nomination and Compensation Advisory Committee • Increased number of outside directors (more than 1/3 independent non-executive directors) • Established Sustainability Committee
Increasing Diversity of the Board of Directors		<ul style="list-style-type: none"> • Appointment of a female Director

Assessing the Effectiveness of the Board of Directors

We conduct an annual evaluation of the Board of Directors to verify whether or not the Board is functioning effectively and to further strengthen its effectiveness for achieving sustainable growth and for improving corporate value

over the medium to long term. The evaluation is based on questionnaires and interviews; the results are discussed by the Board of Directors.

Evaluation and Analysis Methods	<ul style="list-style-type: none"> • Conducted evaluation questionnaires for all directors and Audit & Supervisory Board members • Individual interviews with each officer by the president and CEO, who chairs the Board of Directors
Summary of Evaluation Results for FY2022	<ul style="list-style-type: none"> • Confirmation that the Board of Directors as a whole is effective • The atmosphere allows for free and open comments from outside officers, and there is a healthy and relaxed atmosphere for active discussion
Improvements from Previous Year	<ul style="list-style-type: none"> • Appointed a female outside director to ensure diversity in the Board of Directors • Developed a system to address sustainability issues
Future Challenges	<ul style="list-style-type: none"> • Formulation and operation of succession plans for CEO, etc. • Ensuring time for discussion of medium- to long-term management strategies and plans • Method of operation of the Compliance, Risk Management, and other committees

Approach to Nominations

Approach to the Composition of the Board of Directors

The Company's policy is to appoint candidates for directors who, regardless of gender, age, nationality, etc., have excellent character, insight and ability, high ethical standards, and are judged to be able to improve the medium- to long-term corporate value of the Group and earn the trust of stakeholders, in order to provide a balance of knowledge, experience and ability for the Board of Directors as a whole.

For a skills matrix listing the knowledge, experience, and abilities of the directors, please refer to main expertise and experience in the list of officers on page 47.

Policies and Procedures for Appointing and Dismissing Directors at the Nomination and Compensation Advisory Committee

The president and CEO, when appointing directors, proposes candidates who are vetted by the Nomination and Compensation Advisory Committee, an auxiliary advisory body of the Board of Directors, and then approved by the Board of Directors and appointed at the General Meeting of Shareholders. In addition, the appointment of executive

directors is resolved at meetings of the Board of Directors.

Succession Planning

(1) Formulation and operation of a succession plan for the President

The Nomination and Compensation Advisory Committee discusses the formulation and operation of the succession plan for the president, taking into consideration his/her experience, ability, personality and other qualities, based on the management philosophy and management strategy, as necessary, and then report to the Board of Directors, when necessary.

(2) Appointment criteria and procedures

The appointment of the president is decided by the Board of Directors based on the succession plan and after receiving a report from the Nomination and Compensation Advisory Committee.

(3) Dismissal Criteria and Procedures

Dismissal of the president is decided by the Board of Directors when it becomes difficult for the president to execute his/her duties.

Executive Compensation

Basic Policy

The Company's basic policy is to link the compensation system of directors to business performance and shareholder returns in order to incentivize the improvement of the Group's business performance and increase the corporate value over the medium to long term, as well as to set the compensation of individual directors at an appropriate level based on their responsibilities and achievements. Guided by this basic policy, the compensation of the Company's executive directors includes basic compensation, bonuses, and stock-

based compensation, and basic compensation is also paid to the Company's outside directors.

Please refer to the *Corporate Governance Report* posted on the Company's website for the details of the policy for determining compensation, etc. for individual directors (including an overview of the monetary and stock compensation systems, as well as performance-linked compensation and the procedures for determining Directors' compensation).

<https://www.ikont.co.jp/ir/business/pdf/cgreport20220627.pdf> (in Japanese)

Compensation System for Executive Directors

	Basic Compensation	Bonuses	Stock-based Compensation
Cash/Stock	Monetary compensation	Monetary compensation	Stock-based compensation
Fixed/Variable	Fixed compensation	Variable compensation (linked to short-term performance)	Variable compensation (linked to medium- to long-term performance)
Target Ratio	65	20	15

Group Governance

The Group, consisting of the Company and 15 Group companies (including eight consolidated subsidiaries and seven nonconsolidated subsidiaries), manufactures and sells bearings and other products in Japan and around the world.

Based on the Regulations on Division of Duties, etc., the divisions under the control of the Company are given the authority and responsibility to manage affiliated companies, and they cooperate with related divisions to provide guidance and the full implementation of internal controls for the affiliated companies that they are in charge of.

The officers of affiliated companies are appointed by the Company's directors or senior employees, etc. to successfully execute and supervise their business operations. By reporting and discussing business operations with affiliated companies, as necessary, we share information

and collaborate with them on business operations to ensure that business execution is successful. The Internal Audit Department conducts internal audits of the Company and affiliates then reports the results to the Board of Directors and the Audit & Supervisory Board (Members).

Decisions on important matters at affiliated companies are reported to the Company, the parent company, in advance, and are carefully reviewed and approved by the Management Committee or the Board of Directors to make certain of the suitability of business operations at affiliated companies.

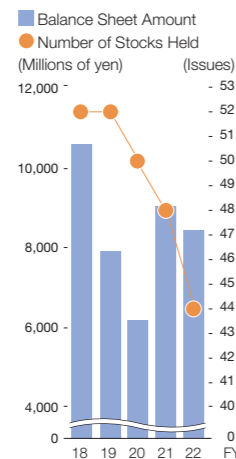
Further, for ensuring effective and smooth execution of business operations at affiliated companies, the Company has established the Affiliated Company Management Regulations to clarify the management system and operation methods of affiliated companies.

Cross-Shareholdings

Holding Policy

The Company has established internal standards for cross-shareholdings. The main purpose of cross-shareholdings is to maintain stable business relationships, and the Board of Directors annually examines the need, rationality, and other factors for retaining the holdings after comprehensively considering their stability as investment targets, among various criteria.

As a result, the Company will consider selling shares that are determined to have little significance for our holdings and will work to reduce the number of shares held.

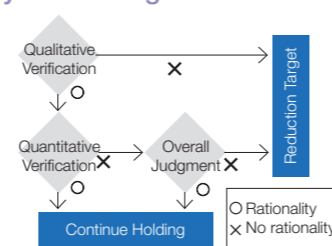


Verifying the Rationality for Holding Shares

The Board of Directors annually reviews every shareholding from both qualitative and quantitative perspectives.

The qualitative verification is related to business strategies, such as maintaining smooth business relationships with customers and suppliers and ensuring that supply chains function well.

The quantitative verification relates to, for example, whether the earnings from shareholdings, including related transactions, exceed the cost of capital.



Message from the Outside Director



Youichi Takei
Outside Director

Nippon Thompson's Board of Directors meetings, where frank and constructive opinions are exchanged

Since my appointment as an outside director in June 2013, I have mainly focused on improving the Group's governance system, upgrading risk management, and promoting information disclosure, drawing on my professional perspective on corporate legislation and my experience as an officer at other listed companies. Currently, I am performing my duties with attention to the advisory function that delves more deeply into the realities of management, and, as the chairperson of the Nomination and Compensation Advisory Committee, I deliberate on the appointment of directors and executive officers, their compensation, and other matters, and strive to ensure objectivity and transparency.

The Board of Directors engages in a frank and constructive exchange of opinions. One of the unique characteristics of our Board of Directors is that there is a free, open atmosphere so that all members can speak frankly. Communication between outside directors and Audit & Supervisory Board members is also strong. In particular, since the full-time Audit & Supervisory Board member, in the course of their duties, has a vast amount of information on the implementation of the Company's strategies and measures as well as the current state of internal controls, we work closely with him and other Audit & Supervisory Board members to share information every day at meetings for exchanging opinions and similar meetings. The end goals are for outside directors to better understand important audit issues and to stimulate discussions, etc. of the Board of Directors.

In addition, three times a year, the Company holds a Top Management Review where the management team receives reports from internal departments on the progress of the Medium-Term Business Plan. Outside directors and Audit & Supervisory Board members also attend these meetings.

This allows all officers to share detailed information about the Company's situation before discussions take place, and enables the Board of Directors to make more effective judgments on management and other decisions.

We recognize that, based on Nippon Thompson's solid management policies to date and our corporate size, the Company has steadily put in place an effective governance system. In addition to Satoshi Saito, a university professor with a background in financial

As one of the outside directors, I will contribute to the realization of the medium- to long-term vision by improving management supervision and by monitoring operations from an objective standpoint.

institutions and an expert in management and taxation, Atsuko Noda, who has accumulated extensive experience in the business world, was appointed as an outside director in June of this year, further strengthening the diversity of the Board, including myself as an attorney at law. We intend to continue to work closely with top management to supervise and further support advances in governance and management.

Contribute to the realization of sound management with an emphasis on sustainability, from a third-party perspective

In the IKO Medium-Term Business Plan 2023, announced in May 2021, the Group made clear the intention to achieve more growth as a technology development-based company that contributes to society and as a company with a strong global presence. In the Medium-Term Business Plan, we strengthened measures to improve our corporate value by, for instance, setting targets that are conscious of business structures affected by rapid market fluctuations and responses to social changes. As an outside director, I am closely monitoring the progress of these measures. We also appreciate the Company's sound management that has an emphasis on sustainability, which we believe is a timely initiative.














On the other hand, while we have been able to respond flexibly to short-term issues up to now, as mentioned above, there is an urgent need to strengthen management from a medium- to long-term perspective, which is also a focus of the Medium-Term Business Plan. Specifically, we believe that the management theme for the further growth of the Group is to steadily develop more discussions, mainly on the roadmap for the realization of our medium- to long-term vision, along with DX-readiness, the promotion of diversity, and the nurturing of next-generation executives. We believe it is necessary to constantly review our governance system, transfer more authority to executive officers and others, and further revitalize the Board of Directors to focus discussions on medium- to long-term management and new value creation.

We, as the outside directors of Nippon Thompson, not only contribute to the development of the Group by exercising our supervisory and advisory roles to management, but also have a social mission to contribute to the realization of a better society through sound and fair corporate management. We will continue to work with President Miyachi and other top management to improve corporate governance.

Officers and Skills Matrix (as of June 27, 2022)

Directors

Audit & Supervisory Board Members

Name														
Position	President & CEO	Senior Managing Director	Managing Director	Managing Director	Managing Director	Managing Director	Outside Director	Outside Director	Outside Director	Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	
Career summary, positions, responsibilities, and significant concurrent positions	Apr. 1979 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Oct. 2008 Joined the Company Jan. 2009 General Manager of Corporate Planning Dept. June 2010 Managing Director and General Manager of Corporate Planning Dept. June 2012 President & CEO	Apr. 1978 Joined Yamaha Motor Co., Ltd. Mar. 2013 Director & Managing Executive Officer June 2017 Outside Director of Fujibo Holdings, Inc. June 2018 Outside Director of ShinMaywa Industries, Ltd. June 2019 Outside Director of the Company June 2022 Senior Managing Director of the Company, in charge of Production Dept. and Legal Dept.	Apr. 1981 Joined the Company June 2010 Director and General Manager of Sales & Marketing Headquarters Apr. 2015 Director and Senior Executive Officer, Chairman of IKO International, Inc., and Chairman of Nippon Thompson Europe B.V. Apr. 2018 Managing Director, deputy in charge of Production Dept., and General Manager of Gifu factory complex Apr. 2022 Managing Director, in charge of Sales Dept. and Sales Engineering Dept., and deputy in charge of Corporate Business Development Dept. and Products Development Center	Apr. 1981 Joined the Company June 2012 Director and General Manager of Western Japan Regional Office Apr. 2018 Managing Director, in charge of Sales Dept. and Sales Engineering Dept. Apr. 2022 Managing Director, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., Logistics Operations Dept., and Secretary Dept., deputy in charge of Corporate Business Development Dept. and Secretary Dept.	Apr. 1984 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) June 2013 Joined the Company July 2013 General Manager of Corporate Planning Dept. June 2015 Director and Executive Officer, in charge of Accounting Dept., Logistics Operations Dept., and General Manager of Corporate Planning Dept. Apr. 2018 Managing Director, in charge of Accounting Dept., Information System Dept., Logistics Operations Dept. and Secretary Dept. Apr. 2022 Managing Director, in charge of Information System Dept. and DX Promotion, deputy in charge of Production Dept., and General Manager of Gifu factory complex	Apr. 1984 Joined the Company June 2016 Director and Executive Officer, and General Manager of Technical Center Apr. 2022 Managing Director, in charge of Corporate Business Development Dept., Quality Assurance Dept., Products Development Center, Technical Center, UBC (Shanghai) Precision Bearing MFG. Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd., and General Manager of Technical Center	Apr. 1984 Joined the Company June 2016 Director and Executive Officer, and General Manager of Technical Center Apr. 2022 Managing Director, in charge of Corporate Business Development Dept., Quality Assurance Dept., Products Development Center, Technical Center, UBC (Shanghai) Precision Bearing MFG. Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd., and General Manager of Technical Center	Apr. 1993 Registered as attorney (Dai-ichi Tokyo Bar Association) Apr. 2000 Partner of Meitetsu Law Offices (current position) June 2003 Outside Audit & Supervisory Board Member of the Company June 2006 Outside Audit & Supervisory Board Member of Yamakin (Japan) Co., Ltd. (current position) June 2013 Outside Director of the Company June 2020 Outside Director of Daio Paper Corporation (current position) Jan. 2022 Audit & Supervisory Board Member of Nippon Export and Investment Insurance (current position)	Apr. 1982 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Apr. 2005 Professor of School of Management, Japan Representative Office, (current position) June 2007 Outside Audit & Supervisory Board Member of the Company June 2016 Outside Director	Apr. 1983 Joined Japan Airlines Co., Ltd. Apr. 1991 Purser Sept. 1994 Established Henkel & Grosse Japan Representative Office, Japan Representative Office, (current position) Dec. 2002 Representative Director & CEO of Grosse Japan Inc. June 2022 Outside Director of the Company	Apr. 1983 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) June 2010 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) June 2012 Director and Senior Managing Executive Officer of Mitsubishi UFJ Research and Consulting Co., Ltd. June 2018 Full-time Audit & Supervisory Board Member of the Company	Apr. 1996 Registered as attorney (Dai-ichi Tokyo Bar Association) Jan. 2001 Attorney admitted to the New York State Bar, USA Apr. 2009 Partner, Blakemore & Mitsuki (current position) June 2013 Outside Audit & Supervisory Board Member of the Company	Apr. 1976 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Sept. 2004 Executive Officer of UFJ Bank Limited (currently MUFG Bank, Ltd.) Apr. 2012 Managing Executive Officer of Aiol Nissay Dowa Insurance Co., Ltd. June 2015 External Auditor of The Chukyo Bank, Ltd. (current position) June 2017 Outside Audit & Supervisory Board Member of the Company July 2020 Outside Audit & Supervisory Board Member of Manabi-aid Co., Ltd. (current position) July 2021 Director (part-time Audit & Supervisory Committee member) of DN HOLDINGS CO., LTD. (current position)	Apr. 1997 Joined Tokyo Electron Ltd. Feb. 2014 Opened Kazuhisa Hayashida CPA Office as President (current position) June 2017 Outside Audit & Supervisory Board Member of BlueMeme Inc. (current position) Dec. 2017 Audit & Supervisory Board Member of OpenModels Inc. (current position) June 2019 Outside Audit & Supervisory Board Member of the Company July 2020 Outside Audit & Supervisory Board Member of Manabi-aid Co., Ltd. (current position) July 2021 Director (part-time Audit & Supervisory Committee member) of DN HOLDINGS CO., LTD. (current position)
Period of service	12 years	3 years	12 years	10 years	7 years	6 years	9 years	6 years	New Appointment	4 years	9 years	5 years	3 years	
Number of shares held	119,630 shares	—	24,612 shares	54,120 shares	34,483 shares	17,536 shares	—	—	—	9,391 shares	—	—	—	
Rate of attendance at meetings														
Attendance at Board of Directors' meetings	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	—	18/18 times	18/18 times	18/18 times	18/18 times	
Attendance at Audit & Supervisory Board Meetings										14/14 times	14/14 times	13/14 times	14/14 times	
Affiliated committees														
Nomination and Compensation Advisory Committee	●						● (Chairperson)	●	●					
Expertise and experience														
Corporate management	●	●	●	●	●			●	●	■				
Manufacturing, technology, and development		●	●			●							■	
Sales and marketing	●		●	●		●			●					
Finance and accounting	●				●			●		■		■	■	
Compliance and risk management	●	●			●		●	●	●	■	■	■	■	
Personnel and human resources development				●				●						
Global business		●	●						●	■	■			

Executive Officers

Senior Executive Officer	Yoshinari Takanashi	Overall Manager of Central Japan Regional Office
Senior Executive Officer	Takahiro Nakano	General Manager of Sales & Marketing Administration Dept.
Senior Executive Officer	Kenji Yokoyama	General Manager of Production Administration Dept.
Executive Officer	Yasushi Nakajima	President of Nippon DIC Co., Ltd.
Executive Officer	Tadayoshi Ariga	Chairman of UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd.
Executive Officer	Shuichi Tezuka	General Manager of Eastern Japan Regional Office

Executive Officer	Hiroaki Tago	General Manager of Overseas Sales Dept. I
Executive Officer	Satoshi Sato	General Manager of Production Procurement Dept.
Executive Officer	Toyohisa Ishihara	General Manager of Production Engineering Dept.
Executive Officer	Mikihito Hosono	General Manager of Corporate Planning Dept.
Executive Officer	Atsushi Tsuchimochi	President of IKO Thompson Vietnam Co., LTD.
Executive Officer	Hiroyasu Fukumasu	General Manager of Overseas Sales Dept. II

Risk Management

Basic Approach

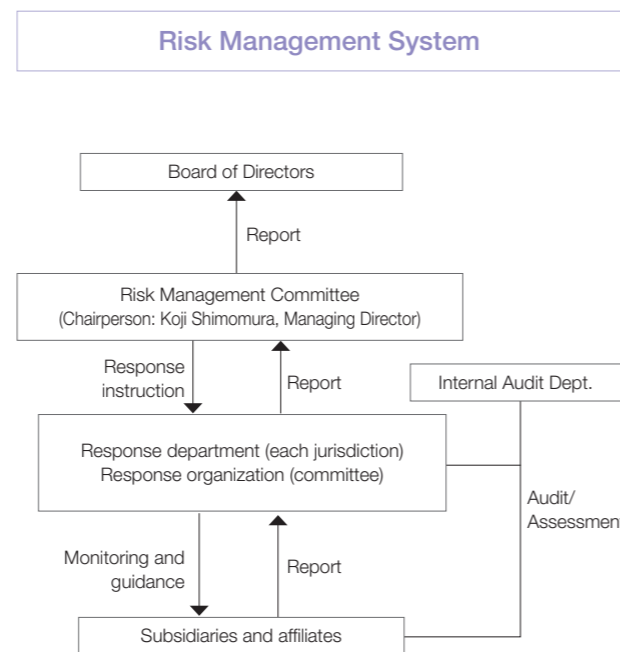
The Group provides effective responses to risks that could impede business as an important management issue. We also secure the trust of society as we promote risk

management in order to fulfill our social responsibility to our customers, business partners, shareholders, local communities, employees, and all other stakeholders.

Risk Management System

The Group has built a risk management system based on our risk management guidelines, since the realization of risks could impact corporate management. The Risk Management Committee (Chairperson: Koji Shimomura, Managing Director), composed of executive directors including the President and CEO and full-time Audit & Supervisory Board member, formulates risk management policies and confirms that risk reduction is thoroughly implemented throughout the organization, while every department implements controls through risk inspections and internal audits. In addition, the Company will quickly determine a policy for dealing with any risks identified through control activities as well as any new risks that appear.

The Risk Management Committee meets semiannually, in principle, and receives reports on the risk items identified as a result of annual risk assessments from departments and organizations, then makes important decisions on how best to manage those risks. The contents of deliberations are reported to the Board of Directors.



confirmation system for employees, etc., the Company is building a system to prepare for disasters, for example, by conducting periodic safety response drills.

Further, in response to the global outbreak of COVID-19, we continued production and maintained our product supply system by strictly implementing countermeasures to prevent the spread of infections at domestic and overseas production sites, including holding a COVID-19 response meeting that includes department managers, as well as the President and CEO, mainly to formulate and discuss policies for dealing with COVID-19. We will continue to consider other measures to quickly and effectively reduce risks.

Disaster Risk Response: BCP Initiatives

We have formulated business continuity basic regulations for the safety of our employees, etc. as well as to protect assets and to maintain and quickly resume important business operations. We also formulated and a business continuity plan (BCP) primarily for preparedness for damage and recovery in the event of a disaster, and are strengthening our systems in the event of a disaster.

In addition to disaster drills, a safety confirmation system has been introduced to quickly and efficiently gauge the safety and circumstances of employees in the event of a disaster or emergency, such as a major earthquake. The safety information obtained through this system can be used to implement our BCP in emergency situations. To improve the effectiveness of the safety

Information Security

Basic Approach

While recent developments in information processing and network technology are evolving rapidly, the convenience of handling information, both internally and externally, presents growing threats, such as information leaks, falsifications, and destruction due to increasingly sophisticated cyberattacks.

Given this digital environment, we consider it an important management issue in fulfilling our social

responsibility to accurately identify and address risks related to information management and to effectively manage the security of the Group's information assets (information and the systems, equipment, media, and facilities that handle this information). Accordingly, the Company has established information security management regulations, and we are developing and operating an information security management system.

Information Security Management System

The Group has built a system to ensure that the Information Security Committee (Chief Information Security Officer: Koji Shimomura, Managing Director), consisting of executive directors including the president and CEO and full-time Audit & Supervisory Board member, oversees the entire organization and correctly manages information security.

The Chief Information Security Officer has established the Basic Policy on Information Security, for establishing information security management, and we thoroughly educate and inform directors, employees, and others about the need for continuous improvement and the importance of meeting legal and regulatory requirements.

Compliance

Basic Approach

Recognizing the importance of compliance, the Group has established and is operating a code of conduct and compliance management regulations as the standards

of conduct for directors and employees, etc. to comply with laws, regulations, the articles of incorporation, social norms, and others, and to fulfill our social responsibilities.

Compliance Promotion System

The Compliance Committee (Chairperson: Koji Shimomura, Managing Director), consisting of executive directors including the president and CEO and full-time Audit & Supervisory Board member, oversees the entire organization to thoroughly educate and inform directors

and employees, etc. of the code of conduct and other internal regulations. As well, the Company has established and is operating an internal reporting desk. The Internal Audit Department audits whether the compliance system is functioning effectively.

Antibribery and Anticorruption Initiatives

The Group's Compliance Handbook clearly states the prohibition of bribery and other forms of corruption. In addition, based on our compliance management regulations, self-inspections are conducted twice a year at all departments, and ongoing education is provided through new employee training, job grade-based training,

and during other opportunities.

In the self-inspections conducted in FY2022, based on compliance management regulations, no violations were reported, and the same was true for the audits conducted by the Internal Audit Department.

Internal Reporting System

The Group has established a hotline, or whistleblowing system, as a contact point for uncovering potentially illegal or inappropriate acts, etc., with the aim of detecting and correcting these acts at an early stage. We have one internal and one external reporting desk.

mistreatment of whistleblowers. Any conduct in violation of laws and regulations is subject to disciplinary action as outlined in our internal rules.

In FY2022, we received two reports, one to the internal reporting desk and one to the external reporting desk. Both reports were handled in cooperation with the related departments fairly and faithfully.

Anonymous reporting is also possible, and the Company faithfully implements regulations that govern compliance, including confidentiality and prohibiting the

Key Financial and Nonfinancial Data for the Past 11 Years

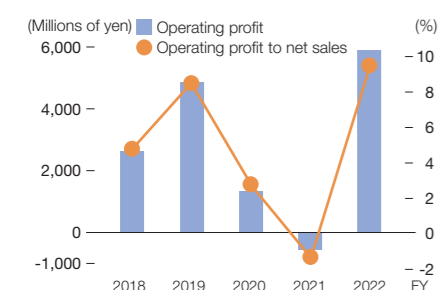
(Unit: millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Profit and Loss											
Net sales	42,505	35,962	39,259	44,972	43,664	44,130	55,228	57,570	47,457	44,342	62,284
Operating profit	3,053	1,185	(251)	3,877	3,018	1,145	2,649	4,883	1,341	(559)	5,898
EBITDA	6,193	4,726	3,654	7,504	5,144	3,625	5,657	8,748	5,202	4,211	11,534
Profit attributable to owners of parent	2,827	(124)	568	2,966	1,569	(291)	1,678	3,718	(185)	215	4,134
Financial Position											
Total assets ¹	92,990	84,343	86,891	93,411	89,197	99,627	98,493	101,468	98,118	100,946	107,078
Net assets	53,349	53,167	56,121	61,099	58,056	58,605	59,666	60,195	57,439	59,425	63,974
Cash Flows											
Cash flows from operating activities	(2,385)	(352)	9,051	7,690	2,521	4,981	6,043	5,158	(2,497)	5,658	10,265
Cash flows from investing activities	(9,046)	(2,768)	(1,595)	(2,443)	(4,908)	(5,376)	(1,379)	(5,061)	(6,188)	(3,007)	(2,100)
Free cash flows	(11,432)	(3,121)	7,456	5,247	(2,386)	(394)	4,663	96	(8,686)	2,650	8,165
Cash flows from financing activities	4,340	(1,561)	(3,562)	(1,856)	(1,944)	7,126	(6,696)	(1,047)	4,618	(412)	(6,442)
Capital Expenditures, etc.											
Capital expenditures	8,501	2,028	2,127	2,427	6,150	2,627	2,535	5,248	5,455	2,752	2,019
Depreciation and amortization	3,090	3,048	2,636	2,584	2,272	2,596	3,094	3,297	3,800	3,833	3,885
Research and development expenses	818	683	785	778	903	990	1,036	1,148	1,305	1,266	1,324
Per Share Indicators											
Earnings per share (EPS) (yen)	38.50	(1.70)	7.82	40.71	21.64	(4.04)	23.35	51.95	(2.59)	3.02	58.27
Dividend per share (yen)	13.0	9.0	10.0	11.0	13.0	13.0	13.0	15.0	12.5	8.0	13.0
Financial Indicators											
Operating profit to net sales (%)	7.2	3.3	(0.6)	8.6	6.9	2.6	4.8	8.5	2.8	(1.3)	9.5
ROA (return on assets) (%)	3.0	(0.1)	0.7	3.2	1.8	(0.3)	1.7	3.7	(0.2)	0.2	3.9
ROE (return on equity) (%)	5.4	(0.2)	1.0	5.1	2.6	(0.5)	2.9	6.2	(0.3)	0.4	6.7
ROIC (return on invested capital) (%)	2.4	1.0	(0.2)	3.1	2.7	0.9	2.3	4.2	1.1	(0.4)	4.7
Equity ratio (%)	57.4	63.0	64.6	65.4	65.0	58.4	60.1	59.1	58.4	58.7	59.6
Dividend payout ratio (%)	33.8	—	127.9	27.0	60.1	—	55.7	28.9	—	264.9	22.3
Inventory turnover (Months)	8.8	11.6	9.8	7.7	7.7	7.4	5.6	5.8	8.0	8.8	6.3
Nonfinancial Data											
Number of employees (people)	1,251	1,275	1,451	1,750	1,750	1,919	2,232	2,448	2,232	2,456	2,688
Ratio of female employees (%) ²	6.4	6.8	7.0	7.8	8.6	9.7	11.7	11.3	11.5	11.9	12.3
Greenhouse gas emissions (t-CO ₂)	18,442	17,356	16,993	26,309	27,429	27,249	30,848	35,762	32,625	25,897	35,563
Electricity consumption (MWh)	44,086	30,086	33,382	41,746	44,071	44,023	50,374	58,606	54,258	44,452	63,847
Water consumption (1,000 m ³)	128	110	104	124	142	134	146	165	145	134	162
Waste emissions (tonnes)	3,899	2,578	3,067	3,437	2,952	2,972	3,114	3,507	3,015	2,135	2,995
Amount of PRTR substances emissions/transfers (kg)	143	130	91	113	94	27	26	216	206	12	32

* 1 Guided by the Partial Amendments to Accounting Standard for Tax Effect Accounting, the consolidated balance sheets as of the end of FY2018 were reclassified.

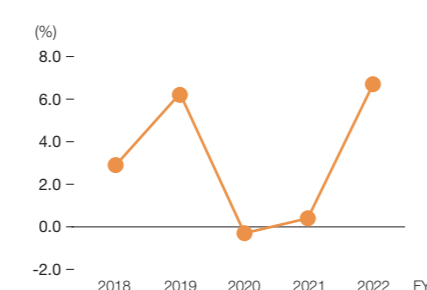
* 2 Percentage of female employees of Nippon Thompson on a nonconsolidated basis, as of January 1 for each fiscal year

Operating Profit / Operating Profit to Net Sales



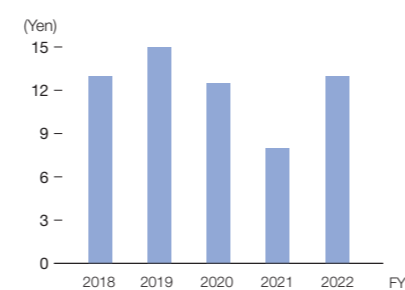
In FY2022, operating profit was 5,898 million yen, and the operating profit margin improved by 10.8 percentage points from the previous fiscal year to 9.5%, partly due to increased earnings, higher production, and the effect of the yen's depreciation on exchange rates.

ROE (Return on Equity)



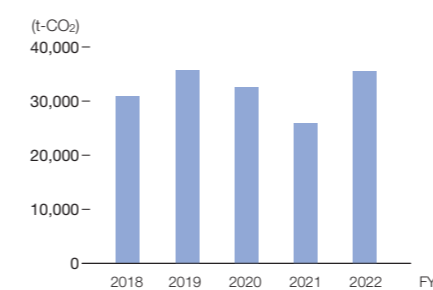
ROE improved by 6.3 percentage points from the previous fiscal year to 6.7%, due to a 40.5% increase in net sales, higher production, and the effect of the yen's depreciation.

Dividend per Share



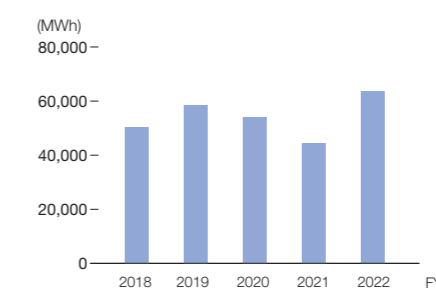
The Company's basic policy is to maintain stable dividends. In FY2022, we increased both earnings and profits, then issued a dividend of 13 yen per share, an increase of 5 yen from the previous fiscal year.

Greenhouse Gas Emissions



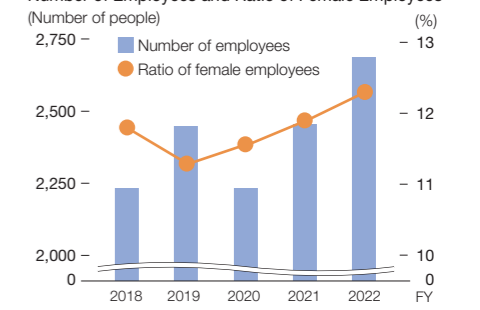
In FY2021, production was adjusted due to the impact of the spread of COVID-19 and other factors, resulting in a temporary decrease. However, in FY2022, production began to increase, resulting in 35,563 t-CO₂ of emissions.

Electricity Consumption



Similar to GHG emissions, energy consumption in FY2022 was 63,847 MWh due to increased production in response to recovering demand.

Number of Employees and Ratio of Female Employees



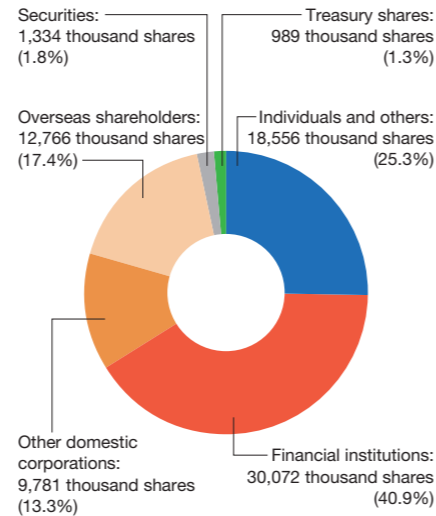
We have continued to recruit a set percentage of female employees by holding company information sessions for women and other well thought-out recruitment activities, resulting in a 0.4 point increase in the percentage of female employees compared with the previous year.

Company Profile and Stock Information (as of March 31, 2022)

Total number of authorized shares	291,000,000 shares	Trade name	Nippon Thompson Co., Ltd.
Total number of outstanding shares (excluding 989,733 treasury shares)	72,511,692 shares	Trademark	IKO
Number of shareholders	11,147 shareholders	Established	February 10, 1950
Stock exchange listing	Prime Market, Tokyo Stock Exchange	Corporate headquarters	19-19 Takanawa 2-chome Minato-ku, Tokyo 108-8586, Japan
		Representative	Shigeki Miyachi, President and CEO
		Capital	9,533,170,390 (Yen)
		Number of employees	2,688 (Group total) 1,010 (Nonconsolidated)

Major Shareholders and Number of Shares Owned

Name of shareholder	Number of shares owned (thousand shares)	Holdings ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,832	10.80
Custody Bank of Japan, Ltd. (Trust Account)	7,600	10.48
Nippon Thompson Business Partners Shareholders' Association	5,325	7.34
Nippon Life Insurance Company	4,262	5.87
Nachi-Fujikoshi Corp.	2,008	2.76
Nippon Thompson Employees Shareholders' Association	1,713	2.36
MUFG Bank, Ltd.	1,612	2.22
DFA Intl Small Cap Value Portfolio	1,366	1.88
CEPLUX—The Independent UCITs Platform 2	1,350	1.86
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd., Retirement Benefit Trust Account re-trusted by Custody Bank of Japan, Ltd.	1,305	1.79

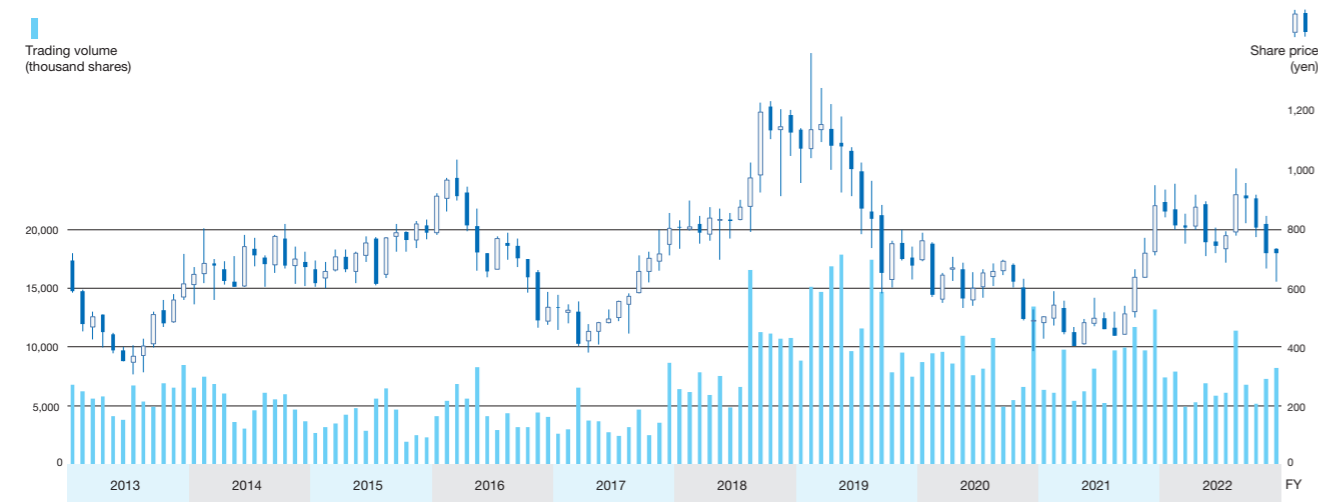


Notes: 1. The Company holds 989,733 shares (1.34%) of treasury shares.
 2. Holdings ratio is calculated after deducting treasury shares (989,733 shares).

Total Shareholder Return (TSR)

	FY2018	FY2019	FY2020	FY2021	FY2022
Nippon Thompson stock price	142.6%	88.8%	67.7%	117.4%	99.6%
Industry weighted stock price average (machinery)	110.0%	91.8%	79.2%	124.6%	115.2%

Stock Price and Trading Volume



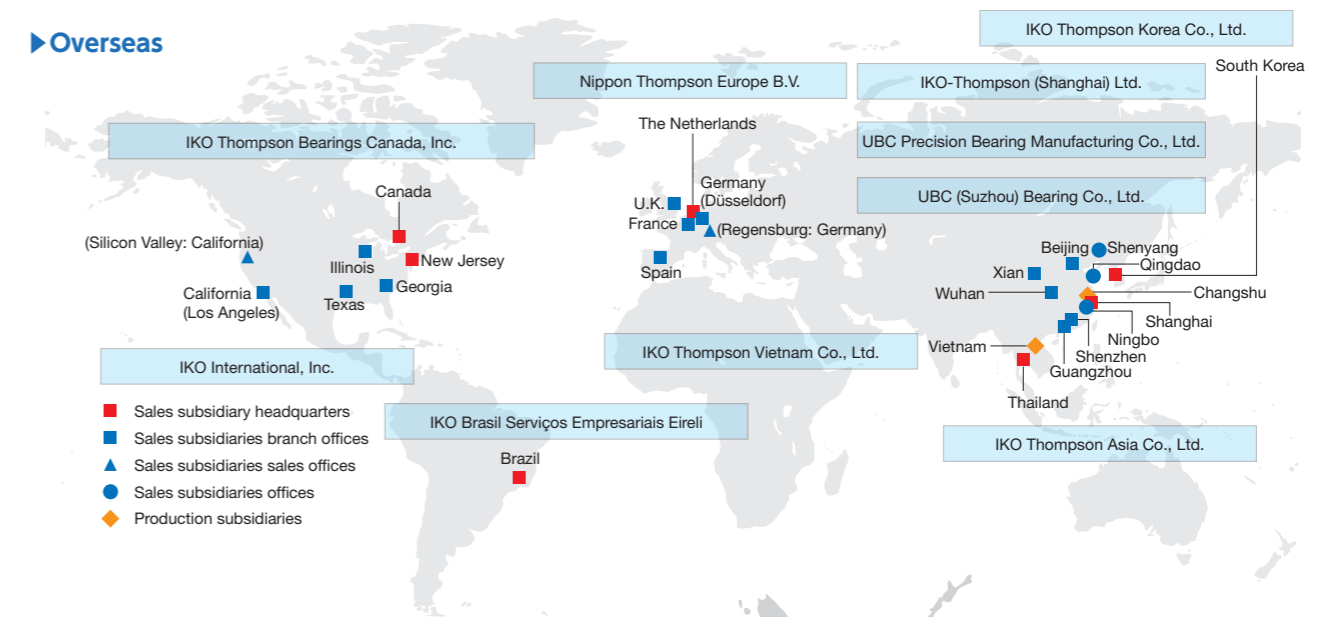
Major Group Companies

Name of company	Location	Capital	Voting rights ownership ratio (%)	Principal business
IKO International, Inc.	USA	USD 6,000 thousand	100.0	Sales of bearings and other machine components
Nippon Thompson Europe B.V.	The Netherlands	EUR 9,000 thousand	100.0	Sales of bearings and other machine parts
IKO-Thompson (Shanghai) Ltd.	China	RMB 150 million	100.0	Sales of bearings and other machine components
UBC Precision Bearing Manufacturing Co., Ltd.	China	USD 8,000 thousand	100.0	Manufacture and sales of bearings and other products
IKO Thompson Asia Co., Ltd.	Thailand	THB 10,000 thousand	100.0	Sales of bearings and other machine parts
Nippon DIC Co., Ltd.	Nagoya City, Aichi Prefecture	JPY 90 million	100.0	Sales of bearings and other machine components
IKO Thompson Vietnam Co., Ltd.	Vietnam	USD 25,000 thousand	100.0	Manufacture and sales of bearings and other products
UBC (Suzhou) Bearing Co., Ltd.	China	RMB 90,900 thousand	100.0 (80.3)	Manufacture and sales of bearings and other products

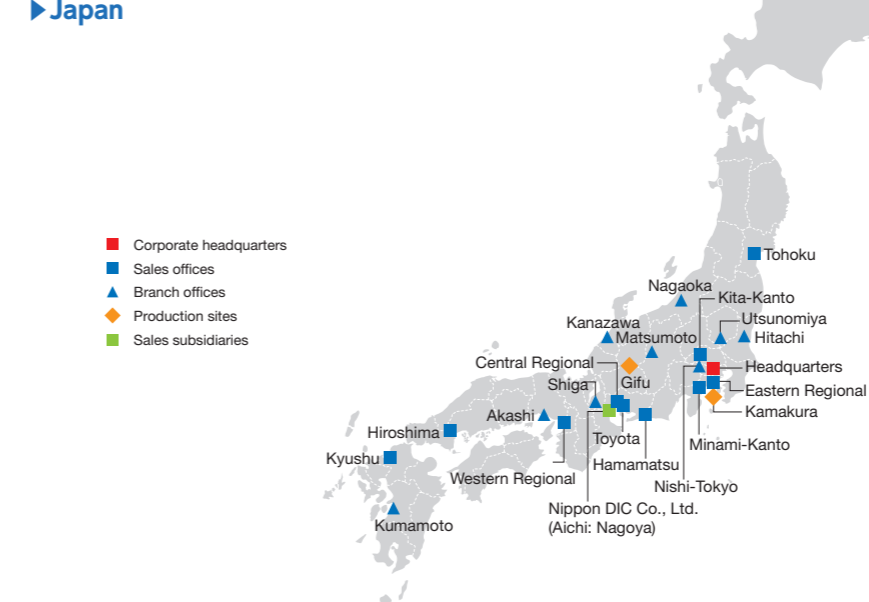
Note: Figures in parentheses in the voting rights ownership ratio are indirect ownership ratios and are included in the total ratio.

Group Network

Overseas



Japan



IKO

NIPPON THOMPSON CO., LTD.

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108-8586, Japan
<https://www.ikont.co.jp/eg/>
December 2022

