

IKO



**Integrated
Report**

2024

April 1, 2023 – March 31, 2024

NIPPON THOMPSON CO., LTD.

Values and Vision

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.



IKO VISION 2030 Financial Targets

Net Sales	100 billion yen or above
Operating Profit	15 billion yen or above
ROE	10% or above
Market Capitalization	100 billion yen or above

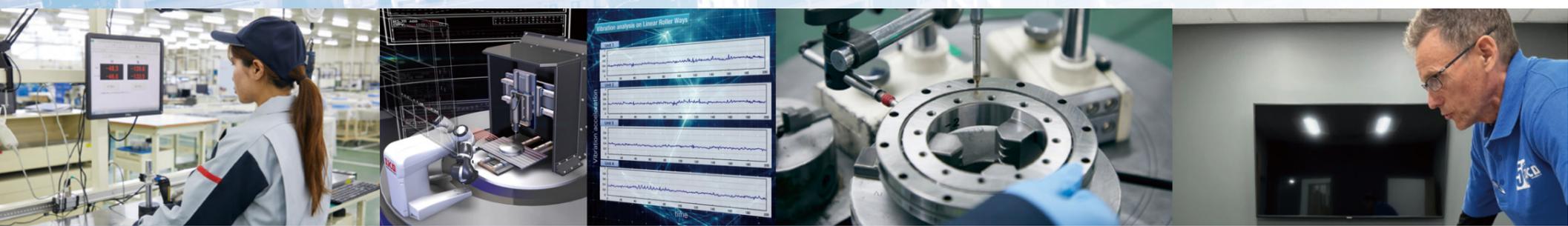


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Editorial Policy

Nippon Thompson has published our 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, 2023–March 31, 2024
 * 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.

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Scope of Reporting

Nippon Thompson Co., Ltd. and consolidated subsidiaries
 * The report includes some reports from Nippon Thompson on a non-consolidated basis.

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

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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.

Review of the Fiscal Year Ended March 31, 2024 (FY2024)

2023 April

New employee welcoming ceremony
 A welcoming ceremony was held for new graduates. A total of 31 high school and college graduates, including 8 females (25.8%) joined the Company.

Implementation of on-site PPA for solar power generation at the Gifu factory complex
 We implemented an on-site PPA for solar power generation on the roofs of the production center at the Gifu factory complex (Mugegawa area).

Reduced CO ₂ emissions	Effect of reduced CO ₂ emissions
Approx. 370 t-CO ₂ /year	Approx. 1.2%

*This is the total including the Gifu factory complex (Gokurakuji area) where the system has already been installed.

May

Became the first company in the domestic bearing industry to conclude a virtual PPA
 The virtual PPA service will enable us to source 100% of the electricity used at sales offices in Japan by renewable energy. Surpluses are utilized to convert electricity used at domestic production sites to renewable energy.

Reduced CO ₂ emissions	Effect of reduced CO ₂ emissions
Approx. 340 t-CO ₂ /year	Approx. 1.1%

June

Disclosure based on the TCFD recommendations
 The Group recognizes addressing climate change as an important management issue. We announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and released an information disclosure report based on the TCFD recommendations on the Company's website.

August

Signed the United Nations Global Compact (UNGC)
 We signed the UNGC, the world's largest sustainability initiative proposed by the United Nations. We will accelerate the Group's sustainability efforts by expressing our endorsement of 10 principles in the four areas of "human rights, labor, environment, and anti-corruption."



October

Launch of new product Short Stud Type Cam Follower CFC...B
 Our newly developed Short Stud Type Cam Follower CFC...B has a new mounting structure that uses a hexagon socket head bolt and a dedicated flange nut. It needs far less mounting space, enabling greater freedom in design and contributing to improving production efficiency.



Renewal of mechatronics-dedicated website
 We have renewed our website dedicated to mechatronics products, one of the Group's priority products. Product introduction videos and a chatbot for responding to inquiries have been installed to improve customer convenience.



November

Installation of solar power generation system at a production site in China
 We installed a solar power generation system on the roofs of buildings of UBC (Suzhou) Bearing Co., Ltd., our production site in China.



Reduced CO ₂ emissions	Effect of reduced CO ₂ emissions
Approx. 283 t-CO ₂ /year	Approx. 0.9%

Gifu factory complex registered as a Gold Partner in the "Gifu SDGs Promotion Partner Registration System"
 We have been registered as a "Gifu SDGs Promotion Gold Partner" to work together with Gifu Prefecture toward achieving the SDGs. By strengthening cooperation with local governments as a partner company, we will accelerate sustainable management and contribute to strengthening the efforts of society as a whole through our local network.



2024 January

Registered as TNFD Adopter
 We announced our endorsement of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and registered as a TNFD Early Adopter. We will actively work to resolve issues related to natural capital and biodiversity, which are closely linked to climate change, while striving to enhance information disclosure.



Relief for damage caused by the Noto Peninsula Earthquake
 A total of 3 million yen was donated through the Japanese Red Cross Society to support the disaster victims and assist in the reconstruction of the affected areas.

February

New greenhouse gas emission reduction targets set
 In addition to expanding the scope to include consolidated companies, we have set reduction targets for Scope 3 and redefined the target values in alignment with the Paris Agreement. Our goal is to achieve at least a 42% reduction (Scope 1, 2) by FY2031 compared to the benchmark emissions level of FY2023 and to achieve carbon neutrality in all of Scope 1, 2, and 3 in FY2051.

March

Construction of a new plant in Vietnam announced
 As part of our Group's efforts to increase production capacity, we signed a sublease agreement for land use rights in an industrial park in Quang Ninh Province in northern Vietnam. Construction will begin in January 2025 with the aim of starting production in 2026.

Private Show "IKO Today in Kumamoto 2024 with MEKASYS" held
 We held a local community-based private show in collaboration with Nichiden Corp., a specialized trading company, in Kumamoto, where semiconductor-related companies are expanding their businesses. Lectures and technical seminars by suppliers were well received and attended by approximately 1,200 customers.

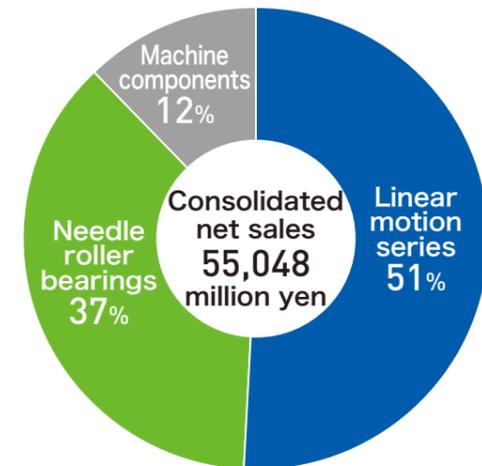


*The effect of reduced CO₂ emissions is estimated compared with the benchmark level of consolidated Scope 1 and 2 emissions in FY2023.

Main Products and Features

The high-quality, high-precision products offered by the Group under the **IKO** brand are used as important components incorporated into various machines such as semiconductor manufacturing equipment and other electronics-related equipment, machine tools, and transportation equipment. Leveraging our advanced technological capabilities attained as the first company in Japan to develop needle roller bearings and our unique product lines, we meet diversifying needs and contribute to the development of technology and the realization of an affluent society.

■ Net sales composition ratio by product (FY2024)



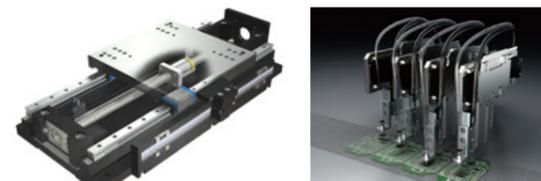
Linear motion series

[Linear Motion Rolling Guides]
The world's smallest



These machine components, derived from rotary bearings, reduce the friction of linear motion. Our products, which are the smallest size in the world, contribute to increasing precision of a variety of machines, including cutting-edge semiconductor manufacturing equipment and machine tools.

[Mechatronics Series]
High-precision and compactness

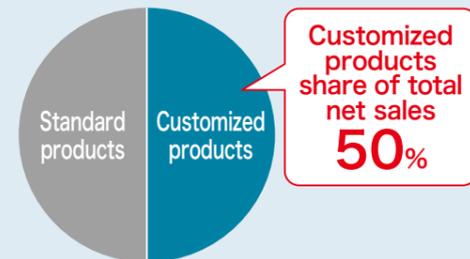


This precision positioning table combines linear motion rolling guides, ball screws, and motors. By using these products as equipment rather than individual parts, we help customers reduce the design and labor hours for assembly, while achieving more precision for their machinery.

- Nippon Thompson's Features - High Quality x Special Response Capability

The Group's features are our sales network that follows the needs of each customer closely, high-quality and high-precision technical capabilities that can flexibly accommodate special specs and our small-lot production, and multi-product manufacturing system.

Customized products aligned to customers' requests and specifications account for about half of the Group's net sales, realizing the high-value-added business model we have created.



Examples of customized products



Outer ring flange form specification | Stepped inner ring form specification | Outer ring with gear specification | Special stage for electronic components

The Value IKO Delivers to Customers

To this date, the Group has worked to create value through our sincere efforts to solve customers' problems. We will earnestly continue to deliver technology that will become the axis of society.

Helps reduce the labor hours required for maintenance and saves resources!

Surgical support robot



The C-Lube Maintenance-free Series that can reduce the customer's labor hours for regular greasing maintenance. The series, which helps to reduce the workload for customers, is used in a wide range of fields, including medical equipment fields such as surgical support robots and CT scans.



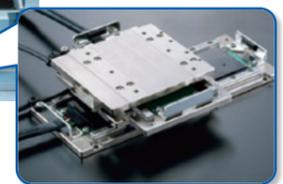
*C-Lube: IKO's proprietary lubricant component impregnated with a large amount of lubrication oil. It provides an optimal amount of lubricating oil over a long period, thereby contributing to saving resources.

Helping to improve machine productivity!

Semiconductor manufacturing equipment



The linear motor-driven mechatronics series "Nano Linear NT" introduced as a result of reducing the number of parts and thoroughly pursuing downsizing. It contributes to productivity improvement of semiconductor manufacturing equipment, etc., by realizing space-saving, high-precision, high-acceleration/deceleration, and high-response positioning.



Nano Linear NT (XY stage specification)

Helps make machines more compact and lighter!

Industrial robot (Humanoid robot)



Crossed roller bearings are compact and provide both high rigidity and rotational accuracy. They are widely used in the joints of industrial robots, a market that is expected to expand further. We contribute to making equipment more compact and lightweight with our knowhow in manufacturing extremely small sizes, which is the Company's strength.



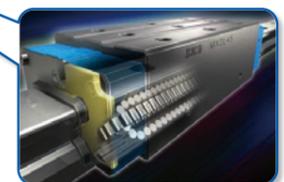
Super slimtype crossed roller bearing

Contributes to ultra-high precision and ultra-high rigidity!

Machine tool (Machining center)



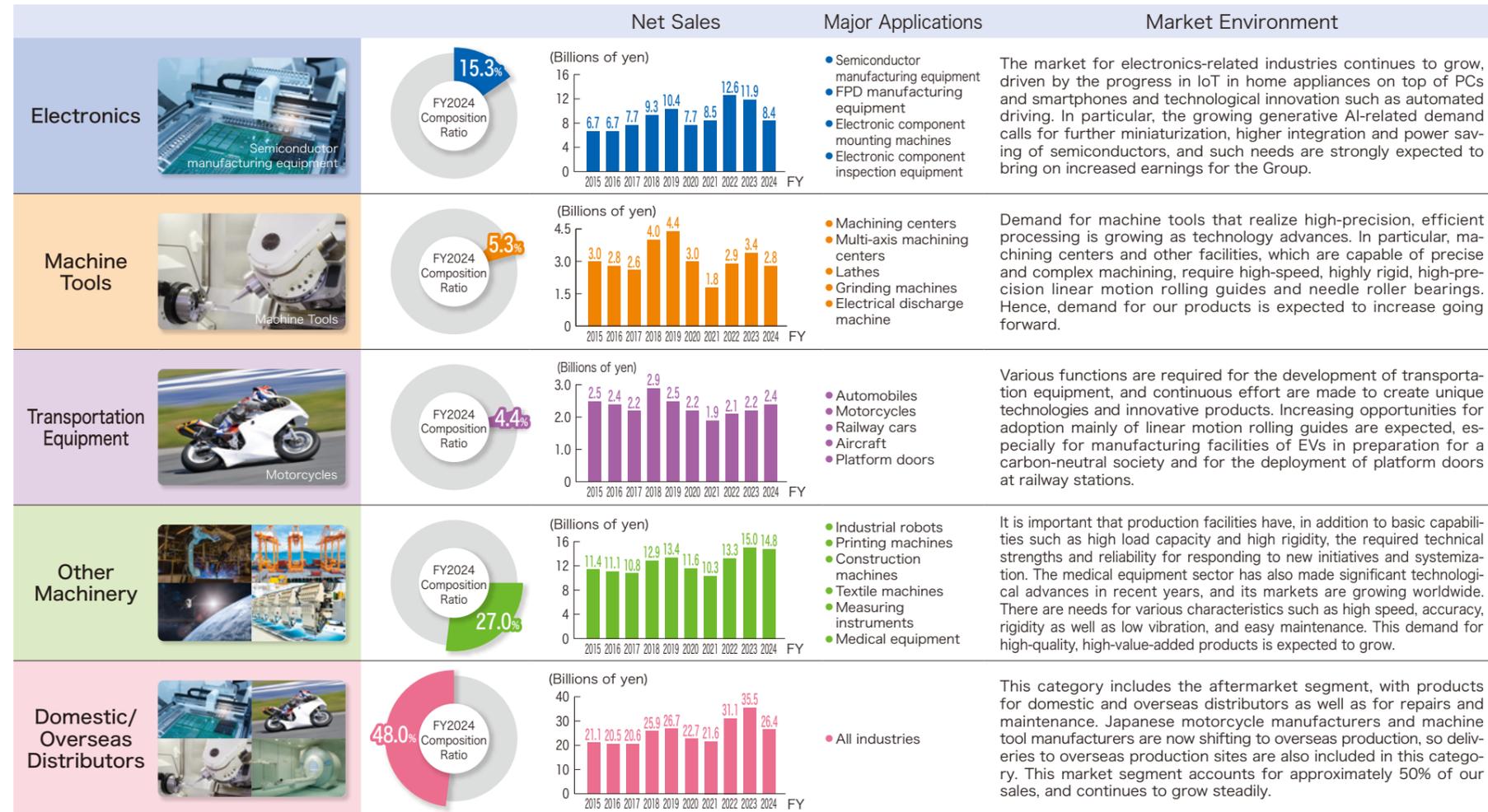
Roller-type linear motion rolling guide developed for the first time in the world by the Company. Having achieved significant enhancement in providing higher precision and rigidity, the product has contributed to the development of machine tools. We continue to take on the challenge of achieving the ultimate in high performance in order to meet the needs of our customers who pursue even higher precision, speed, and durability.



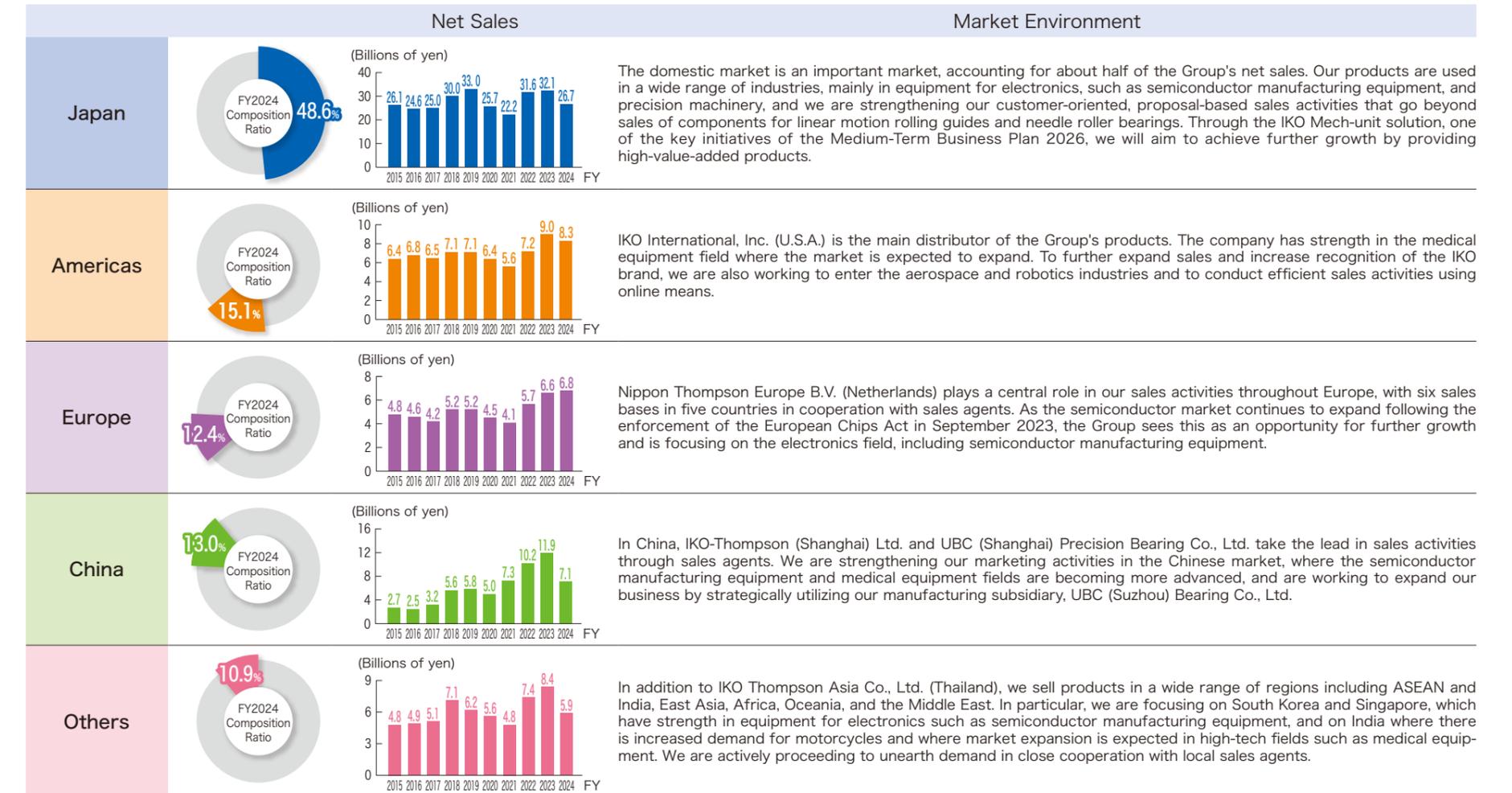
C-Lube linear roller way Super MX Master Grade

Business Overview

Demand Overview by Industry



Demand Overview by Region



Business Opportunities and Risks

Mega Trends



(Industries and technologies)

Growing demand for automation in the manufacturing industry
 New technological innovation and demand creation with the spread of AI
 Capital investment and structural changes to build a decarbonized society



(Economic and social conditions)

Population growth in emerging economies and declining working population in developed economies
 Rising geopolitical risks
 Global inflation



(Sustainability)

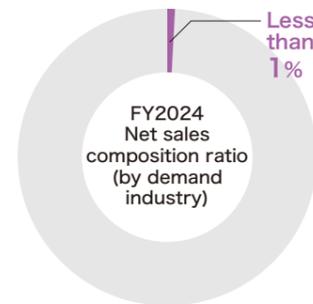
Strengthening initiatives to realize a decarbonized society
 Accelerating efforts to realize a sustainable society

Financial Risks and Countermeasures

Risk of weakening demand for needle roller bearings due to the shift to EVs

Although the automotive market is experiencing a further shift to EVs and electrification, there is little impact on our business performance, with the Group's net sales related to internal combustion engines accounting for less than 1% of total net sales.

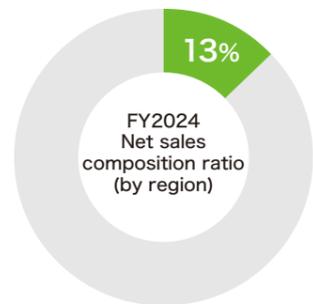
Going forward, new capital investments by EV-related manufacturers (of car bodies, batteries, motors, in-vehicle electronic components, charging systems, etc.) will likely lead to expanding demand mainly for the linear motion rolling guide series, and we consider this as a significant business opportunity.



Risk of sluggish demand in the Chinese market

There is a risk of a slowdown in demand for capital investment in the Chinese market mainly due to the slowdown in economic growth and the tightening of regulations by the U.S. in the semiconductor industry. However, since the Group's net sales of products for China account for only 13% of total net sales, we believe that the impact on our business performance will be limited.

Meanwhile, given the Chinese government's support for the semiconductor industry and the growing demand for high-function equipment associated with the increasing sophistication of the manufacturing industry, we are seeing an increase in inquiries for our high-quality, high-precision products.



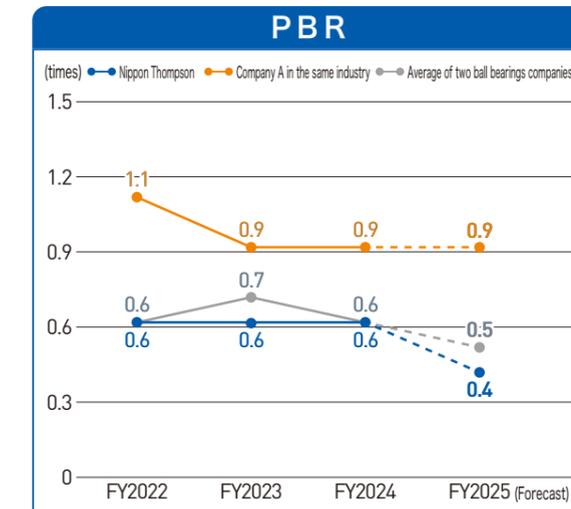
Classification	Degree of influence	Results for FY2024	Strategies and Policies
Risk of weakening demand for needle roller bearings due to the shift to EVs	Small	Consolidated net sales of products for automobiles (internal combustion engines): Less than 1.0%	<ul style="list-style-type: none"> Respond to the new capital investments by EV-related manufacturers (of car bodies, batteries, motors, in-vehicle electronic components, charging systems, etc.) Expand production capacity to meet the growing demand for the linear motion rolling guide series Strengthen proposal-based sales to relevant manufacturers whose demand is expected to increase due to the shift to EVs
Risk of sluggish demand in the Chinese market	Medium	Net sales of products to China: 7.1 billion yen (sales composition ratio of 13%)	<ul style="list-style-type: none"> Promote local production for local consumption by expanding the production capacity of local subsidiaries. Expand sales to high-functional equipment for priority fields in line with increased sophistication of the manufacturing industry Differentiate from competitors by providing high-quality, high-precision products that offer a competitive advantage Secure earnings based on sales strategies targeting the high-end market
Exchange rate fluctuation risk	Small	Operating profit: positive effect of 600 million yen from the previous year	<ul style="list-style-type: none"> Foreign exchange sensitivity of operating profit (annual impact from a change of 1 yen) is minimal U.S. dollar: approximately 45 million yen; Euro: approximately 25 million yen; Chinese Yuan: approximately 200 million yen (based on FY2024 transaction volume)
Balance sheet deterioration risk	Medium	Inventories increased by 3.6 billion yen year on year (including 1.2 billion yen due to depreciation of the yen), and inventory turnover lengthened to 8.7 months	<ul style="list-style-type: none"> Improve the inventory turnover ratio through inventory optimization Maximize earnings during the demand recovery phase from FY2025 onward by strategically building up inventories
Risk of inflation and personnel expense rise	Small	Despite the soaring raw material and energy prices, the impact is limited due to production cutbacks. Personnel expenses decreased by 200 million yen year on year due to a decrease in performance-linked bonuses, despite wage increases	<ul style="list-style-type: none"> Revise product prices to optimize the value of the products offered Improve profitability through selective order-taking in consideration of profitability

Our View on Stock Valuation and Measures

While the P/B ratio of the Company has remained relatively stable compared to that of our industry peers, our P/R ratio has remained low and remains below 1. This may be because of the following underlying factors: (1) risk of net sales to decline due to the shift to electrification, particularly in automobiles, (2) risk of sluggish demand in China, a major FA-related market, and (3) IR information, including growth stories, being communicated to the capital market insufficiently.

To improve stock valuations, mainly P/B ratio, we will work on improving profitability and capital efficiency through product pricing strategies, reducing the cost of capital by stabilizing business performance, expanding sales in areas with strong medium- to long-term growth potential (semiconductor manufacturing equipment, industrial robots (including humanoid robots), medical equipment, etc.), strengthening IR activities and shareholder returns, and taking other steps. Through these efforts, we aim to achieve a P/B ratio of 1 or higher as soon as possible and a market capitalization of 100 billion yen or above by 2030.

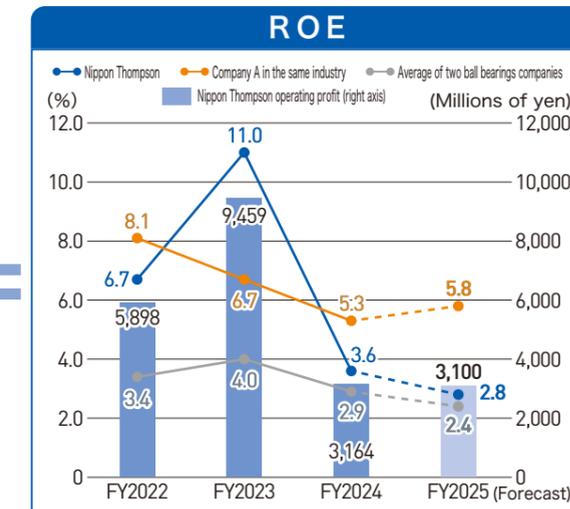
Stock Valuations after the COVID-19 Pandemic



Targets and Timeline

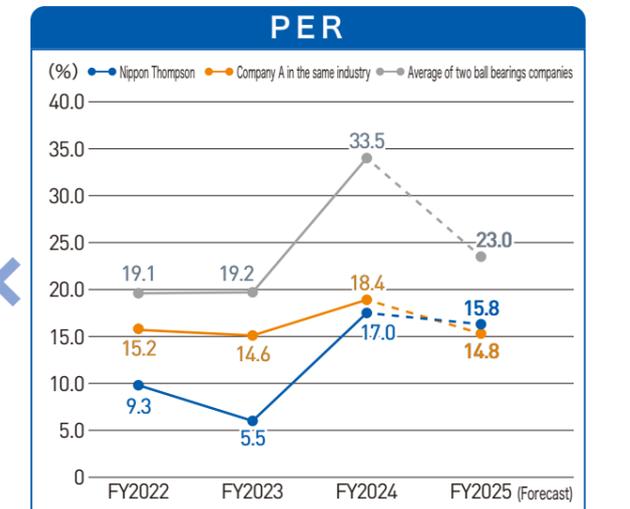
- Achieve P/B ratio of 1 or higher as soon as possible
- Market capitalization of 100 billion yen or above in 2030 (P/B ratio of 0.42 times* and market capitalization of 32.4 billion yen* at the end of September 2024)

*BPS for P/B ratio calculation is based on the end of FY2024. Market capitalization is calculated based on the total number of shares outstanding less treasury shares.



Targets and Measures

- 3-year average ROE of 8% or above (~FY2027)
- Profit growth through growth strategies and concentrated investments
- Improvement of capital efficiency, including share repurchases



Targets and Measures

- Active disclosure of growth stories, and reinforcement of IR activities
- Strengthening of sustainability activities to enhance corporate value
- Enhancement of shareholder returns (Total return ratio of 50% or above)
- Flexible share buybacks (In FY2024, the total return ratio was 110.4% due to share buybacks of 2.17 million shares (3.0% of total shares issued) worth 1.3 billion yen, etc.)

*Company A in the same industry closes its books in December, and the two ball bearing companies both close their books in March.

Value Creation Trajectory

History



1950~ Founding and Early Days Daiichi-Kogyo Co., Ltd. was established for the purpose of selling bearings and machine components. Became the first company in Japan to successfully develop needle roller bearings in-house.

1970~ Growth and Expansion Released a number of products in response to the growing needs for labor-saving and streamlining needs. Began global business expansion by establishing overseas sales subsidiaries.

1990~ Maturity and Transition Developed advanced high value-added products, including environmentally friendly products. Established overseas production bases and began global production.

2010~ Change and Dynamism Strengthened our presence as a global company by establishing sales offices around the world and through mergers and acquisitions.

Products and Value Creation Value Created (C)

1956 Began R&D for needle roller bearings.

1960 Succeeded in developing needle roller cages for engines.

Contributed to a motorcycle with needle roller cages win first place in a world-class motorcycle race

1978 Introduced ball-type linear motion rolling guides.

Contributing to improving performance of machine tools

1982 Introduced a modular mechatronics product.

Contributed to reducing man-hours required for design and assembly and increasing precision

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

Realized substantially higher load capacity and longer life than ball-type linear motion rolling guides

1996 Launched a linear motor-driven mechatronics product.

Achieved compact and highly accurate positioning

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

Contributed to reducing man-hours required for maintenance and environmental impact

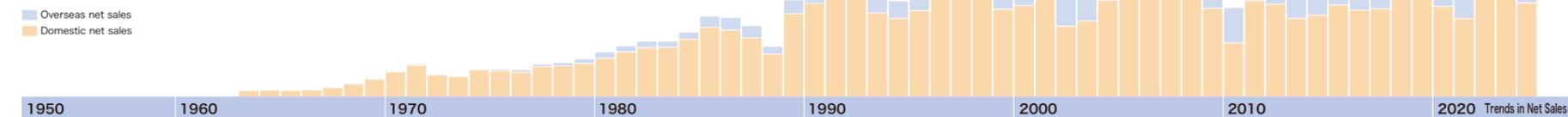
2019 Launched liquid crystal lubricant linear way, the world's first linear motion rolling guide using liquid crystal lubricant.

Overcame weak points of grease lubrication

2020 Linear way L, a compact linear motion rolling guide, is used for the camera focus system for NASA Mars rover.

Contributed to cutting-edge space activities

Net Sales (Japan and Overseas)



1950 Daiichi-Kogyo Co., Ltd. was established.

1959 Established the Himeji Factory.

1963 Changed the company name to Nippon Thompson Co., Ltd. Registered and trademarked **IXCO** as the corporate brand.

1964 Established the Kamakura Factory.

1968 Stock listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

1969 Established the Gifu factory complex.

1971 Established a sales subsidiary in the U.S.

1972 Established Technological Laboratory.

1975 Established a sales subsidiary in the Netherlands.

1982 Entered into a capital alliance with Daruma Sangyo Co., Ltd. (currently Nippon DIC Co., Ltd.)

1985 Established the Technical Center.

1990 Established Mugegawa MFG. Co., Ltd. (currently the Mugegawa Factory).

1997 Acquired the ISO 9002 quality management system certification (later shifted to ISO 9001) for the Gifu factory complex sequentially.

2001 Acquired the ISO 14001 environmental management system certification for the Gifu District (also certified in the Kamakura District in 2003).

2006 Established a sales subsidiary in China. Established a production subsidiary in Vietnam.

2014 Established a sales subsidiary in Thailand.

2015 Established sales subsidiaries in Korea and Brazil.

2016 Established a sales subsidiary in Canada.

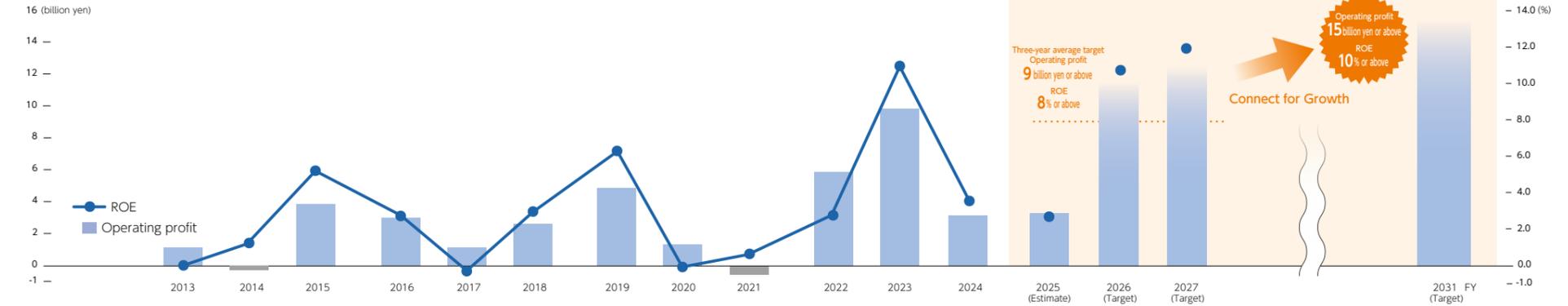
2017 Acquired two companies engaged in the manufacturing and sales of bearings in China: UBC (Shanghai) Precision Bearing Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd., and made them subsidiaries.

2022 Transferred shares to the Tokyo Stock Exchange Prime Market.

History of Medium-Term Business Plan

In order to pursue sustainable growth, all executives and employees of the IKO Group share the long-term vision "IKO VISION 2030," which we aim to achieve in FY2031. To achieve this vision, we formulated a medium-term business plan in 2012 and have been steadily taking steps forward since then. Under the "IKO Medium-Term Business Plan 2026 Connect for Growth - The Future of Innovation, Connected by IKO -" which was launched in 2024, we are aiming for further growth based on our key themes of focusing enhancement in "areas of strength" and rebuilding the "global business structure" while promoting differentiation from other companies.

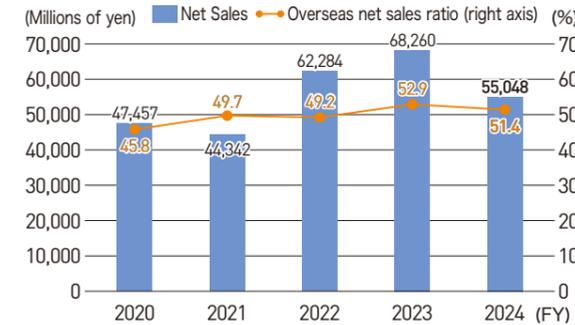
Operating Profit/ROE Trends



	Medium-Term Business Plan 2014 1st (April 2012 - March 2015)	Medium-Term Business Plan 2017 2nd (April 2015 - March 2018) Change & Challenge	Medium-Term Business Plan 2020 3rd (April 2018 - March 2021) Change & Challenge ~Next Stage-ACCOMPLISH-	Medium-Term Business Plan 2023 4th (April 2021 - March 2024) - Deepening, Expanding, Embracing Change -	Medium-Term Business Plan 2026 5th (April 2024 - March 2027) Connect for Growth	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"	"Preemptive investment in the future foundation"	Collaborating with customers primarily and co-creating value as a technology development-based company - co-creating a sustainable future -
Basic Policy	"Three Challenges of Growth Strategies" to Achieve Our Long-Term Vision		(1) Establishing a global business structure (2) Developing new products using core technologies (3) Strengthening collaboration with partner companies			
	<ul style="list-style-type: none"> Reinforcing the global business structure (manufacturing/sales centers, global procurement) Strengthening our financial position 	<ul style="list-style-type: none"> Maximizing the scope and the scale of business opportunities (improve utilization rates of production facilities/ advanced pricing strategy) Strengthening organizational capabilities and IT system sophistication 	<ul style="list-style-type: none"> Heightening profit awareness Overall optimization/CFT for interdepartmental collaboration Focus/efficiency x global expansion 	<ul style="list-style-type: none"> Deepening: Explore existing businesses in greater depth Expanding: Develop new technologies and new segments Embracing Change: Behavioral change, organizational change, and digital transformation 	<ul style="list-style-type: none"> Focused Enhancement in "Areas of Strength" Rebuilding the "Global Business Structure" 	

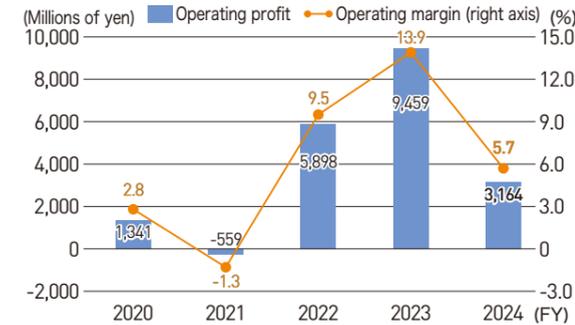
Financial Highlights

◆ Net Sales/Overseas Net Sales Ratio



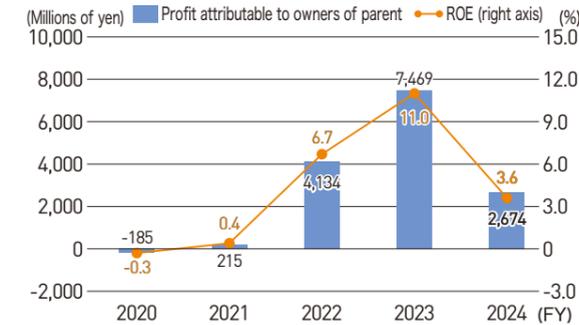
Net sales in FY2024 decreased 19.4% year on year due to the sluggish Chinese market and the continued demand adjustment phase for electronics-related devices, etc. The ratio of overseas sales to total net sales decreased 1.5 percentage points to 51.4%.

◆ Operating Profit/Operating Profit to Net Sales Ratio



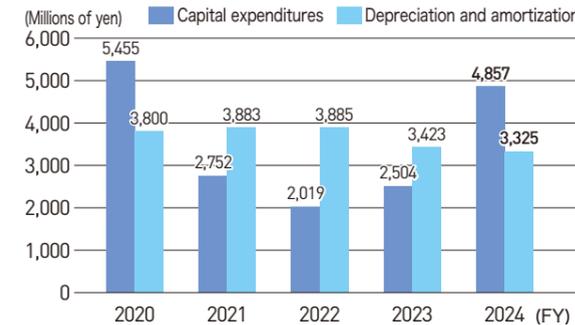
In FY2024, operating profit decreased 66.6% year on year to 3,164 million yen and the operating margin deteriorated 8.2 percentage points year on year to 5.7%, mainly due to lower sales and production cutbacks, despite the effect of depreciation of the yen.

◆ Profit Attributable to Owners of Parent/ROE



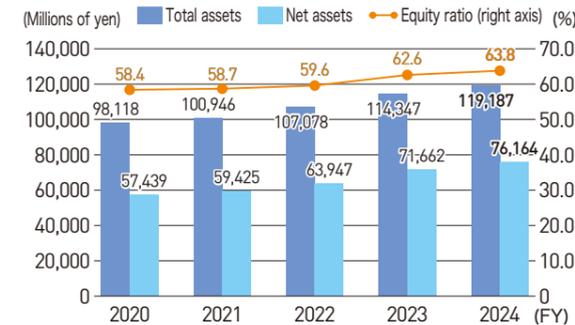
Profit attributable to owners of parent declined 64.2% from the previous year due to a slowdown in demand for capital investment in Japan and overseas. ROE deteriorated 7.4 percentage points from the previous year to 3.6%.

◆ Capital expenditures/Depreciation and amortization



In FY2024, we made capital investments of 4,857 million yen in our domestic plants and overseas production subsidiaries in Vietnam and China to increase the capacity of key products for future growth.

◆ Total Assets and Net Assets/Equity Ratio



Net assets totaled 76,164 million yen, mainly due to an increase in foreign currency translation adjustments resulting from the weaker yen and an increase in valuation difference on available-for-sale securities resulting from the rise in the market value of stocks in holding. In addition, the equity ratio increased 1.2 percentage points from the end of the previous fiscal year to 63.8%.

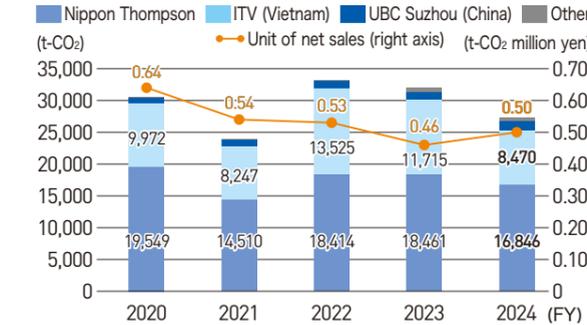
◆ Dividends per Share/Total Return Ratio



Our basic policy is to maintain stable dividends, and in FY2024, despite a decrease in profits, we maintained the same dividend amount as in the previous fiscal year of 19 yen. In addition, the Company also repurchased treasury shares, resulting in a total return ratio of 110.4%.

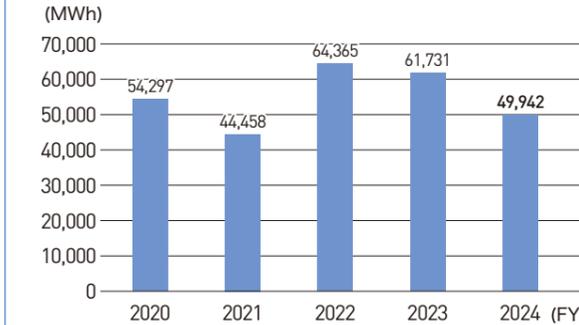
Non-Financial Highlights

◆ Greenhouse gas emissions (Scope 1, 2)



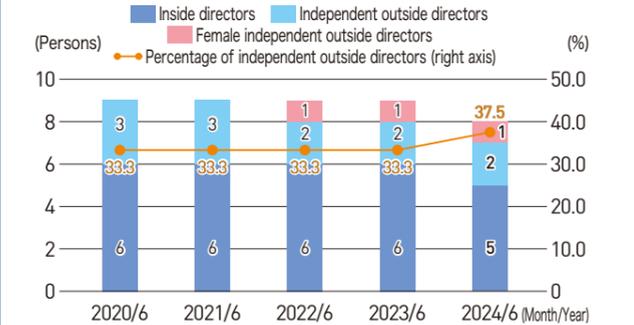
In FY2024, greenhouse gas emissions decreased 14.6% from the previous year to 27,277t-CO₂ as a result of production cutbacks due to slowing demand and implementation of measures to conserve energy and introduce renewable energy.

◆ Electricity Consumption



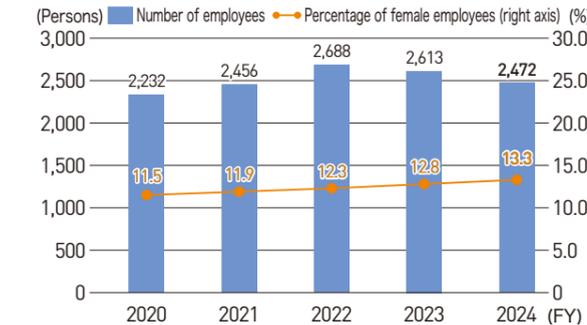
As with greenhouse gas emissions, production cutbacks and measures to conserve energy and introduce renewable energy led to a 19.1% reduction in electricity consumption from the previous year to 49,942 MWh.

◆ Number and Percentage of Directors and Independent Outside Directors



The diversity of the Board of Directors has progressed with the appointment of a female outside director in 2022. In addition, from June 2024, the Company has eight directors (three outside directors), raising the percentage of outside directors to 37.5%.

◆ Number of Employees and Percentage of Female Employees



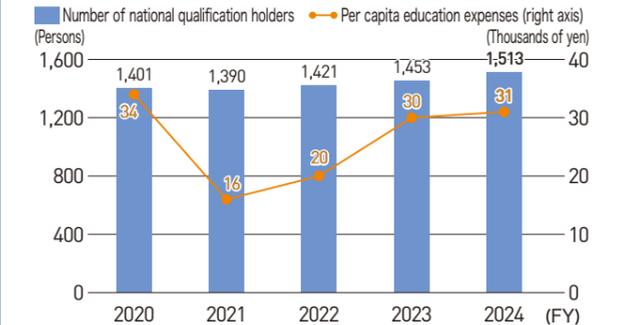
We have steadily increased the percentage of female employees to 13.3% as the Company continued to implement targeted and creative recruitment initiatives such as holding company information sessions exclusively for women.

◆ Percentage of Male Employees Taking Childcare Leave and Return-to-Work Rate from Childcare Leave



We are supporting the balance between childcare and work by setting a target to increase the percentage of male employees taking childcare leave to 85% or more by FY2031. The percentage rose to 65.5% in FY2024.

◆ Number of National Qualification Holders/Per Capita Education Expenses



We strive to develop leaders by providing various level-specific education and practical training activities for each division. In addition, we have an incentive program for employees to obtain external qualifications to support their self-development.

Message from the CEO

Toward the realization of IKO VISION 2030, the Medium-Term Business Plan 2026 paves the way for our growth story by further reinforcing our “strengths”



President and CEO
Shigeki Miyachi

Management Philosophy and Business Model

Since its foundation in 1950, Nippon Thompson has been providing customers with high quality and precision products under the management philosophy of “Company Centered on Technology Development that Contributes to Society.” Linear motion rolling guides, needle roller bearings and other bearing products produced and sold by the Group play important roles in various industries, and we are supporting industries around the world through these core components. Being called the “rice of industry,” bearings are critical components indispensable to the movement of products and machines, and their quality significantly affects the overall performance of said products and machines. We are strongly aware of our responsibility to provide such critical products, and have been leading the market with our advanced technology and reliable quality.

Business model different from major manufacturers

The Group's business model is unique and different from that of major bearing manufacturers mainly producing ball bearings. Major bearing manufacturers

specialize in mass production while having a broad product lineup mainly consisting of ball bearings, and generally take a long time to supply specific products. In contrast, the Group specializes in production of a wide variety of products including linear motion rolling guides and needle roller bearings mainly for industrial machinery, and its mission is to meet the diverse needs of our customers flexibly and promptly. Customized products, one of the Group's strengths, account for about a half of the Group's net sales. Thanks to this strategy, we have received high acclaim from many customers around the world, and established a unique position in the markets where quality and reliability are regarded as particularly important.

The Group's technological capabilities have been cultivated through our research and development and on-site experience over many years. We developed needle roller bearings for the first time in Japan, and commercialized roller recirculating-type linear motion rolling guides for the first time in the world. These technological innovations are the fruits of efforts and ingenuity of each and every employee. Another important issue for the Group is succession of technologies, and knowledge and skills continue to be passed down from senior to younger employees. Young engineers are also actively taking on new challenges, and are expected to contribute to paving the way for the future of the Group. Integrity and sincerity have been ingrained in the corporate culture of the Group. Our employees always work hard and perform their duties with a sincere attitude. This attitude is a reason why the Group has acquired a high level of trust from customers and society

and why the Group's products and services have received high acclaim from customers over the years. This attitude is also the source of our core competence.

The Group is continuously meeting the diverse needs of our customers from a position different to that of major manufacturers. In particular, there is demand for high-quality products in small quantities in markets such as South America, the Middle East, and South Asia, and we are uniquely positioned to meet such demand. The Group's mission is to provide products our customers need at the time when they need them, reliably, and at a fair price, and this mission is the driving force for our competitive advantage.

Challenges for the future and management's roles and responsibilities

On the other hand, the Group's challenges include a large inventory, strengthening of handling of large-lot projects, and establishment of an efficient production system that forecasts demand trends. Going forward, we need to actively address those challenges for improvement, as well as further improving our strengths, in order to enhance our profitability, efficiency and growth potential. I believe that my role is to lead these improvements to increase in our corporate value through my leadership.

Toward the Realization of the Medium-Term Business Plan 2026 and IKO VISION 2030

In FY2025, we started the new Medium-Term Business Plan 2026. Under the theme of “Collaborating with customers primarily and co-creating value as a technology development-based company – co-creating a sustainable

future –” as IKO VISION 2030, the Group aims to achieve net sales of 100 billion yen or above, operating profit of 15 billion yen or above, ROE of 10% or above, and market capitalization of 100 billion yen or above by FY2031. Under the Medium-Term Business Plan 2026 for realizing this vision, we aim to build an efficient and profitable business model by aggressively investing in markets, regions, and products in which we have strengths. It is also important to pave the way for sustainable growth through preemptive investment of capital in businesses that will serve as the foundation in the future.

Our specific targets are operating profit of 9 billion yen or above and ROE of 8% or above on average for three years from FY2025 to FY2027. Furthermore, in our financial and capital policies, we plan to increase the total return ratio to 50% or above by strengthening shareholder returns while investing cash in growth areas.

Our recognition of the business environment and our vision in the Medium-Term Business Plan 2026

Today, society is facing a wide variety of changes, including the expanding application of AI, the rapid progress of the semiconductor industry, automation and robotization due to labor shortages, and the increasing awareness of the environment. These changes will increase opportunities for the growth of the Group, and we must seize these opportunities to continue providing new value to our customers as a “Company Centered on Technology Development that Contributes to Society.” On the other hand, there are risks such as the fragmentation of the global market due to heightened geopolitical risks, stricter listing standards, and the increasing awareness of

sustainability including human capital. To address these risks, we need to always challenge ourselves without being limited by our past successes, and promote bold changes for the future. Through the Medium-Term Business Plan 2026, the Group must evolve into an attractive company that is chosen by our customers and society. We need to create a new era, and as a result, to realize the improvement of our corporate value, namely share price, by all officers and employees sharing the vision of “Connect for Growth—The Future of Innovation, Connected by IKO” and working to solve challenges together with our stakeholders.

Visions from the viewpoints of our stakeholders

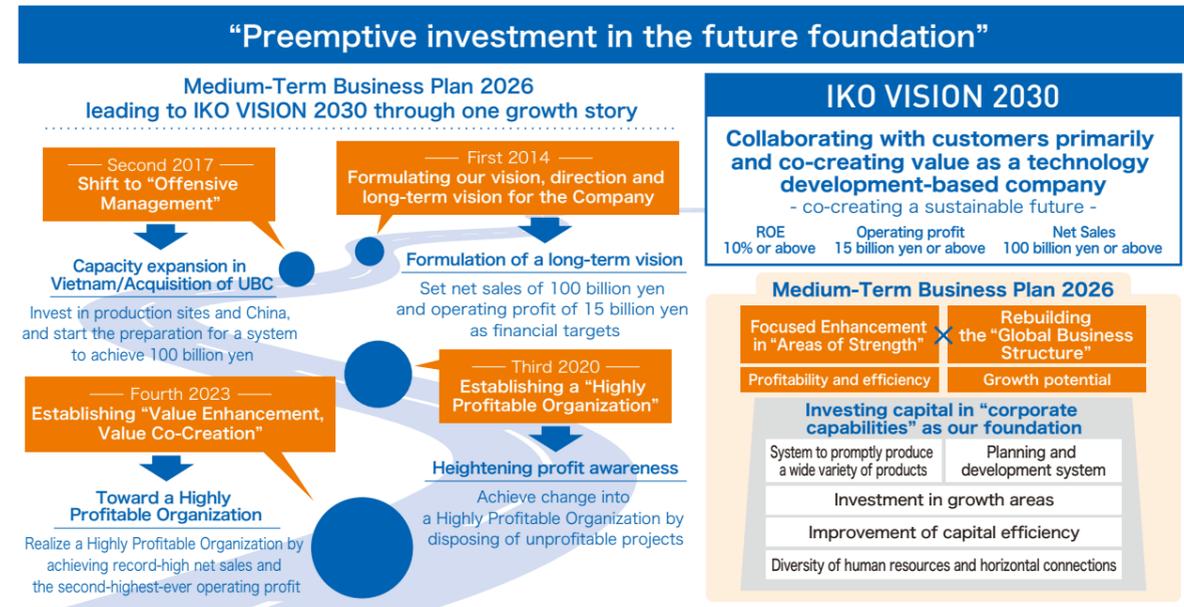
Looking back at the history of developing the Medium-Term Business Plans, it started when I asked then President Yamashita to begin the First Medium-Term Business Plan 13 years ago. At the time, although there was some opposition within the Company, I strongly advocated the need to present our long-term goals, targets (KPIs) and long-term vision, and the First Medium-Term Business plan was formulated. In this Plan, we considered the visions of the Group from five viewpoints of our stakeholders.

First, we must be a company trusted, highly regarded, and consulted first by our customers. Second, we must be a company that can sustainably improve its corporate value for shareholders. Third, we must be a company that has a long-term win-win partnership with our business partners. Fourth, we must be a company where employees can fulfill their professional needs through their work and keep their dreams alive. Fifth, we must be a company

recognized as the most competitive company in niche markets by competitors. To realize these visions, it is essential for us to connect deeply with our stakeholders and create value together. In the Medium-Term Business

Plan 2026, I believe that the Group is required to return to this starting point and “think and act from our stakeholders’ wide-ranging viewpoints” under our management philosophy.

■ Positioning of the Medium-Term Business Plan 2026



Results and challenges in the Fourth Medium-Term Business Plan

Under the previous Medium-Term Business Plan, we focused on exploring existing businesses in greater depth, developing new technologies and new segments, and digital transformation and organizational change that supported them with the basic policy of “deepening, expanding and embracing change,” in order to strengthen our growth foundation for the future. Initially, we set an

operating profit of 4.5 billion yen or above and an ROE of 5% or above as the three-year average financial targets. Because we had a good start in FY2022, in May 2022, we raised these targets to an operating profit of 7 billion yen or above and an ROE of 7% or above. In FY2024, while the three-year average operating profit was 6.1 billion yen, it fell short of the target partly due to a decline in demand, ROE was 7.1%, which reached the target. I believe that this showed great progress toward the

targets compared with the previous three Medium-Term Business Plans, and the fruit of efforts for achieving the targets by all employees through strengthened collaboration beyond the boundaries of departments and organizations.

Unlike in the past, the previous Medium-Term Business Plan was formulated mainly by junior members selected from each department. Specific measures were developed by envisioning the future of the Group. In individual efforts, importance was placed on each employee’s attitude of looking to the future of the Company and proactively working toward goals by themselves. This process promotes employees’ growth and fulfillment of their professional needs, and leads to improved performance of the Company as a whole. This kind of communication is essential for the Company to motivate employees and work together as a team to achieve the targets. In this process, I focused on visiting all sites around the world and carefully explaining the significance of the Plan and its targets to each local employee.

The results of the previous Medium-Term Business Plan include: (1) increase in the ratio of overseas net sales, (2) shift to a Highly Profitable Organization (price revision, etc.), (3) capacity enhancement of domestic and overseas production sites, and (4) organizational reform of the Production Department. On the other hand, remaining challenges are: (1) sustainable growth from a long-term perspective, (2) business models tailored to regional characteristics, and (3) improvement in capital efficiency. These challenges will be objectively analyzed based on stakeholders’ viewpoints and profitability/efficiency, and the analysis results will be reflected in the

Medium-Term Business Plan 2026.

Effective measures and efforts in the Medium-Term Business Plan 2026

Under the Medium-Term Business Plan 2026, we aim to enhance profitability and efficiency by focusing on “strong areas,” and to pursue growth potential by reconstructing our global business structure. The Group aims to realize the “Global Niche Leader” by connecting the niche leader in the industry, the niche leader in customization, and the niche leader in production of a wide variety of products. While the business performance still tends to be affected by the global trend in capital expenditure, the following two matters are important: (1) strengthen our position in growing industries (semiconductor manufacturing equipment, industrial robots, medical equipment, etc.) and (2) expand into new markets around the world. With respect to production, we require production leveling that anticipates demand trends based on our experience with rapid demand increase in the past.

We aim for sustainable growth by strengthening our efforts in growth areas including semiconductor manufacturing equipment, industrial robots, medical equipment, solar power generation, and automotive battery manufacturing facilities. In particular, the areas of semiconductor manufacturing equipment and medical equipment are seeing rapid demand increase after the COVID-19 pandemic, and we aim to expand our market share in those areas. In addition, in order to realize stable growth, we will actively invest in sustainable growth areas from the perspective of sustainability.

We are also making efforts to expand into emerging



markets. In African markets, we are developing new markets by building partnerships with local listed companies in South Africa. In India and Bangladesh, we are also working with new distributors to strengthen our access to these emerging markets. Through these efforts, we intend to pursue more growth opportunities for the Group and further enhance our presence as the “Global Niche Leader.”

Under this implementation system, we have set the following five key issues: (1) establishing regional sales models, (2) establishing a global production model, (3) strengthening technical support/conceptualizing and realization of overseas R&D, (4) creating a system for supply & demand balance/optimizing inventory, and (5) quick and appropriate decision-making/building a global support system. To address these issues, we launched a project across Sales, Production, Engineering, and

Management Departments. This project involves executive officers who hold responsibility and authority, as well as members selected from each department, and works on solving challenges from the perspective of the Company as a whole. In previous cross-departmental projects, we have achieved results by revitalizing the organizations through relocation of general managers of regional offices, factory managers, and talented junior engineers and sales staff (see “Cross-Departmental Project Roundtable Discussion” on page 41).

Initiatives toward IKO VISION 2030

IKO VISION places particular emphasis on strengthening global expansion and technology development. Previously, the Company enhanced its production sites in Vietnam and China, and developed a global production system. About 50% of small linear motion rolling guides, which are our mainstay product, are currently produced overseas, and we aim for their further growth. In addition, the production of needle roller bearings in China has been highly profitable despite fierce price competition, and these results indicate that our strategy is on the right track. We will maintain this direction to achieve further growth.

As part of our initiatives toward IKO VISION, we plan to establish a new production site in Quang Ninh Province, Vietnam, to strengthen the production of our flagship products. At this new factory, we will deploy state-of-the-art production facilities to further enhance production efficiency and ensure high quality. We will also further improve our

competitiveness in global markets by strengthening our production capacity of crossed roller bearings for industrial robots, speed reducers, etc., as well as defining production roles between Japan and overseas. I believe that this will enable us to achieve sustainable growth while meeting the diverse needs of our customers.

Furthermore, with respect to sales, we are actively developing overseas markets. While we successfully increased the overseas sales ratio to 50% under the previous Medium-Term Business Plan, we have targeted 55% or above under the Medium-Term Business Plan 2026, and 60% under IKO VISION. To achieve these targets, the Group is actively enhancing its overseas sites and establishing local subsidiaries. We have established sales sites in the United States, Europe, China, Thailand, and other countries around the world, and we are developing a system to provide services closely linked to the markets in each region. We also aim to realize long-term growth by strengthening partnerships with and building win-win relationships with our partner companies in each country. Relationships with distributors around the world are important in our sales activities, and we are making efforts to visit our sites all over the world at least once each year to listen to the voices of our distributors and customers.

Sustainability Activities and Improvement of Corporate Value

I believe that the Group's efforts for sustainability not only preserve the environment and fulfill our social responsibilities, but also contribute significantly to

improvement of our corporate value. Through our business activities, we are pursuing sustainable growth while contributing to society. Specifically, we are implementing various measures, including development of environmentally friendly products, establishment of sustainable supply chains, and co-existence with local communities. I believe that these activities will enable us to further earn the trust of society and realize a sustainable future. Sustainability is also an extremely important element of the Group's management strategy. All officers and employees understand its significance and reflect it in their daily operations.

In 2021, the Group set specific targets for the reduction of greenhouse gas (GHG) emissions and materiality. Currently, we aim to reduce GHG emissions by 42% or more from the FY2023 level by FY2031 and to achieve carbon neutrality by FY2051 (the targets were revised in February 2024). To achieve these targets, we need to rebuild awareness in the organization as a whole and revise our business processes, in addition to technological development. Ultimately, we aim to fulfill our social responsibilities and improve our corporate value through these efforts.

In addition, under the belief that the growth of each and every employee directly leads to the growth of the company, the Group is developing a system to support growth of employees. Through the introduction of flexible work styles and the clarification of career paths, we provide a workplace environment where employees can seek to fulfill their professional needs. In particular, we focus on the development of human resources who can contribute to change, and place importance on the attitude of young

employees to proactively come up with ideas and work on their own to realize those ideas. Through these efforts, we aim to achieve both employee self-fulfillment and sustainable corporate growth. Three years ago, we revised our HR personnel system, abolished the seniority-based system, and introduced a wage increase system based on ability, performance, and responsibilities. This has established a structure by which employees receive compensation according to their growth. The low turnover rate of the Company indicates that our working environment is recognized as comfortable; however, we must not settle for the status quo. We are also committed to providing learning opportunities to promote personal growth and paying necessary expenses. We will also consider introducing an internal recruitment system to foster a culture of taking on challenges. The promotion of diversity is another very important topic to enhance the vitality of the entire organization and drive innovation. The Group encourages the active participation of human resources from diverse backgrounds, and is particularly working to build an environment to promote women's activities. Female managers are steadily increasing, but the number is still low. In addition, we have no officers from overseas; it is important to change this situation. Overseas, women have effectively taken the second highest position at each department of our sites in China, Vietnam, the United States and Europe, and are achieving results in sales activities.

With respect to governance, the operation of the Board of Directors meetings has been improved. While members other than the President and presenters had rarely spoken in the past, now there is active discussion in which outside directors also participate. Outside

directors also attend important meetings so that they can have free and active discussion from various points of view utilizing the skill matrix. In formulating the Medium-Term Business Plan 2026, we received advice from three outside directors regarding the strengthening of human capital, and we intend to make use of it (see “Outside Directors Roundtable” on page 63).

For Improvement of Shareholder Value

The Group is implementing measures to enhance profitability, shareholder returns, and awareness of the cost of capital with the aim of improving shareholder value. The Medium-Term Business Plan 2026 sets a total return ratio of 50% or above, and has a policy of increasing dividends and share buybacks when profits are generated. Currently, our P/B ratio (price book-value ratio) remains low. I feel that this has been partly affected by the image of the bearings industry, which mainly sells ball bearings for the automotive industry. Today, needle roller bearings, which are our flagship products and account for about 40% of our net sales, are rarely used for automobiles, which means the risk of the shift to EVs is negligible. Rather, most of our products are for electronic equipment such as semiconductor manufacturing equipment, with linear motion rolling guides representing nearly half of our net sales, and this sector is expected to keep growing. To ensure that the capital market fully understands the Group's

business and growth story, we will undertake more initiatives directed at information disclosure and investor relations activities.

Through the Medium-Term Business Plan 2026, the Group aims to evolve into an attractive company that is chosen by customers and society. With “Connect for Growth—The Future of Innovation, Connected by IKO” in mind, we will work together with our stakeholders to solve challenges and grow sustainably as a “technology development-based company” that contributes to society. I would like to ask for your continued understanding and support.

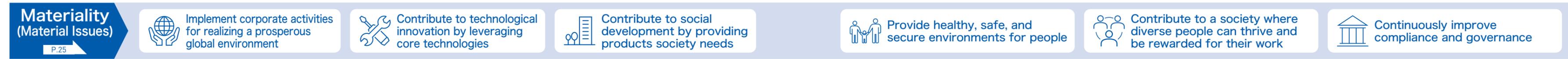


Value Creation Process

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

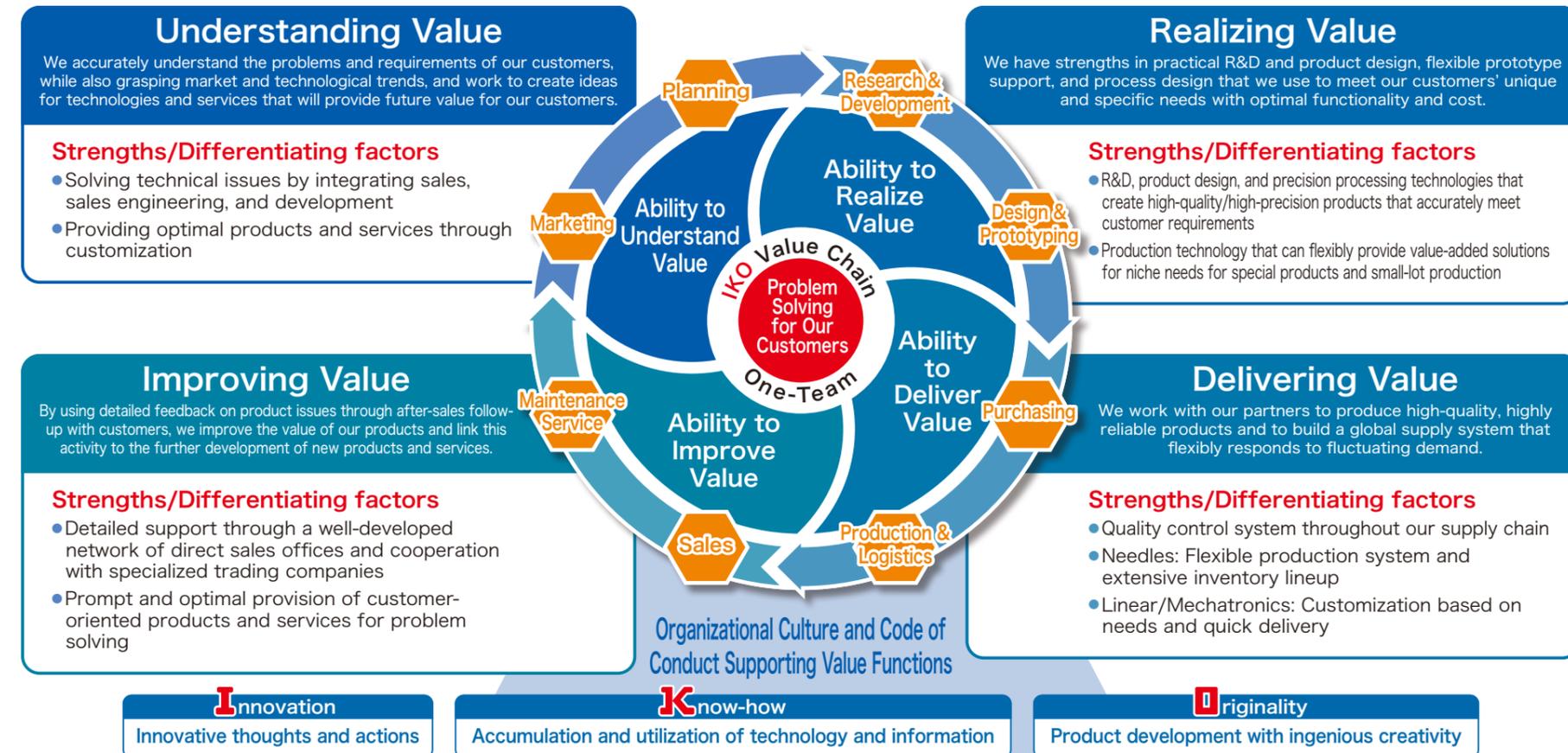
A Company Centered on Technology Development That Contributes to Society



Toward the Realization of a Value Creation Story

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



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

Management Capital Relevant to Value Creation

	Financial Capital	Manufacturing Capital	Intellectual Capital	Human Capital	Social and Relational Capital	Natural Capital
Vision for 2030	<ul style="list-style-type: none"> Operating profit to net sales ratio 15% or above ROE 10% or above Market capitalization 100 billion yen or above 	<ul style="list-style-type: none"> Reconstruct the global production system to elaborate high-quality products (improve production capacity) 	<ul style="list-style-type: none"> Create new value through development of new products for solving issues faced by society and customers 	<ul style="list-style-type: none"> Increase female managers 5 times or above (vs. FY2023) Percentage of male employees taking childcare leave 85% or above 	<ul style="list-style-type: none"> A company that perpetually co-exists and co-prospers with customers and business partners, and is needed and trusted by local communities 	<ul style="list-style-type: none"> Greenhouse gas emission reduction Scope 1, 2 Target 42% or above, Scope 3 Category 1 Target 25% or above (both vs. FY2023)
Group's strengths	<ul style="list-style-type: none"> Strong financial base 	<ul style="list-style-type: none"> Domestic and overseas production and logistics centers that enable production in optimal locations (Gifu/Kamakura, Vietnam, and China) Capital expenditures 4.8 billion yen (FY2024) 	<ul style="list-style-type: none"> Processing technologies accumulated over many years (heat treatment technology, grinding technology, quality control) R&D centers that promote innovation: Technical Center/Product Development Center Process design and management knowhow that enables optimal production Patent rights held: 192 domestic and 161 overseas 	<ul style="list-style-type: none"> 2,472 global employees with diverse skills and experience 1,513 employees with national certifications, etc. 	<ul style="list-style-type: none"> Trust and results cultivated by the IKO/UBC brands Collaborative relationships with customers and business partners Favorable relationship of trust with local communities 	<ul style="list-style-type: none"> Production systems utilizing renewable energy, and production technologies contributing to energy conservation Products with reduced environmental impact "Eco-Products" Management systems based on the ISO 14001 environmental management system
Future initiatives and enhancement measures	<ul style="list-style-type: none"> Strengthen ability to generate operating CF Reduce cross-shareholdings Enhance the investor base 	<ul style="list-style-type: none"> Growth investment including the construction of a new factory in Vietnam (15 billion yen, FY2025 - FY2027) Investment in renewal of existing facilities (7 billion yen, FY2025 - FY2027) 	<ul style="list-style-type: none"> Investment in R&D (5 billion yen, FY2025 - FY2027) Actively embrace open innovation Build a technical support system utilizing global offices 	<ul style="list-style-type: none"> Implement talent management Enhance self-development support system, and establish various employee benefit programs Support success of diverse human resources, including enhancement of childcare support 	<ul style="list-style-type: none"> Proactively collaborate with external parties with a strong awareness of open innovation Strengthen alliances with partner companies Implement stakeholder engagement 	<ul style="list-style-type: none"> Response to TNFD recommendations and disclosure Introduce renewable energy that has additionality, and introduce energy conservation facilities
Relevant materiality	<ul style="list-style-type: none"> Technological innovation Social development Governance 	<ul style="list-style-type: none"> Global environment Social development 	<ul style="list-style-type: none"> Technological innovation Social development 	<ul style="list-style-type: none"> Rewarding work environment 	<ul style="list-style-type: none"> Technological innovation Healthy, safe and secure 	<ul style="list-style-type: none"> Global environment
Relevant pages	<ul style="list-style-type: none"> Message from Director in Charge of Finance ▶P31-34 	<ul style="list-style-type: none"> Message from Director in Charge of Production ▶P37-38 	<ul style="list-style-type: none"> Message from Director in Charge of Technology ▶P35-36 Message from Director in Charge of Production ▶P37-38 	<ul style="list-style-type: none"> Message from General Manager of Personnel and General Affairs Department, Human Resources Strategy ▶P53-56 	<ul style="list-style-type: none"> Supply Chain Management ▶P52 Stakeholder Engagement ▶P69-70 	<ul style="list-style-type: none"> Environmental Initiatives, Contributing to a Recycling-Oriented Society, and Responding to Carbon Neutrality ▶P47-50

Material Issues

IKO Group Materiality: 6 Themes		Long-Term Targets for 2050 (Vision)	Medium-Term Targets for 2030	Action Plan	Specific SDGs
16 Issues to Be Addressed					
 Implement corporate activities for realizing a prosperous global environment	Environmental considerations in business activities	<ul style="list-style-type: none"> Carbon neutrality throughout the entire Group 	<ul style="list-style-type: none"> Reduce greenhouse gas (Scope 1 and 2) emissions by 42% or above from the base 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 	     
	Promoting supply chain management	<ul style="list-style-type: none"> Carbon neutrality throughout the entire supply chain 	<ul style="list-style-type: none"> Reduce greenhouse gas (Scope 3 Category 1) emissions by 25% or above from the base year Strengthen and help deepen global CSR procurement initiatives 	<ul style="list-style-type: none"> Improve accuracy of calculating supply chain greenhouse gas emissions Efforts for reducing greenhouse gas emissions in partnership with suppliers Formulate CSR procurement guidelines Coordinate CSR procurement policies with partner companies 	
	Adapting to climate change and biodiversity	<ul style="list-style-type: none"> More advanced sustainable management linked to measures against climate change and measures for conservation of biodiversity 	<ul style="list-style-type: none"> Realize improvement of corporate value centered on sustainability issues 	<ul style="list-style-type: none"> Respond to and disclose achievement of TCFD recommendations Respond to and disclose achievement of TNFD recommendations 	
 Contribute to technological innovation by leveraging core technologies	Promoting open innovation, such as industry-academia-government collaboration	<ul style="list-style-type: none"> A company that thoroughly refines all technologies related to machine elements and receives requests for technological collaboration from around the world 	<ul style="list-style-type: none"> 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 	  
	Taking on the challenge of new technologies and new business domains	<ul style="list-style-type: none"> 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 	
 Contribute to social development by providing products society needs	Pursuing product quality and safety	<ul style="list-style-type: none"> 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 	   
	Providing flexible and stable products	<ul style="list-style-type: none"> 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 	
 Provide healthy, safe, and secure environments for people	Co-existence with local communities	<ul style="list-style-type: none"> Becoming a company that is needed and trusted by contributing to the community and society 	<ul style="list-style-type: none"> 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 in and support local activities 	     
	Providing products leading to healthy, safe, and secure lifestyles	<ul style="list-style-type: none"> 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 	
	Respecting human rights	<ul style="list-style-type: none"> Realization of corporate activities as well as co-existence and co-prosperity ensuring full social safety in the global supply chain 	<ul style="list-style-type: none"> 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 	
 Contribute to a society where diverse people can thrive and be rewarded for their work	Strengthening recruitment and employee training	<ul style="list-style-type: none"> 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 	    
	Building a rewarding work environment	<ul style="list-style-type: none"> Work environment that realizes an optimal work-life balance 	<ul style="list-style-type: none"> 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 	
	Promoting diversity and inclusion (D&I)	<ul style="list-style-type: none"> Contributing to the development of a sustainable society by ensuring diversity in human resources, regardless of gender, nationality, career, etc. 	<ul style="list-style-type: none"> Expand diversity by increasing the ratio of women in management and supervisory positions, etc. 	<ul style="list-style-type: none"> Promote diverse talent's activities, including better childcare support Actively assign foreign nationals and mid-career hires to core human resources 	
 Continuously improve compliance and governance	Improving internal controls and ensuring compliance	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Highly fair and transparent management through the Group's strong governance system 	<ul style="list-style-type: none"> 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 	
	Enhancing information disclosure and communication with stakeholders	<ul style="list-style-type: none"> Maintaining good relationships with stakeholders by ensuring transparent disclosure of information 	<ul style="list-style-type: none"> 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) 	

*● indicates a completed action plan.

Medium-Term Business Plan

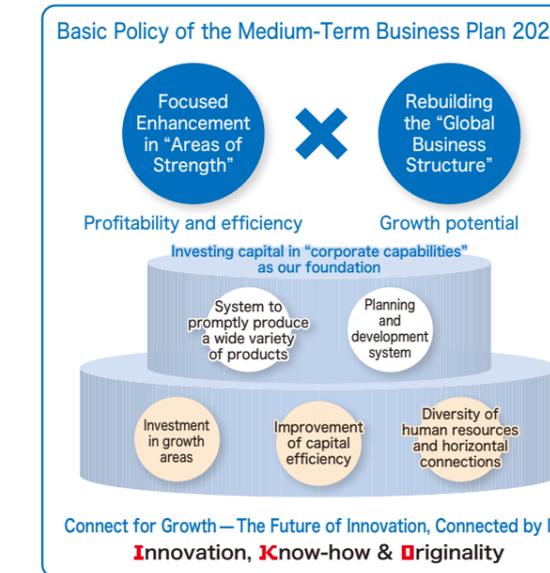
Review of the Medium-Term Business Plan 2023: Deepening, Expanding, and Embracing Change

During the period of the previous Medium-Term Business Plan, the supply chain was adversely affected by the suppression of private capital expenditures due to the COVID-19 pandemic, increased geopolitical risks, and other factors. In this environment, the Group promoted various measures under the basic policy of “deepening, expanding and embracing change” with the aim of building a stronger corporate structure that is more resilient to market fluctuations. While the three-year average financial targets for the period of the Medium-Term Business Plan were operating profit of 7 billion yen or above and ROE of 7% or above, the results were operating profit of 6.1 billion yen and ROE of 7.1%.

	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	Medium-Term Business Plan 2026 5th (April 2024 - March 2027) Connect for Growth	IKO VISION 2030								
Positioning and Themes	Shift to “Offensive Management”	Establishing a “Highly Profitable Organization”	“Value Enhancement, Value Co-Creation”	“Preemptive investment in the future foundation”	Collaborating with customers primarily and co-creating value as a technology development-based company — co-creating a sustainable future —								
Basic Policy	“Three Challenges of Growth Strategies” to Achieve Our Long-Term Vision (1) Establishing a global business structure (2) Developing new products using core technologies (3) Strengthening collaboration with partner companies												
	<ul style="list-style-type: none"> Maximizing the scope and the scale of business opportunities (improve utilization rates of production facilities / advanced pricing strategy) Strengthening organizational capabilities and IT system sophistication 	<ul style="list-style-type: none"> Heightening profit awareness Overall optimization /CFT for interdepartmental collaboration Focus/efficiency x global expansion 	<ul style="list-style-type: none"> Deepening: Explore existing businesses in greater depth Expanding: Develop new technologies and new segments Embracing Change: Behavioral change, organizational change, and digital transformation 	<ul style="list-style-type: none"> Focused Enhancement in “Areas of Strength” Rebuilding the “Global Business Structure” 									
Financial Targets	(Billions of yen)												
	FY2016	FY2017	FY2018	Final year target	FY2019	FY2020	FY2021	Final year target	FY2022	FY2023	FY2024	Three-year average target	
Net sales	43.6	44.1	55.2	60.0	57.5	47.4	44.3	70.0	62.2	68.2	55.0	None	Exceed the operating profit and ROE for FY2023, which saw record-high net sales
(three-year average)	47.7			60.0	49.8			70.0	61.8			None	• “High growth” leading to IKO VISION 2030
Operating profit	3.0	1.1	2.6	7.0	4.8	1.3	-0.5	8.0	5.8	9.4	3.1	7.0 or above	• The three-year average targets were set to realize stable profit
(three-year average)	2.3			7.0	1.9			8.0	6.1			7.0 or above	
ROE	2.6%	-0.5%	2.9%	7% or above	6.2%	-0.3%	0.4%	8% or above	6.7%	11.0%	3.6%	7% or above	
(three-year average)	1.7%			7% or above	2.1%			8% or above	7.1%			7% or above	
Achievements and Challenges	Outcomes <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) Challenges <ul style="list-style-type: none"> Profitability management (priorities/asset efficiency) Ability to implement tactical measures (inter-departmental collaboration) 	Outcomes <ul style="list-style-type: none"> Profitability improvement through the use of an integrated core ERP system (SAP) Transforming HR management system Strengthening the capabilities of domestic/overseas production sites Strengthening interdepartmental collaboration through crossfunctional teams Challenges <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 	Outcomes <ul style="list-style-type: none"> Formulation of the long-term demand forecast model “IKO Compass” Actively embrace open innovation Series-based reorganization of the Production Department Challenges <ul style="list-style-type: none"> Evolution into region- and market-specific models Strengthening the global production system Active investment in growth 	In the Midterm-Term Business Plan 2026, we aim to achieve significant growth as a global company while maintaining a strong corporate structure in order to ensure the realization of IKO VISION 2030. In achieving it, we recognize the reconstruction of our global business structure as the most important theme. “Connect,” the slogan of the Medium-Term Business Plan 2026, expresses our desire to further strengthen the “connection” among departments within the IKO Group and with alliance partners, and to grow together with them. By building such a partnership (connected) system on a global basis, we will achieve growth in the rapidly changing global economy.									

Medium-Term Business Plan 2026 Basic Policy of Growth Strategies

Under the Medium-Term Business Plan 2026, which was launched in FY2025, we will further enhance profitability and efficiency to accelerate sustainable growth toward the realization of IKO VISION 2030. Our strengths include the ability to promptly produce a wide variety of products, which enables us to quickly respond to our broad product lineup we have fostered for many years, and the planning and development capabilities based on market needs. These strengths are the foundation of our competitive advantage, and indispensable to strengthening our competitiveness in the global market and differentiating us from our competitors. In addition, we will establish a system to realize business operations



optimized for each region in the Manufacturing, Sales and Engineering Departments, and build a high profit model to ensure sustainable and stable profit. In the drastically changing business environment, we will further strengthen our competitiveness in the global market by accurately identifying business areas with high growth potential and making intensive investments in them.

Profit Targets of the Medium-Term Business Plan 2026

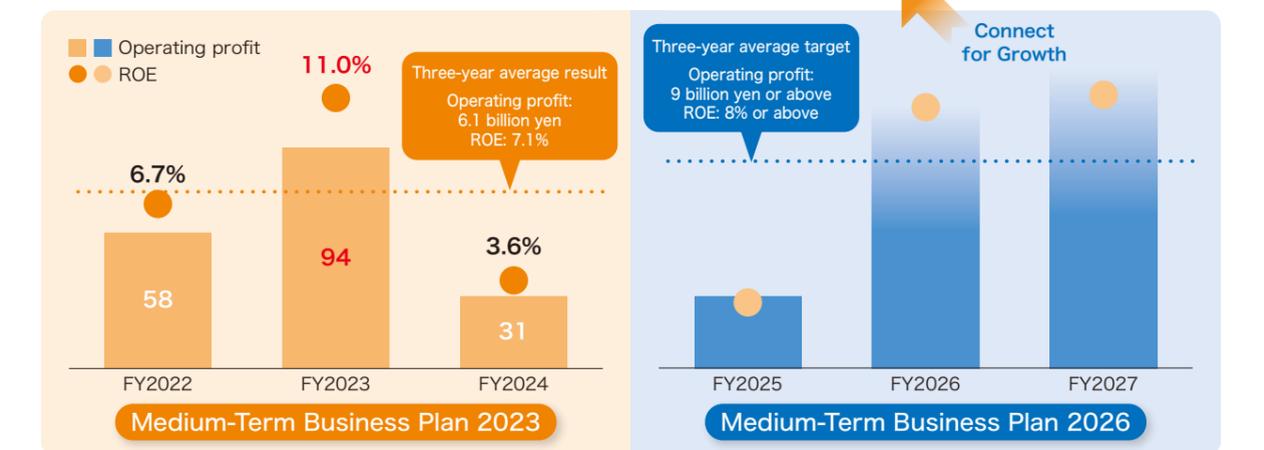
It is forecast that the business environment surrounding the Company will continue changing dramatically. In order to achieve stable profit and sustainable growth even under such uncertain circumstances, we

have also set three-year average financial targets in the Medium-Term Business Plan 2026. Specifically, we target operating profit of 9 billion yen or above and ROE of 8% or above on average over three years through FY2027, and we aim to exceed the operating profit and ROE for FY2023, which recorded the highest net sales ever, by FY2027. To achieve these targets, everyone in the Company will work together as one to allocate capital efficiently and implement business strategies appropriately.

	Medium-Term Business Plan 2023 Three-year average result	Medium-Term Business Plan 2026 Three-year average target
Net Sales	61.8 billion yen	—
Operating profit	6.1 billion yen	9 billion yen or above
ROE	7.1%	8.0% or above

IKO VISION 2030

- Net Sales: 100 billion yen or above
- Operating profit: 15 billion yen or above
- ROE: 10% or above
- Market capitalization: 100 billion yen or above



Medium-Term Business Plan 2026 Growth Strategies for Key Markets

[Key Markets]

We are particularly focusing on “semiconductor manufacturing equipment,” “industrial robot,” and “medical equipment” as our key markets. In these markets, the needs for miniaturization and sophistication are rapidly increasing due to the realization of a decarbonized society and the progress of automation. The high quality and high precision, which are the features of our products, match these

needs, and we recognize them as great opportunities for growth toward the realization of IKO VISION.

[Key Measures to Implement]

■ **Improvement of production capacity (global production)**

We will build a new factory in the Amata City Halong Industrial Park in Quang Ninh Province, North Vietnam, to further strengthen products in which we have strengths. We position it as an important production center to meet increasing demand in the global market.

■ **IKO Mech-unit solution**

In order to meet increasing demand for mech-units (equipment) due to labor shortages, we will strengthen our system to provide and sell high-value-added products by newly establishing the Mechatronics Unit Sales Promotion Office in April this year.

In addition, we will promote development of region- and industry-specific products, as well as develop new areas and new businesses through industry-academia-government collaboration.

Capital Strategy for Sustainable Growth (Capital Allocation)

We put importance on efficient allocation of capital in order to achieve sustainable growth. Based on our ability to generate solid cash flow, we will invest funds in growth areas, research and development (R&D), and renewal of existing facilities while maintaining financial soundness. We will also secure liquidity by selling cross-shareholdings and raising external funds as needed. This way, we will maximize our corporate value

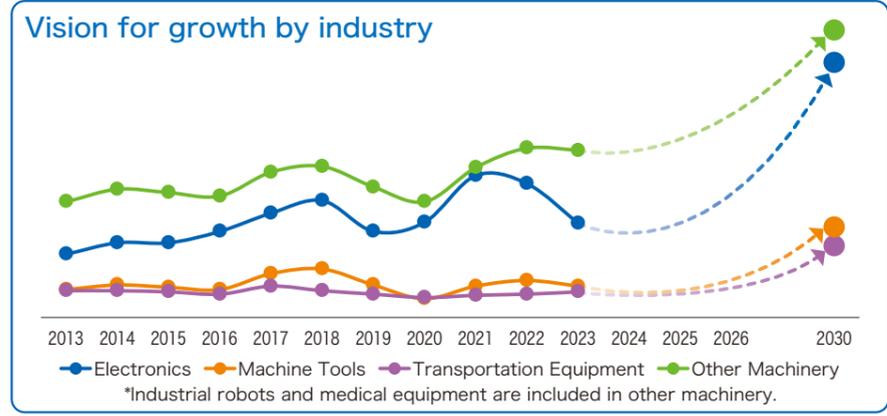
and strengthen shareholder returns to lay the foundation for long-term growth. Furthermore, we aim to maintain sustainable competitiveness by flexibly responding to changes in the market environment through this capital strategy.

In the three-year allocation plan, we plan to strategically allocate about 15 billion yen to growth investment, about 7 billion yen to renewal of existing facilities, and about 5 billion yen to research and development (R&D) from the fund of 37 billion yen, which consists of the operating cash flow of 33 billion yen and the proceeds of

selling some cross-shareholdings of 4 billion yen. Specific initiatives include the maximization of operating cash flow by pursuing profitability and capital efficiency, as well as the fundraising from the sale of cross-shareholdings. We will use these funds to invest in a new factory in Vietnam and other growth areas, promote aggressive R&D, and strengthen shareholder returns (the total return ratio of 50% or above). By maintaining this cycle, we aim to improve our corporate value.

Social Issues

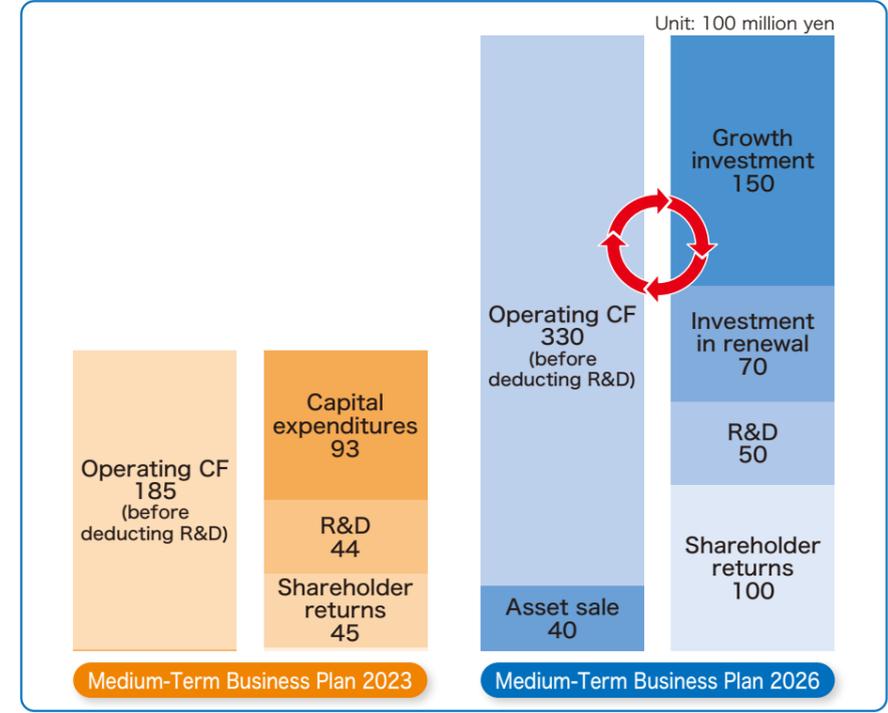
- Realizing a decarbonized society
- Technological innovation through the use of AI
- Automation due to labor shortages
- Soaring labor costs



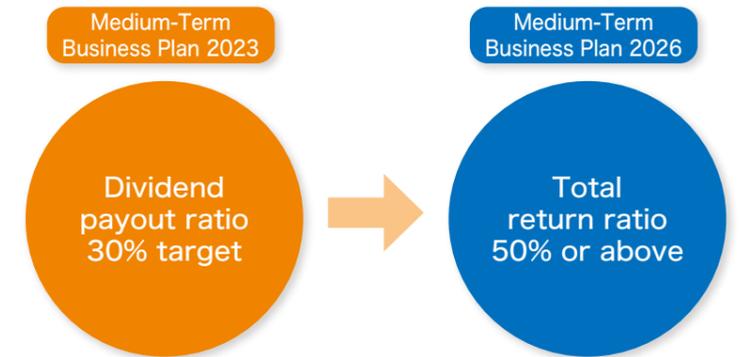
Aim for a high profit model by globally building a system to promptly produce a wide variety of products.

Accelerate proposals for high-value-added products with IKO Mech-unit.

Proactively embrace open innovation and alliances to explore possibilities for new businesses.



Account	Main initiatives
Operating CF	● Improvement of profitability and capital efficiency
Asset sale	● Sale of cross-shareholdings (less than 10% of net assets)
Growth investment	● Growth investment in a new factory in Vietnam, etc.
R&D	● Continuous investment in medium- to long-term growth (2 - 3% of net sales)
Shareholder returns	● Total return ratio 50% or above ● Agile share buybacks, taking comprehensive factors into account



Message from Director in Charge of Finance

We aim to improve corporate value and shareholder value by implementing measures to realize the Medium-Term Business Plan 2026 and strengthening IR activities to achieve a P/B ratio of 1 or higher.

Director
In charge of Corporate Planning Department,
Personnel and General Affairs Department,
Accounting Department,
Secretary Department
Mikihito Hosono



Challenges and Responsibilities of Director in Charge of Finance

A challenge for the Group is the high volatility of its performance due to its heavy dependence on the electronics industry, particularly semiconductor manufacturing equipment, and the cyclical growth market such as machine tools. Demand for industrial robots and medical equipment, which are expected to rapidly grow in the future, is steadily increasing, but has yet to reach a level that significantly boosts overall performance. In addition, TSR (total shareholder return: share price return including dividends) for the past 10 years has underperformed TOPIX and the Machinery Index. Going forward, we intend to help investors understand the growth potential of the Group by actively and strategically disclosing our business strategies and growth story. We will also consider agile acquisition of treasury shares to improve ROE. I recognize that my responsibility is to implement financial and capital policies more aware of the share price, to improve shareholder value, and to achieve a P/B ratio of 1 or higher as soon as possible.

Financial Result Summary for FY2024

For FY2024, net sales were 55 billion yen, down 19.4% year on year, and operating profit was 3.1 billion yen, down 66.6% year on year (operating margin was 5.7%). Performance across various sectors was weak, as net sales to the electronics industry, mainly including semiconductor manufacturing equipment, declined 29.6% year on

year, net sales to the machine tool industry declined 16.3% year on year, and net sales to domestic/overseas distributors also fell 25.6% year on year. By region, net sales to China, which account for 13% of the total net sales, decreased 39.9% year on year, and net sales to Japan also decreased 16.9% year on year, while we successfully increased net sales in Europe, up 2.6% year on year, backed by firm demand for general industrial machinery. Although operating profit decreased significantly due to a reduction in sales, our fundamental profitability, was strengthened thanks to reduction in costs and price revisions. On the other hand, the quarterly amount of orders received continued to fall year on year. For the quarter from October to December 2023, the amount declined 26.3% year on year to 10.7 billion yen. However, the amount of orders received for the quarter from January to March 2024 was 12 billion yen, down 1.5% year on

year, and that for the quarter from April to June 2024 was 13.9 billion yen, up 28.3% year on year (the B/B ratio recovered 1 times for the first time in eight quarters), which means we have entered a recovery phase of the quarterly amount of orders received.

Measures to Improve Profitability

SAP ERP, which we introduced in 2017, has enabled us to better recognize challenges based on our unique data management and improve the management system from production to sales. As a result, profitability by customer and product has been better clarified. Furthermore, we are continuously reducing unprofitable projects and revising product prices. Our strength is the business model that can generate larger earnings in boom periods by quickly supplying a wide variety of products. Whereas the proper

inventory level is about six months, the inventory as of the end of March 2024 is about nine months, which is slightly too large. By adjusting this inventory to a proper level and strengthening strategic inventory management to identify the optimal model numbers in stock, we aim to maximize profit in the next demand recovery period. On the other hand, equipment and component manufacturers generally tend to be more profitable in the semiconductor and aircraft industries. The Group aims to improve profitability by stably supplying products to customers without opportunity loss and by strengthening development of differentiated products and technologies.

Financial Result Forecast for FY2025

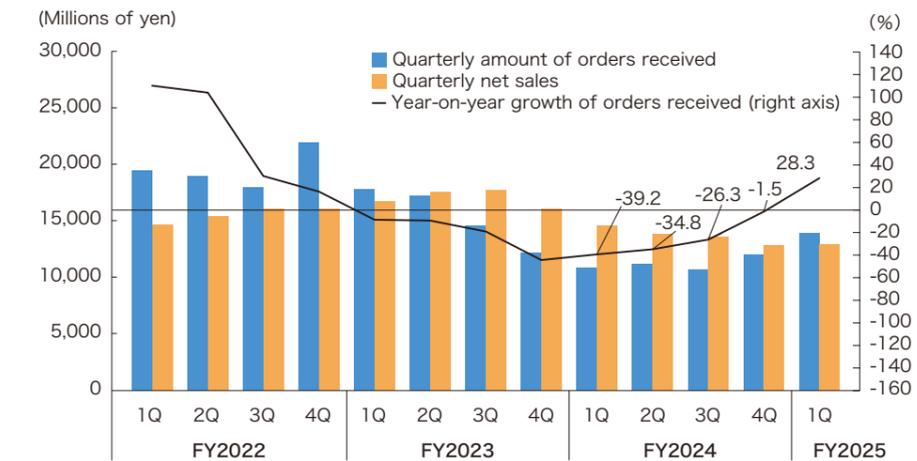
Orders and inquiries mainly from the electronics industry, including those for semiconductor manufacturing equipment, are on a recovery trend. As of July 2024, the growth rate of global net sales of semiconductors in WSTS (World Semiconductor Trade Statistics), which is considered a leading indicator of semiconductor capital expenditures, has remained positive year on year for 11 consecutive months. The monthly amount of orders received announced by the Japan Machine Tool Builders' Association is also recovering, turning positive year on year in May 2024. Thus, the order receiving environment surrounding the Group is improving, and the growth rate of the quarterly amount of orders received has also turned positive year on year. For the first half of FY2025, however, we expect net sales of 26.8 billion yen, down 5.9% year on year, and operating profit of 1 billion yen, down 51.0% year on year (operating margin of 3.7%), partly due to a decrease in order backlog. However, from

Basic Policy of Financial and Capital Policies

Based on the business characteristics of the Group, our basic policy is to strengthen profitability and improve capital efficiency in order to achieve the financial targets of the Medium-Term Business Plan 2026: operating profit of 9 billion yen or above and ROE of 8% or above on average for three years, as well as exceeding operating profit of 9.4 billion yen and ROE of 11% for FY2023, which saw the highest net sales ever, by FY2027, while strengthening the financial position. In the Medium-Term Business Plan 2026, we also disclosed capital allocation to achieve growth. From a cash inflow of 37 billion yen including the sale of cross-shareholdings, we plan cash outflow of 15 billion yen for growth investment, 7 billion yen for invest-

ment in renewal, 5 billion yen for investment in R&D including investment in human resources, and 10 billion yen for shareholder returns (the total return ratio of 50% or above). We will further improve profitability and strengthen the ability to generate cash through aggressive and intensive investment in our "strong areas" while taking the cost of capital into consideration. I believe that the three-year period of the Medium-Term Business Plan 2026 is an important period in which we must materialize our growth strategies to achieve the targets for 2030 that are set in IKO VISION 2030: net sales of 100 billion yen or above, operating profit of 15 billion yen or above, ROE of 10% or above, and market capitalization of 100 billion yen or above, as well as aiming to achieve a P/B ratio of 1 or higher as soon as possible.

Quarterly amount of orders received, net sales and year-on-year growth of orders received



the second half of FY2025 onward, we expect performance to recover on the back of the improvement of the order receiving environment. For the FY2025 full year, we forecast net sales of 56 billion yen, up 1.7% year on year, and operating profit of 3.1 billion yen, down 2.0% year on year (operating margin of 5.5%).

Medium-Term Business Plan 2026

Based on challenges and countermeasures taken in the previous Medium-Term Business Plan, the Medium-Term Business Plan 2026 was formulated by launching a growth strategy project in which Executive Officers and Section Managers participated. This project thoroughly discussed targets and strategies that anticipate IKO VISION and growth beyond it, in addition to the Medium-Term Business Plan 2026, and finalized the contents

in a way that all officers and employees understood and could agree on. As stated in the basic policy at the beginning of this article, we have set three-year average numerical targets of operating profit of 9 billion yen or above and ROE of 8% or above, without setting specific net sales targets, since we place the highest priority on improving profitability and capital efficiency. In addition, we define the hurdle rate as around 5% of WACC (weighted average capital cost), which is not set as a specific numerical target in the Medium-Term Business Plan 2026, and we will enhance effectiveness by disseminating ROE-centered strategies to all departments.

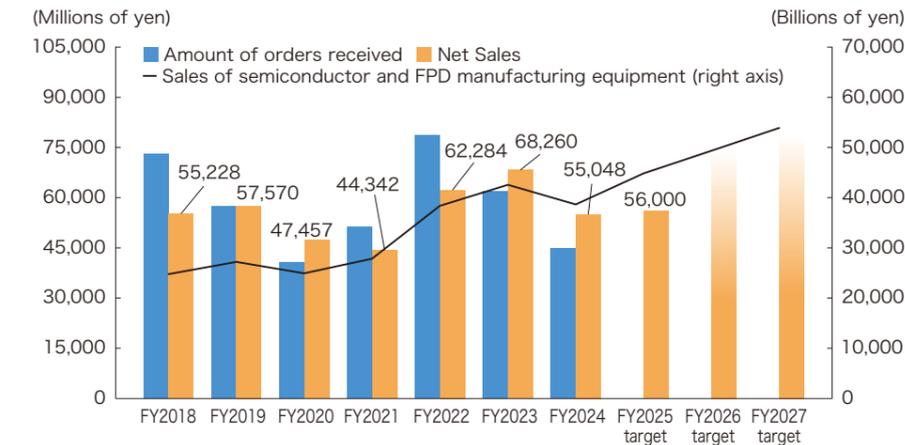
Meanwhile, as for the future demand outlook according to "Market Forecast Report: Semiconductor and FPD Manufacturing Equipment" (Forecast for Japanese Equipment Billing) released by the Semiconductor Equipment Association of Japan (SEAJ) in July 2024, the growth rate

is expected to increase 16.0% year on year for FY2025, increase 10.0% year on year for FY2026, and increase 9.3% year on year for FY2027. The Group aims to exceed operating profit of 9.4 billion yen and ROE of 11% for FY2023, which saw the highest net sales ever, during the period of the Medium-Term Business Plan 2026 by expanding the supply system, reducing various costs, and revising product prices, in addition to the improving demand environment.

Capital Allocation

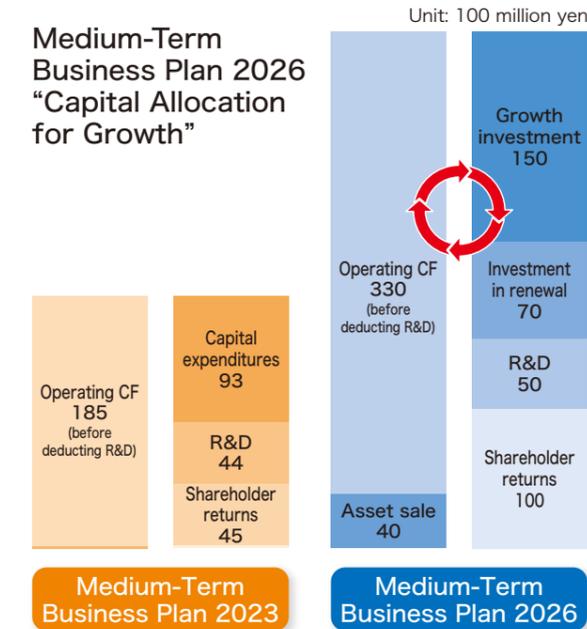
The growth investment of 15 billion yen indicated in the Medium-Term Business Plan 2026 is intended to strengthen global production capacity, mainly in Vietnam and China. Currently, we have secured a production capacity of about 80 billion yen in terms of net sales, and this growth investment is part of our investment to achieve net sales of 100 billion yen or above by FY2031. In so doing, we put importance on further improving production efficiency and strengthening ability to generate earnings. We also plan to invest 5 billion yen in R&D, with a particular emphasis on human resources. We are actively hiring talented mid-career engineers in product development, mechanical design and other areas, in order to strengthen the development of new products and technologies. In Japan, we made a significant shift from the seniority-based wage system several years ago, while globally, we have been introducing an evaluation system that reflects incentives in the United States and other countries. In addition to investment in production facilities, we intend to continue strategic human resource investment to build organizational operations by which each and every employee feels satisfied with their work and motivated to take on new challenges.

Trends in the Group's amount of orders received and net sales, and the leading performance indicator



Source: Semiconductor Equipment Association of Japan

Medium-Term Business Plan 2026 "Capital Allocation for Growth"



Balance Sheet We Aim for

We put importance on the balance between cash and debts while maintaining a sound financial position. While we believe that moderate leverage is effective in improving capital efficiency, the financial discipline is important for maintaining a quick-delivery sales model that makes effective use of inventory, which is a strength of the Group. As an indicator of financial soundness, we aim to keep the D/E ratio within 0.5 times. For cash on the balance sheet, we target three to four months, taking the inventory strategy and performance fluctuation risk into consideration. In addition, the Company is rated at BBB+ by Japan Credit Rating Agency (JCR). Although the improvement of our credit rating requires reducing invento-

ry turnover months, we are considering optimal inventory strategies while maintaining the financial soundness, because inventory sales are also our strength.

Share Price Valuation

The current P/B ratio is around 0.4 to 0.6 times, and the expected ROE calculated based on the FY2025 forecast P/E ratio of around 15 times is about 3%. The breakdown analysis of the Group's net sales by industry reveals that net sales to the electronics industry including semiconductor manufacturing equipment, which is expected to continue to rapidly grow, and net sales to the general machinery industry account for a larger proportion of the Group's net sales. In the Prime Market, the weighted average P/E ratio of the electrical machinery industry is 25 times, and that of the machinery industry is 19 times. Our forecast P/E ratio is lower than those figures. I think this is mainly because we have not sufficiently helped investors understand the growth strategies and medium- to long-term growth story of the Group. In addition, the linear motion rolling guide series account for about 50% of net sales, and net sales to the transportation equipment industry only account for 4%. The dependence of our net sales on internal combustion engines is only about 1% on a consolidated basis, which means that the negative impact of the future shift to EVs (electric vehicles) on our business performance will be extremely limited. Going forward, we aim to improve share price valuation by strengthening IR activities including information disclosure methods, in addition to early recovery of ROE to 8% or above through the improvement of profitability.

Shareholder Returns Policy

We changed our shareholder returns policy in FY2025, and raised the total return ratio to 50% or more from the previous policy, in which the target dividend payout ratio was 30%. While the basic policy is to continue stable dividends, we will consider agile acquisition of treasury shares as necessary.

In FY2024, we paid a dividend of 19 yen per share, with the dividend payout ratio of 50.2%. However, the total return ratio after taking into account the acquisition of treasury shares announced in August 2023 (1.3 billion yen, about 2.17 million shares, 3.0% of the total outstanding shares, the acquisition period from August 10, 2023 to March 22, 2024) was 110.4%, resulting in the shareholder yield of 5.8% (as of March 28, 2024) taking the above into account. Going forward, we aim to maximize shareholder value through growth of EPS (earnings per share), taking into consideration the balance between capital gains and income gains.



Message from Director in Charge of Technology

The source of our value creation is the unique and advanced technological strengths supporting the **IKO** brand. We want to create new value by accurately identifying problems faced by society and our customers.



Policy and Future Initiatives for Achieving IKO VISION 2030

Strengthening Technical Services to Establish the Global Business Structure

In the Technology Development Department, our initiatives are aligned with key missions for new product development that more thoroughly meet existing market needs, strengthen our brand, and create new value.

In terms of new product development, we developed and announced the LRX ZERO, which achieves ultra-high-precision guide performance. With this product, we intend to meet the demands of customers, particularly from machine tool manufacturers who have been using our roller-type linear motion rolling guides for many years. In the mechatronics series, we are developing products that combine our expertise in small linear motion rolling guides and linear motors. We are also focusing on the development of custom products for customers as well as modular unit products.

In order to realize IKO VISION 2030, it is necessary to accurately identify regions with high market growth potential for semiconductor manufacturing equipment, industrial robots and medical equipment, which we have developed as our key industries, and concentrate our resources on those regions. By adding regional characteristics around the world to our strength of identifying potential issues of customers and proposing optimal solutions, we will launch high-value-added products. We will also promote building a technical support system utilizing our global offices in order to further strengthen customer services.



Linear roller way Super X ZERO (LRX ZERO)



Linear motor table LT

Linear motor unit products

Strengthen our brand

Further penetration of the IKO brand in the global market

Create new value

Accurately identify social problems and expanding markets, and expand into new business segments



New product development

Solve customers' technical problems and develop new products that meet their expectations

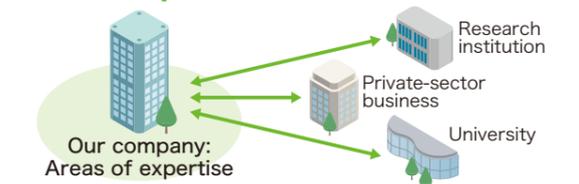
Using Open Innovation to Deepen Technology

In the Technology Development Department, we continue to explore new technologies and new business segments as we work to achieve our long-term vision. In addition, we aim to develop new application products while not only relying on in-house technologies but also strengthening cooperation with universities, research institutions, and other companies. A prime example is liquid crystal lubricant, which we have jointly developed with the University of Yamanashi. This lubricant has excellent properties for special applications such as evaporation and outgas/dust generation. It is expected to expand the applicability of bearing mechanisms in electronic components, semiconductor manufacturing equipment, and more. In this way, we will embrace open innovation as a way of deepening technology and continuing to expand into new technologies and new business segments.



Linear way with liquid crystal lubricant

Open Innovation



Combining technologies and ideas from inside and outside the company to create ideas that we could not deliver alone

Environmental Awareness and Issues

Linear motion rolling guides and bearings are mechanical components for enabling precise and smooth movement. By reducing heat generation and energy loss caused by friction, they help improve the performance of all types of machinery and equipment.

As the digital shift accelerates throughout the world, next-generation technologies such as IoT, AI, and smart factories are developing significantly, so demand for our products is expected to grow continuously. In particular, the sophistication 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 segmented, making the technical issues more diverse and complex.

We aim to meet a wide range of requirements such as high load capacity, high rigidity, long life, low friction, low vibration, low dust generation, environmental temperature resistance, and vacuum resistance. Drawing from our expertise in roller guidance and small sizing technology, we will continue and deepen our R&D to achieve these goals.

Features and Strengths

In the Technology Development Department, we prioritize our customers' requests and strive to maintain the upmost integrity capabilities in resolving any issues.

Our strong technological capabilities that support the development of the IKO brand for top-quality and highly precise products are the result of the many years of experience and knowhow that we have accumulated by working closely with the Production Department to fulfill our customers' requirements and overcome obstacles one by one.

Micro Linear Way LWL1 is the world's smallest linear motion rolling guide created based on such experience and knowhow. This product realizes high precision and stable running despite its extremely small track rail width of 1 mm, and our technological capabilities demonstrated by this product has earned the trust of NASA. The Micro Linear Way series was used on the Mars rover and realized stable running for over one year under the harsh environment on Mars, which proved that this is a highly reliable and durable product.

In order to continuously create products trusted by customers, the Technology Development Department continues to work on thoroughly examining customers' issues and proposing solutions.

Message from Director in Charge of Production

- From Gifu to the World -
Solving problems faced by customers is the source of our value creation. We want to support the **IKO** brand by evolving “local-based manufacturing” on a global scale.

Senior Managing Director
In charge of Production Department
Nobuya Hideshima



Policy and Future Initiatives for Achieving IKO VISION 2030

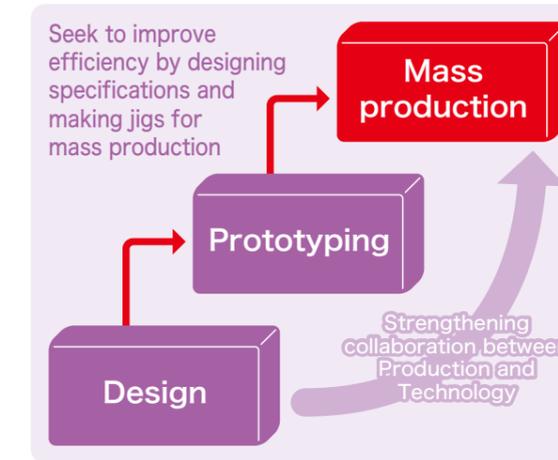
Strengthening the planning function for sophistication of production strategies

In the Production Department, we are accelerating the creation of a robust production site system to realize IKO VISION 2030. Last year, we reorganized the department based on the product series. In addition to making this organization more agile, we are strengthening the planning function to enhance the sophistication of our production strategies with the global production system.

Specifically, we will enhance the planning function of the Manufacturing Innovation and Production Management, which was newly established last year, to build optimal production strategies utilizing our three production sites in Japan, Vietnam, and China, based on the big picture of QDC (quality, delivery, and cost) competitiveness and customer needs. From the perspective of QDC competitiveness, we will continue to promote procurement of parts and materials in the global market and strengthen strategic collaboration with our suppliers. We not only request suppliers to meet our required specifications, but also share problems with each other, and work together to find



Maximize cost reduction and delivery time reduction by strengthening collaboration with suppliers



solutions to those problems in order to maximize IKO's high quality, delivery time reduction, and cost reduction. In production planning, we will work to strengthen the prototyping function, in addition to closer information exchange with the Sales Department, in order to respond to the rapid rise of the semiconductor market. In order to speed up the transfer of prototypes to factories for mass production, we will seek to improve efficiency at each of the three production sites in conjunction with the Engineering Department, such as designing specifications and making jigs with mass production in mind.

By promoting these activities, we will develop a production system with “swift response capability” to respond promptly, accurately, and flexibly to a wide variety of customers' requirements from prototyping to mass production, throughout the supply chain management including suppliers. In doing so, we will not only put the highest priority on making customers happy, but also be the first to be consulted by customers.

Accelerating development towards operation of new factory in Vietnam

As the pioneer of the next-generation IKO manufacturing, the Production Department is promoting the concept of the new “IKO Production System” utilizing the new factory in Vietnam.

The new factory in Vietnam, a major pillar of our growth strategy to realize IKO VISION, will play an important role in accelerating globalization. In establishing regional sales models, the most important theme is to develop region-specific concept models and supply them at the speed demanded by customers. In order to efficiently produce concept models developed in Japan, we are addressing these issues in collaboration with various departments for the launch in 2026, including the promotion of automation and the establishment of a production system that realizes flexible production. We will also actively promote exchanges with the existing factory in Vietnam to prepare for starting maximum production with the launch of the new factory while promoting global human resource development.

By promoting growth strategies throughout the Group in this way, we will build a firmer corporate foundation and aim to realize IKO VISION through the growth of the Group's “manufacturing human resources.”



Conceptual drawing of the new factory in Vietnam

Message from Director in Charge of Sales

The source of our value creation is the ability to propose solutions that focus on customers' needs. We aim to be the "First Call Company" that is consulted first by all customers facing challenges.



Managing Director
In charge of Sales Department
Toshinao Kimura

Policy and Future Initiatives for Achieving IKO VISION 2030

Acceleration of global growth and establishment of sustainable competitive advantage

We have launched the Medium-Term Business Plan 2026, which is an important step forward to achieve the goals of IKO VISION 2030. Under the Medium-Term Business Plan 2026, we will identify important markets and regions and develop strategies in order to achieve significant growth in the global market. In particular, semiconductor manufacturing equipment, industrial robots, and medical equipment are expected to continue to grow significantly. Particularly, semiconductor manufacturing equipment is expected to continue to grow rapidly due to the sophistication of semiconductors accelerated by the expansion of generative AI. We aim for sustainable growth by quickly riding this tide and taking the initiative.



C-Lube linear roller way Super MX

IKO Mech-unit

As geopolitical risks continue to rise, China is accelerating its domestic production of semiconductor manufacturing equipment. In this market environment, we will build a high-value-added business model that our competitors cannot imitate, leveraging our differentiated product lineup and excellent ability to propose solutions. Specifically, we will concentrate more on our flagship products such as linear roller way Super X, which is a roller-type linear motion rolling guide, and liquid crystal lubricant developed jointly with the University of Yamanashi. At the same time, we will also develop new markets by strengthening alliances with local partners and focusing on proposing IKO Mech-units. In order to further grow in overseas markets, we will analyze information we obtained from a global perspective and formulate appropriate strategies.

Ability to make proposals as the leading needle roller bearing manufacturer

Needle roller bearings, which have been the foundation of the IKO brand since its establishment, are our important source of profit. Unlike ordinary ball bearings, these products, which use needle-shaped rollers as rolling elements, boast a low cross-sectional height and large load capacity. They are highly regarded in a wide range of industries from transportation equipment such as automobiles and motorcycles to printing machines and construction machines, due to a wide variety of models and high quality. Our market superiority is supported by our ability to make proposals to meet diverse customer needs by utilizing a wide range of variations and sizes.

In addition, needle roller bearings for the aftermarket

segment contribute to the reinforcement of the stable profit generating source that increases our corporate value. Even amid the increasing volatility of the semiconductor industry, needle roller bearings are firmly supporting our sustainable growth by their stability and high profitability. As a leading needle roller bearing manufacturer, we aim to build a firmer profit generating source by continuing to make proposals optimal to customers' challenges.



Needle roller bearings are highly regarded in a variety of applications



Environmental Awareness and Issues

Needle roller bearings are the legacy of the IKO brand, and the driving force behind the Group's growth as a profit generating source since the Company's establishment. Linear motion rolling guides 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, robots 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.

To achieve carbon neutrality by 2050, there has been a rapid increase in demand for downsizing machinery and equipment to reduce greenhouse gas emissions. Therefore, we anticipate customer expectations will grow more and more in the future for Eco-Products, which are products proposed for reducing CO₂ emissions. Considering these circumstances, we recognize that the mission of IKO is to align ourselves with customers' requirements for sustainable management and expand our customer perspective solution proposals across the globe.

Features and Strengths

The IKO Group has 48 domestic and overseas sales offices (22 in Japan and 26 overseas), and we are closely attuned to our customers through product sales, accurately identifying the needs of each region, industry and customer, launching strategic products that aim to be the niche leader from a global perspective, concentrating resources in key regions and strengthening our system. We are also strengthening partnerships with highly specialized trading companies dedicated to specific customers and industries, while creating a structure that enables us to provide more extensive and attentive support.

With our legacy as a bearing trading company that was 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 from 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 of IKO Mech-units in collaboration with our alliance partners.

Cross-Departmental Project Roundtable Discussion

To achieve Medium-Term Business Plan 2026, we have identified five key issues that combine our “strengths” with “business opportunities, challenges, and weaknesses,” and have begun cross-departmental projects to address each theme. The five project leaders gathered to discuss implementation measures and its implementation on-site.

Akiko Nishimura
Sales & Marketing Administration Dept.
Sales Section, Manager



Daisuke Yokoyama
Gifu Plant Mfg. Innovation Management Dept.
Mfg. Innovation and Planning Dept.
Mfg. Planning Section, Manager

Takeshi Inoue
Personnel and General Affairs Dept.
Personnel Section 2, Manager

Akira Kobayashi
Sales & Marketing Administration
Dept./Deputy General Manager
Business Strategy Section,
Manager

Daisuke Takashima
Technical Center Mechatronics
Technical Dept./General Manager
Gifu Plant Toki Mechatronics Center,
Deputy General Manager

Moderator: Please introduce yourselves.

Yokoyama: I joined the Company in 2000 and was assigned to Production Technology. In 2015, I was assigned to set up and manage the Vietnam plant. After five and a half years in Vietnam, I returned to Japan and am currently working in Manufacturing Planning Section. We plan future measures and production systems for each factory, and work with different departments to achieve them. I am in charge of one of the key issues, “Establishing a global production model.”

Nishimura: I joined the Company in 1991 and gained experience in sales and management at the Kyushu branch before moving to the head office two years ago. Currently, I am involved in understanding demand and supply on a global basis, considering countermeasures, and developing inventory strategies. In addition to responding to various inquiries from the sales field, we also work with the Production Department to coordinate consultations regarding delivery dates and prices. I am in charge of “creating a system for supply & demand balance/optimizing inven-

tory,” which has been identified as a key issue.

Kobayashi: I joined the Company in 1986 and have worked in sales at branches in the eastern, central and western regions. I was assigned to the Sales & Marketing Administration Department five years ago. I am mainly responsible for planning and formulating sales strategies using the long-term global demand forecast model “IKO Compass,” and rolling them out to each department, including production, technology, sales, and management. Our goal is to “establish regional sales models.”

Takashima: I joined the Company in 1998 and have been in charge of sales engineering including Production Technology and Sales Engineering Department at the head office. I have experience working as a Sales Engineering Manager at a sales subsidiary in Shanghai, China. In July 2023, I became General Manager of the Mechatronics Engineering Department. The main duties include development and design of mechatronics series. I am in charge of “Strengthening technical support/Conceptualizing and realization of overseas R&D.”

Inoue: After joining the Company in 2001, I was initially assigned to Production Technology. Then I worked on various improvement projects as a factory staff member in the Production Department. After that I was in charge of the design of needle roller bearings in the Engineering Department. In 2019, I was transferred to the Personnel and General Affairs Department. I was responsible for the design and operation of various human resources systems, including the “Human Resources System Reform.” Since July 2024 I have been in charge of human resources management tasks such as recruitment and training. I am in charge of one of the key issues, “Establishing a quick and appropriate decision-making/global support system.”

Moderator: Please tell us about Nippon Thompson’s “strengths.”

Takashima: Our strength is our ability to respond flexibly to individual customers. We have a production system that allows us to supply high-performance products with different shapes in small quantities as per customer requests. Unlike other companies, we have production lines capable of producing a wide variety of products in small quantities. Furthermore, our strength comes from our high engineering and sales capabilities. This allows us to quickly grasp market information and develop products that meet customer needs.

Key issues for achieving the Medium-Term Business Plan 2026

No	Key issues	Ideal position
1	Establishing regional sales models	We will “establish pricing” and “support systems” that take into account regional needs, and expand sales while maintaining profits.
2	Establishing a global production model	Taking advantage of the regional characteristics of the three bases in Japan and overseas, the Company will maintain a highly profitable structure by building an optimal global QDC production model.
3	Strengthening technical support/Conceptualizing and realization of overseas R&D	By expanding technical support and R&D globally, we aim to provide high-quality support to our customers and improve profitability.
4	Creating a system for supply & demand balance/optimizing inventory	We will build an efficient supply and sales system through advanced supply & demand adjustments and inventory utilization to quickly respond to customer required delivery dates.
5	Establishing a quick and appropriate decision-making/global support system	Establish standards for the rapid and appropriate allocation of resources (people, materials, funds, and information) necessary to strengthen our global system.

Kobayashi: One of our strengths is our proposal-based sales approach that focuses on customers. We excel at accurately understanding customer opinions, incorporating them into technological development, and turning them into products. While we strive to conduct healthy and efficient sales activities, a persistent sales style that builds deep relationships of trust with customers is also part of our DNA. We also have strengths in customization to meet customer requests, which in some cases leads to mass production. For example, our small linear motion rolling guide is a product that was customized for a semiconductor manufacturing equipment maker. But by expanding into mass production, it has grown into a hit product for the Company.

Inoue: As already mentioned, our strengths are our sales capabilities that build strong relationships of trust with customers and our small-lot production of a wide variety of products. It is our “sincere and earnest corporate culture” trusted by our customers and the human resources that support it that are the source of our strength. We be-

lieve that the reason we have been able to achieve this is our high retention rate. And we recognize that our strengths in terms of human resources lie in our long-term, focused training and culture. While inheriting this DNA, we are redefining the strengths of our human resources in line with changing times. We are also promoting integrated human resource management with a view to the next 10 years.

Nishimura: Our sales staff work closely with our sales engineers to maintain close communication with customers. That is why our customers ask us, “Can you do this?” We receive a lot of requests for such technical consultations. We feel that our customers understand our ability to respond and place their trust in us. Due to such a background, small-lot production of a wide variety of products is central to the strength of the IKO brand. However, there are also management difficulties, such as the risk of declining production efficiency and increasing inventory. So, I think it is important to manage in a way that minimizes risks while maximizing our strengths.

Yokoyama: Our strength is our willingness to keep on ex-

panding and meet our customers' needs while maintaining high quality. But responding to all the unreasonable requests can result in problems with costs and delivery dates. In recent years, we have taken on more challenging projects than before. But we do have to turn down some projects due to considerations of profitability and efficiency. Selection and focus of the projects are also important.

Moderator: How are the resolution of key issues linked to the Medium-Term Business Plan 2026?

Yokoyama: Currently, the Gifu factory complex is our main production base. But to solve the issue of shortening delivery time, we are reviewing the roles of our factories in Vietnam and China to optimize our production system. By defining which products are to be shipped to which region by which date, each factory aims to improve production efficiency and shorten delivery time. For example, our strength in needle roller bearings is the small-lot production of a wide variety of products; however, sometimes orders are lost due to long lead times. We are implementing a strategy to centrally manage our needle roller bearing inventory and shorten the delivery lead time for major products for overseas markets to one month. This is expected to improve competitiveness by providing a system for immediate delivery to customers. Furthermore, by increasing production speed, including prototype projects, and increasing the supply volume, we aim to acquire overseas projects that we previously turned down.



Nishimura: Our main customer, the electronics industry, centered on semiconductor manufacturing equipment, and

the industrial robot industry, are expected to have significant growth potential in the medium to long term, but are also characterized by drastic fluctuations in demand. In the early stages of a recovery, demand surged, so we responded by intentionally increasing our inventory. However, this sometimes meant that we were slow to implement inventory management that took profitability and capital efficiency into consideration. Previously, it was possible to make forecasts based on upgrade cycles, but now, sudden fluctuations in demand make this difficult to predict. So, we are strengthening inventory management based on demand forecasts, improving data consistency and analytical capabilities. We are also aiming to build a strategic and efficient supply and sales system.

Kobayashi: Our long-term vision, which ends in 2030, aims for net sales of 100 billion yen. This is a big challenge, and our Sales Department has set itself the net sales target of achieving 100 billion yen. The target was set with an emphasis on the perspective that, in contrast to the lofty goal of 100 billion yen, if we achieve this sales amount in the Medium-Term Business Plan 2026, "employees will have confidence in achieving 100 billion yen in net sales." Our business performance is greatly affected by the market environment, but we are identifying issues to address in order to achieve this goal and strengthening our company-wide activities. As demand becomes more diverse and globalized, it is not easy to sell products developed in Japan with a product-out approach overseas. It is essential to analyze which products are selling well in which regions and why, and to supply products that are suited to the business opportunities of each country. To achieve this, we will promote market-in development that meets the needs of each region and aim to achieve our numerical targets by building optimal sales models.

Takashima: We are focusing on measures aimed at establishing a system to achieve net sales of 100 billion yen by 2030. Specifically, we will work to strengthen our technical

support capabilities, which are one of our strengths and have been cultivated over the years. Our Sales Department creates sales plans based on the needs of each region and builds optimal sales models to realize these plans. The mission of the Engineering Department is to provide technical support for these sales activities. In Japan, sales staff work together with sales engineers and technology experts to conduct sales activities, but this system is not functioning well overseas, and net sales are stagnating. To differentiate ourselves from other companies, we need to collaborate sales and technology, understand the needs of each region, and build a supply system for new products specialized for that region. In fact, the number of successful cases such as acquisition of new projects and successful mass production of overseas projects for surgical robots and semiconductor manufacturing equipment has been steadily increasing through the support of the technical team in sales.

Nishimura: A sales strategy that utilizes inventory is one of the features of our business model. The Sales Department requires a large amount of inventory to handle short delivery times and a wide variety of products, but inventory without a strategy increases the risk of impairment. Therefore, we aim to reduce working capital and improve inventory turnover days by maintaining optimal inventory levels based on demand forecasts and visualizing inventory part numbers. Because of this initiative, we aim to achieve the numerical targets set forth in the Medium-Term Business Plan 2026 by introducing enhanced cash-generating ability and improvement of ROE to the field. Recently, we have also been receiving an increasing number of requests for humanoid robot proto-



types from multiple overseas customers. These are the projects we specialize in, but as we have many new customers, we plan to strengthen information sharing between development, production, and sales. And link this with demand forecasts provided by "IKO Compass" to improve the precision of winning projects.

Inoue: One of the key issues I am in charge of is "Establishing a quick and appropriate decision-making/global support system." This system will oversee the other four issues in order to realize "IKO VISION 2030" (hereinafter referred to as "IKO Vision"), and will build a system to quickly and optimally allocate the resources (people, materials, funds, and information) needed to solve the four key issues. In previous Medium-Term Business Plans, we created mechanisms for solving problems through cross-departmental collaboration projects, but there were issues with our ability to execute them. Based on this, in Medium-Term Business Plan 2026, we will constantly monitor the status of the four key issues and provide support to remove any barriers to implementation. And if we can solve these four key issues, we will be able to see the achievement of the IKO Vision. That's the future I envision.



Moderator: Please tell us about the measures you are taking to solve these issues and how they are being implemented on-site.

Yokoyama: To gain the trust of our customers, we need to thoroughly focus on Q (quality), D (delivery time), and C (cost). To achieve this, it is necessary to take into consideration global demand trends and optimal production locations, and to instill this awareness in production sites and

respond accordingly. Each factory is strengthening activities to improve manufacturing cost rates, defect rates, lead times, etc., as KPIs linked to the company-wide ROE target. We will proceed with reforms in line with a medium to long-term roadmap, implementing specific measures such as reviewing production systems based on data.

Nishimura: The challenge is that each employee does not fully understand how much cash generation is hindered by holding inventory that may not be sold anytime soon. It is necessary to visualize which products and how much are in stock at each location, as well as to provide in-house training. It is also important to avoid creating unnecessary inventory. To achieve this, we would like to strengthen production and inventory management based on accurate demand forecasts, prevent opportunity loss, and improve asset efficiency.

Kobayashi: We manage demand forecast figures on a monthly basis, but we are still not sure how the demand forecast information from "IKO Compass" is being used in the field. Currently, we are only providing information unilaterally from our side and are hardly receiving any opinions on-site. In the future, we would like to incorporate regular feedback and promote two-way communication to increase credibility and promote adoption in the field.



Takashima: In the Engineering Department, we aim to spread awareness in the field through three categories. The first is pre-order services, the second is post-order services, and the third is strengthening the development of specialized products for regions and industries. In pre-order services, we are considering creating a system to understand what needs exist in each region through technical support and provide feedback. In post-order services,

we aim to provide services that exceed customer expectations by effectively utilizing performance data. For the development of specialized products, we will assign technical personnel locally to create a system that allows us to respond quickly to customer needs and develop and produce locally. Additionally, we are improving execution by managing progress monthly through cross-departmental projects and creating detailed measures.

Inoue: In order to resolve the four key issues, we need to communicate appropriately with management, and we intend to carry this out through general meetings and other means. On the other hand, we feel that there is an issue with disseminating the idea on-site, so we would like to create a system that will thoroughly disseminate the idea on-site, including information sharing. Additionally, we believe it is a major feature that all four key issues raise demands on human resources. The HR Department plays a major role in achieving the IKO Vision, and I find it very rewarding. To meet these demands, we have formulated a human resources strategy based on three pillars: "human resource development," "appropriate placement of personnel," and "diversity." We are working to improve our human capital from a global perspective with a 10-year outlook.

Moderator: Thank you everyone for joining us today. From what I've heard, I got the impression that the organization has a good atmosphere and strong teamwork. In addition, with regard to the measures in the Medium-Term Business Plan 2026, I could sense the Company's enthusiasm to thoroughly grasp the issues and steadily implement the measures in order to achieve the numerical targets.



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.

Sustainability Promotion System

In January 2022, our Group established a “Sustainability Committee” composed of inside director and chairperson being the President and CEO. The committee, which has the Corporate Planning Department and the Personnel and General Affairs Department as its secretariat, meets at least once every six months. The committee formulates basic policies on sustainability including climate-related issues, develops a system to promote them, identifies medium to long-term risks and

opportunities, formulates and reviews materiality and issues to be addressed, and regularly reviews the status of implementation. The details of these efforts are reported to the Board of Directors at least once every six months. The Board of Directors oversee and advise on the progress of initiatives related to risks and opportunities in sustainability issues and medium to long-term goals for the entire Group. The Group considers environmental initiatives, such as climate

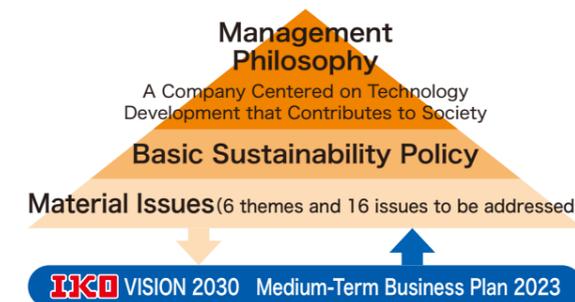
change countermeasures, to be a key issue in sustainable management. Under this promotion structure, we are working to strengthen efforts in each division.

Governance structure for sustainability issues



Positioning of Materiality

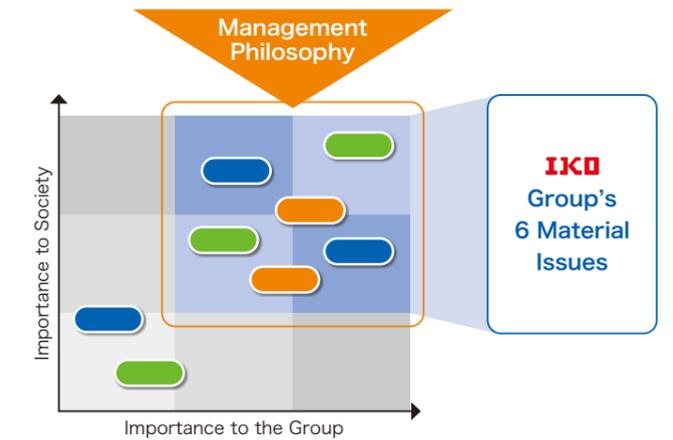
The Group promotes sustainable management in order to achieve both our own sustainable growth and social sustainability through our corporate activities. When promoting sustainable management, we identify material (key) issues arising for various social problems, and we develop initiatives in line with our basic sustainability policy, based on our management philosophy of being a technology development-oriented company that contributes to society.



Materiality P.25

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 have categorized them into 16 issues that need to be addressed from the perspectives of investors and our group’s medium- to long-term management strategy. We have taken into consideration the opinions of external consultants. We are also implementing specific initiatives to address these issues. Additionally, we will continually review the identified materiality and issues to be addressed in light of changes in social conditions and the business environment.

Materiality P.25

IKO Group Material Issues

- (1) Implement corporate activities for realizing 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 where diverse people can thrive and be rewarded for their work
- (6) Continuously improve compliance and governance

16 Issues to Be Addressed



Environmental Initiatives

FY2024 Environmental Plan and Progress

The Group's initiatives to reduce the environmental impact in FY2024 have been carried out in line with identified materiality, based on our new environmental policy, which was reorganized in April 2023.

We promoted energy conservation activities, renewable energy procurement, waste reduction, and other initiatives, and achieved our annual targets in almost all areas. In addition, in "Response to TCFD Recommendations and disclosure," we disclosed our FY2024 TCFD report in June 2024. We also focused on improving the level of information disclosure by enhancing the content of the analysis and roadmap, referring to feedback from various evaluation organizations on the FY2023 report, which was disclosed for the first time last year.

On the other hand, energy efficiency was significantly

affected by production cuts and other factors, resulting in a worsening performance compared to the previous fiscal year, with issues remaining to be addressed. Although we have seen a significant reduction in greenhouse gas emissions, we believe that improving energy efficiency is also an important indicator for

achieving carbon neutrality in the future. Going forward, we will continue to strive to continue and strengthen our initiatives while also promoting initiatives that take into account medium to long-term changes in the business environment, and accelerating our initiatives to achieve carbon neutrality and conserve biodiversity.

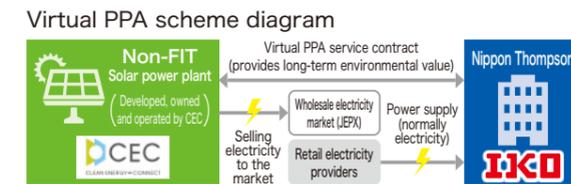
Issues to be addressed	Target for FY2024	Results for FY2024	Achievement
Environmental Considerations in the Business Environment	Reduce energy consumption per unit by at least 1.0% annually (non-consolidated)	6.6% increase from the previous fiscal year	✗
	Recycling rate of 96% or more by FY2031	Recycling rate 96.6%	◎
	Reduce final disposal volume by 92% in FY2026 compared to FY2001	Final disposal volume reduced by 99.0%	◎
Responding to Climate Change	Implementing energy conservation measures [28 cases or more per year]	52 implementations Approximately 1.1% reduction in Scope 2 emissions for the Group	◎
	Response to and disclosure of TCFD recommendations	FY2024 TCFD report has been disclosed	◎

*Evaluation: ◎ Achieved ○ Achievement rate of 80% or more △ Achievement rate of less than 80% ✗ deteriorated compared to the previous year

Specific initiatives

The Group is engaged in various initiatives to reduce the environmental impact of society as a whole. Specifically, we have defined our core product groups that can contribute to reducing the environmental impact as "eco products" and are strengthening our proposals to customers. Additionally, we have implemented a virtual PPA service, the first of its kind in the domestic bearing industry and an on-site PPA that is installed on the roofs of our own companies. We are also engaging in the procurement of renewable energy through changes to the electricity plans, and participating in the "Gifu SDGs Promotion Partner

Registration System" promoted by Gifu Prefecture. Furthermore, in FY2024, we responded to CDP's questionnaire for the first time, receiving a B score in both "climate change" and "water security," and were included in the "FTSE Blossom Japan Sector Relative Index" for the second consecutive year. In addition to our own initiatives to reduce our environmental impact, we have developed a wide range of activities that contribute to the entire value chain and enhance information disclosure.

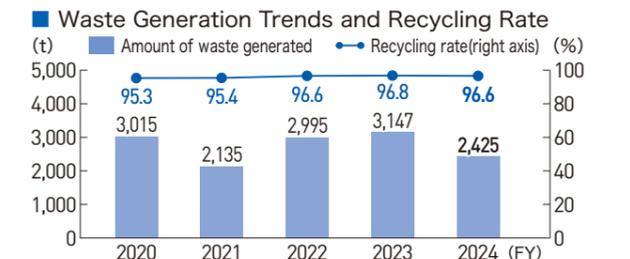
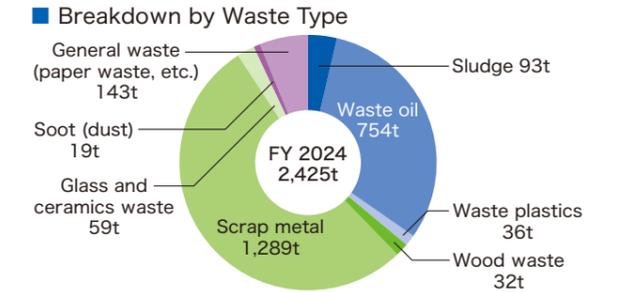


Contributing to a Recycling-Oriented Society

Initiatives to Reduce Waste

In order to build a recycling-oriented society, our Group is working to reduce waste emissions and improve recycling rates. Our medium- to long-term target for waste generation reduction is to achieve a "recycling rate of 96% or higher by FY2031 and a 92% reduction in final disposal by fiscal 2026. Our main initiatives to help reach these targets are compressing scrap metals (grinding sludge) and reusing packaging

materials in special boxes for transportation. Furthermore, we are implementing initiatives to minimize waste, such as reducing the use of plastic containers in factory cafeterias, discontinuing the use of plastic containers for beverages, employing options to decrease cushioning materials by reviewing our packaging materials, and promoting paperless environments by transitioning to digital technologies.

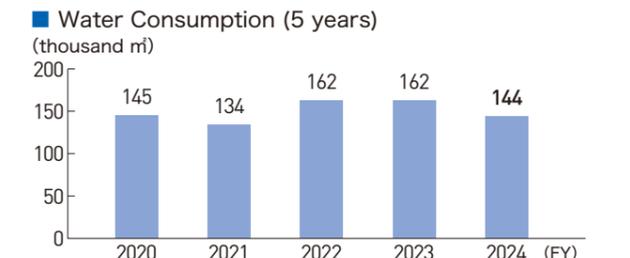


* The above are the totals from domestic production centers (Gifu and Kamakura areas).

Initiatives for Water Conservation

The Gifu factory complex, the Group's main domestic production base, is located next to the Nagara River, one of Japan's three cleanest rivers. As such, we believe that managing water resources is a key issue in terms of environmental conservation. The main water sources for our Group's business activities are city water and well water. Its main uses include fluid for grinding and cooling water in the production

process. However, for these applications, we use a circulating system, and our facilities are designed to minimize water use, replenishing only the amount of water that decreases due to evaporation. In addition, we are promoting initiatives with plans to further reduce water consumption, including replacing hot water boilers and water-cooled cooling towers with air-cooled versions.



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

Reducing Environmentally Hazardous Substances

In 2003, our Group established the "Green Procurement Standard" and has been promoting green procurement with the understanding and cooperation of our business partners. Prohibited substances under international hazardous substance control laws, including the RoHS II Directive of Europe and the TSCA regulation of the United States, are restricted for intentional use. If there is a regulated value, it is necessary to ensure that the

concentration is below the regulated value. In addition, we believe that it is important to know "whether or not a substance is used" and "what its concentration is," and we provide this information upon request to our customers. One example of our hazardous substance management is that 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	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Methyl naphthalene	Fuel	18	12	27	27	15
Methylene bis (4, 1-phenylene) diisocyanate	Packing cushioning material	0	0	5	6	6
Trimethylbenzene	Fuel	0	0	0	0	5
Inorganic cyanide compound	Heat treatment agent	188	0	0	0	0

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

Responding to Carbon Neutrality (TCFD Recommendations) **TCFD** TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

Our Group positions environmental initiatives, including measures against climate change, a key issue in sustainable management, and is working to strengthen these efforts in each division under our sustainability

promotion structure.

[Sustainable Management Promotion](#) P.45

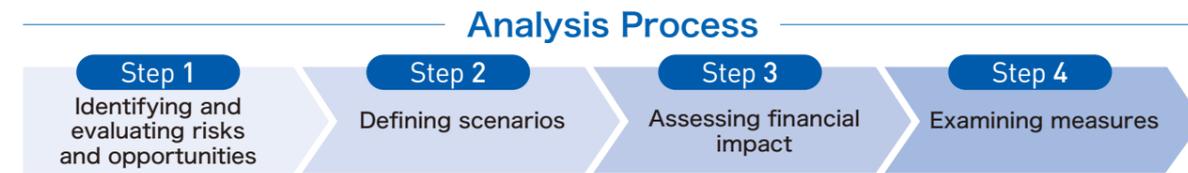
For details on “disclosure based on the TCFD recommendations,” please refer to our website below.

https://www.ikont.co.jp/eg/sites/english/static/pdf/tcfreport20240625_eg.pdf

Strategy

With reference to each risk and opportunity item outlined in the TCFD recommendations, we have considered the risks and opportunities that climate change issues pose to our Group’s business using the steps shown in the diagram on the right. Analysis of policy and market trend transitions (transition risks/opportunities), and analysis of

physical changes caused by disasters, etc. (physical risks/opportunities) were also conducted using the 1.5°C to 2°C scenario and 4°C scenario.



Risks and Opportunities	Factor	Impact on Business	Time Axis	Financial Impact	Measures	
Transition Risk	Policies and Regulations	Carbon tax implementation / Increase in carbon tax rate	•Increased burden from carbon tax	Medium to long term	Medium	•Implementing renewable energy •Implementing energy-saving equipment •Low-carbon product development through carbon footprint calculation
			•Rising costs for raw materials due to carbon tax implementation	Medium to long term	Major	•Purchasing low carbon materials and parts •Developing new low-carbon materials through collaboration with suppliers
Physical risk	Chronic	Rising sea levels	•Lower production capacity resulting from disaster impact at company manufacturing bases (Production bases in Vietnam and China)	Medium to long term	Major	•Formulating and continuous review of BCP at factories
			•Lower capacity utilization resulting from disaster impact to major suppliers	Medium to long term	Major	•Expanding suppliers •Formulating and continuous review of BCP at each supplier
Opportunities	Products and services	Contribution toward transitioning to a decarbonized society	•Increasing demand for low-friction, durable bearings •Increasing demand for “the oil-minimum” products •Increasing demand for customization tailored to customers	Medium term	Major	•Improving accuracy of demand predictions for efficient production, and shortening delivery dates by improving production lead time •Developing products that utilize the “oil minimum” feature
	Market	Expansion of the EV and storage battery markets	•Increased demand for linear motion rolling guides and liquid crystal lubricants	Short to medium term	Major	•Enhancing production capacity to meet future demand growth •Strengthening global production system including construction of new factories

Risk Management

Process for identifying and assessing climate-related risks

The Sustainability Committee holds discussions to identify and assess the risks and their impact on the company’s sustainable activities in relation to climate change. These discussions are based on “IKO Group Materiality,” and the Committee provides a report to

the Board of Directors at least once every six months.

Also, we have established a Risk Management Committee consisting of Executive Directors, including President and CEO, as well as the full-time auditor. The Committee is responsible for establishing

a management system to prevent, identify, correct, and prevent the recurrence of any risks related to business management, including climate change risks. It is also responsible for determining policies for responding to risks when they occur.

Process for managing climate-related risks

“The Risk Management Committee,” in accordance with “the Risk Management Regulations,” responds to risks by determining the relevant departments or organizations (committees, meetings, etc.) for each risk item identified in the risk assessment conducted each fiscal year.

The identified risks related to climate change are assessed on a three-level scale based on their “urgency” and “financial impact” on the Group. They are then mapped on two axes and assessed based on their “importance level”, which is the product of “urgency” and

“financial impact”. In addition, countermeasures for each item are rated on a three-level “difficulty level.” And their priority is evaluated using a “priority level,” which is the product of the “importance level” and the “difficulty level.”

Process for integrating climate-related risks into corporate risk management

Principally, the “Risk Management Committee” holds meetings every six months, report contents on the

response status for each risk item are assessed, important decisions are made on organization-wide risk management

including climate change risks, and discussion contents are reported to the Board of Directors.

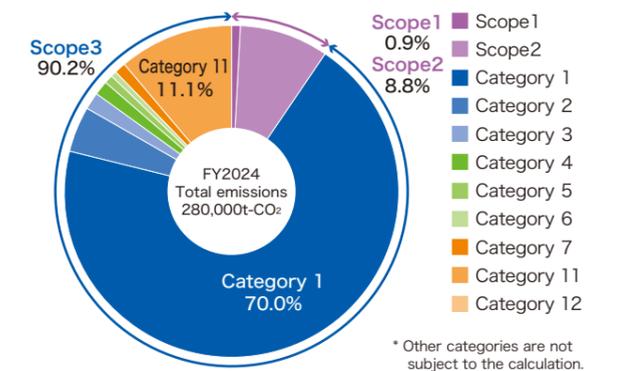
Metrics and Targets

The Group recognizes climate change as a key management issue, and has set quantitative targets for reducing greenhouse gas emissions and working towards it. Our Group’s emissions targets, which apply to the financially consolidated scope, include a reduction of more than 42% by FY2031 from the base year FY2023 for Scope 1 and 2, and achieving carbon neutrality by FY2051. For Scope 3 Category 1, we aim to reduce emissions by more than 25% by FY2031 from the base year FY2023, and

achieving carbon neutrality in all categories by FY2051.

Going forward, in order to achieve our emissions reduction targets, we aim to make approximately 50% of the electricity used at our sites renewable by FY2031. And we will also strengthen cooperation with suppliers to reduce Scope 3 emissions.

Greenhouse Gas Emissions in FY2024



Pursuing Product Quality and Safety

Basic Approach

The Group is known for its commitment for delivering quality, which has been ingrained in all of our employees throughout our long history. We strongly believe in continuing to produce products that our customers trust and are satisfied with. The Group has set the

policy for quality 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 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.

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.

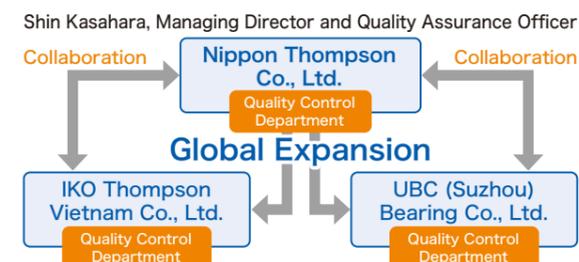
Quality Control Initiatives

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, cost, and delivery. We provide feedback to our suppliers on the results of these periodic evaluations, 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.

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)

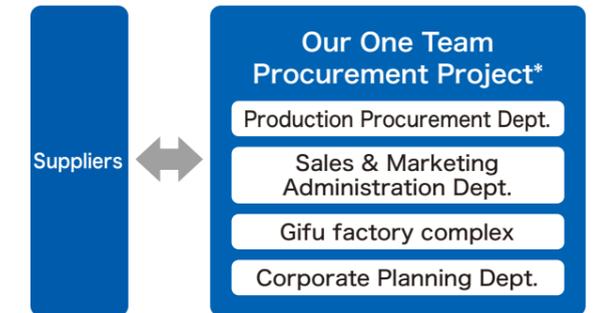
Respect for Human Rights throughout the Entire Supply Chain

Since the Company conducts business globally, we believe that respecting human rights based on international standards is the foundation for sustainability management, and we have been promoting awareness of the respect for human rights, as we state in our Code of Conduct.

In recent years, the importance of corporate initiatives to respect human rights has been increasing sharply, 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, in February 2023 the Company formulated the IKO Group Human Rights Policy, clarifying our approach to respecting basic human rights, including the prohibition of forced labor and child labor. Moreover, we are asking our suppliers to agree to the IKO Group Supplier CSR Procurement Policy Guidelines, which

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.

Message from the General Manager of Personnel and General Affairs Department

Aiming to be “a professional group that realizes its dreams and ambitions”

Executive Officer and General Manager of Personnel and General Affairs Department
Hiroyasu Fukumasu

Our Group's values

Since its founding, Nippon Thompson has operated its business with a philosophy that values people and that “a company depends on its people.” Management that values people is management that enhances the sense of value of employees and leads to providing new value that satisfies customers. The first step is to ensure that our employees are healthy and can work with peace of mind. The next step is being able to work energetically in a well-ventilated environment. We are also working to create an environment in which each employee can act for the benefit of society and our customers and realize their potential.

Human resources strategy for IKO VISION 2030

In order to improve employee value, Nippon Thompson has now compiled its vision for people and the organization into IKO VISION 2030. In this initiative, we have positioned “human resource development,” “appropriate placement of personnel,” and “diversity” as the three pil-

lars of our human resources strategy, and declared that we will reform various personnel systems in order to become a professional group that acts for the happiness of people and society, and realizes solutions and its own dreams and aspirations. I have reported the essence of this in this Integrated Report.

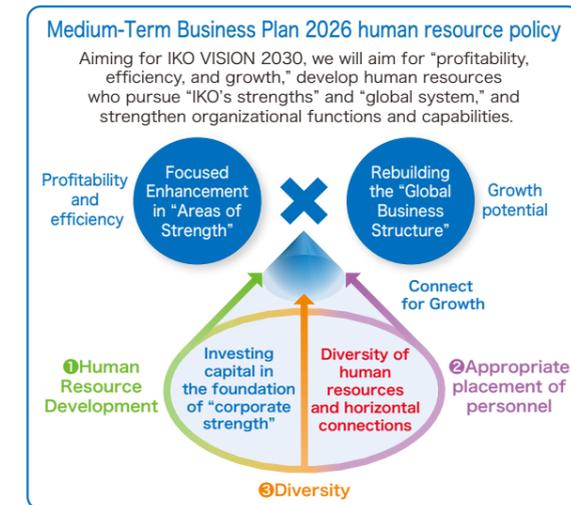
The driving force behind the first goal, “human resource development,” is that it is essential for us to continue to be a company that is trusted and relied upon by society and our customers. The IKO spirit is supported by our sincere and earnest corporate culture and human resources (human capital). By fostering a culture in which employees and executives, and subordinates and superiors, are close to each other and can exchange frank opinions, and embodying this spirit, we will revitalize people and organizations.

The second point, “appropriate placement of personnel,” is premised on placing the necessary number of people in the necessary places based on business strategy, but it is also important to place personnel according to the characteristics of each individual. However, to determine suitability, objective numerical data rather than subjective values is essential. To achieve this goal, we are currently in the process of introducing an integrated human resources system. By digitizing each employee's ability tests, acquired qualifications, past experience, and project history, and introducing a talent management system, we will be able to visualize the tasks that employees are good at and those that they are not good at.

The third point is “diversity.” When we talk about diver-



sity, we tend to focus only on the differences between people; however, I think that if we do not have some common values, it will be difficult to work together as a team. One important element in making the most of diversity is creating an environment that encourages close communication within the team. Because we have a diverse range of people, close communication is essential. So, in recent years the HR Department has been holding repeated dialogues with employees, from new recruits and regular employees to management and executive staff. As the HR Department, we will continue to place importance on dialogue with employees, and will also implement measures to foster close communication within each department.



Human Resources Strategy

(1) Human Resource Development

Current state of human resource development

We are committed to human resource development from a medium- to long-term perspective with high retention as our strength, and we are working on measures to enable each employee to gain various experiences based on our human resource development philosophy that “there is no better way to develop human resources than through experience.”

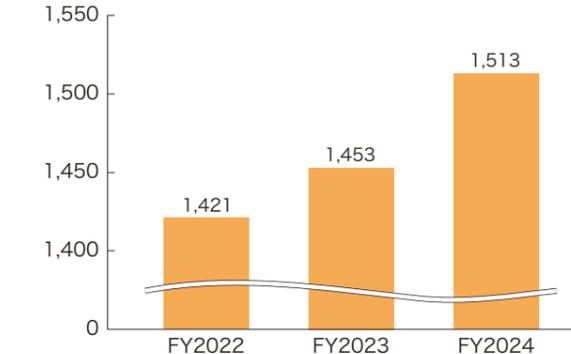
Specifically, OJT is the pillar of our human resource development. We encourage steady growth through an education system that carefully attends to each individual at each workplace, which embodies our sincere and earnest corporate culture. In addition, the nature of our business, which places the highest priority on “solving issues faced by society and customers,” is a characteristic of the Company. Each and every employee accelerates the rate of growth through overcoming daily challenges. In addition, we strive to develop leaders by providing various types of Off-JT training for different levels of employees, and also conduct practical training activities for each department. We also focus on supporting self-development from the perspective of employee “autonomy.” We not only have an incentive system for public qualifications, but also encourage the acquisition of national qualifications such as technical skills tests, which results in the creation of many qualified employees every year. This helps in cultivating our ability to propose solutions to society and customer issues and to respond to technical issues.

Developing and producing the next generation of leaders

While we are steadily implementing these various training measures, we believe that there are issues regarding the organic linkage of these measures with human resource management as a whole. In light of this, the IKO Medium-Term Business Plan 2026 aims to strengthen the human resource development function with the aim of fostering and producing “next-generation leaders” from a more medium- to long-term and global perspective. Specifically, we will strive to develop strategic personnel rotations and global human resource development measures based on the definition of “the type of human resources we seek,”

	FY2022	FY2023	FY2024
Percentage of participants attending training by level [%]	10.0	13.6	12.6
Per capita education expenses [thousands of yen]	20	30	31

National Qualification Holder (Persons)



*There are employees who hold duplicate certifications.

as well as DX human resources capable of creating new value through fundamental reform of operations.

(2) Appropriate placement of personnel

Talent management

In terms of human capital initiatives, we place great importance on developing the capabilities of each employee, while also positioning personnel allocation with the aim of maximizing organizational functions and strengthening future growth areas as key issues. Since we have employees with diverse attributes, we will maximize organizational functions by building a human resource portfolio based on a balance of human resources. We believe that in order to achieve this, it is essential to implement precise talent management, and we are currently progressing with a project to introduce an integrated human resources system with an eye toward introducing talent management in the future. The system is expected to be operational by 2025. The introduction of the system will not only lay the foundation for talent management, but will also improve the strategic functions of the HR Department by radically streamlining the HR Department's operations.

Talent acquisition policy

In addition to placing the best possible resources among current employees, we also place importance on strategies to acquire new talent in light of the declining birth-rate, aging population, and shrinking labor force. Our hiring policy is to be conscious of the diversity of our human resources portfolio in terms of hiring style, skills, age,

gender, etc. Among these, we place particular emphasis on the hiring of new graduates oriented toward medium- to long-term human resources development, leveraging our strength in high retention. In our recruiting activities, we are strongly aware of the compatibility with the human resource requirements we seek and the empathy with our philosophy. We emphasize emotional matching in which both the Company and the job seeker feel a desire to “work together.” We also strive to prevent job seekers from declining offers or leaving early by creating opportunities to come into contact with them using a variety of media and fostering a desire to join the Company through thorough mutual understanding during the selection process. Through these initiatives, we are able to steadily secure talent even amid intensifying competition among companies to attract talent. We will continue to work towards acquiring the talent that will lead the Company into the future.

	FY2022	FY2023	FY2024
Voluntary resignation rate [%]	1.1	2.4	2.0
3-year resignation rate [%]	13.5	4.9	3.8

(3) Diversity

■ Diversity & Inclusion (D&I)

In order to respond to the diversifying needs of society, we consider it a key issue to secure diversity in our human resources. We are working to develop human resources by providing fair opportunities for skill development to all human resources regardless of gender, age, nationality, work experience, etc., and to support their individual work styles. In particular, we focus on preventing career discon-

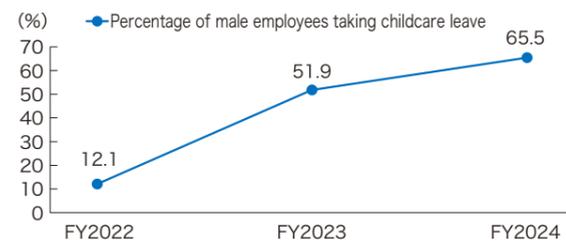
tinuation due to childcare, and support the balance between childcare and work. We work closely with the departments that have employees taking childcare leave and the HR Department to address individual concerns as much as possible.

In order to ensure the progress of D&I, we will make further efforts to achieve the goals of “the number of female managers: 5 times (compared to March 2022)” and “the rate of male employees taking childcare leave: 85%” by FY2031.

	March 31, 2022	March 31, 2023	March 31, 2024
Percentage of female employees [%]	12.3	12.8	13.3
Percentage of female supervisory positions [%]	10.9	11.9	13.1
Percentage of female managers [%]	1.0	1.5	1.9
Percentage of new female graduates hired [%]	34.6	25.8	30.8

*The above is on a non-consolidated basis. On a consolidated basis, the ratio of female employees is 39.8%, the ratio of female supervisors is 20.5%, and the ratio of female managers is 10.5% (as of March 31, 2024).

■ Percentage of male employees taking childcare leave



■ Engagement

The Company's human resource goal regarding diversity is not limited to D&I, but is positioned as “a corporate cul-

ture that fosters mutual recognition of value regardless of nationality, gender, or age, and a group of talent in which all employees feel motivated and are embracing change.” We are making progress with our initiatives to build a collaborative system that transcends departments and nationalities and to improve engagement.

We consider engagement to be a particularly important issue for the Company. The Company aims to develop human resources from a medium- to long-term perspective. We believe that an environment in which employees can work with peace of mind is essential to achieving this goal. In order to foster a sense of security among employees, we place great importance on employee benefits. In order to increase employee satisfaction, we work in cooperation with the labor union, with whom we maintain a good relationship, to improve various systems, such as providing housing and meal assistance. In addition, we are working to improve employee engagement by fostering individual growth aspirations and realizing career plans through interviews based on a self-assessment system and a target management system. In addition to these efforts, we will conduct engagement measurement in the future to understand our actual situation and to further improve the value of our human resources and organizational strength.

	FY2022	FY2023	FY2024
Percentage of annual paid leave taken [%]	62.8	68.0	73.4
Average overtime hours [H:M]	10:55	13:15	9:31
Occupational accident frequency rate [%]	0.739	1.195	0.413
Occupational accident severity rate [%]	0.001	0.001	0.001

*Frequency and severity rates of occupational accidents do not include externally hired employees (temporary employees).

Respect for Human Rights

Basic concept

We recognize that respect for human rights is an important responsibility for a company to fulfill. We believe that it is essential to respect international human rights standards as well as to comply with the laws and regulations of each country in our global business operations. As such, we support international norms such as the United Nations' Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights. We endorse the aims of the United Nations Global Compact (UNGC), which sets forth 10 principles on human rights, labor, environment, and anti-corruption. In addition to following the fundamental Code of Conduct for our employees, in February 2023, we also formulated the IKO Group Human Rights Policy based on the international norms, and are committed to respecting human rights and creating a healthy workplace. We respect the human rights of all people and prohibit forced labor, child labor, and discriminatory practices based on gender, age, ideology, creed, nationality, etc. We also strive to prevent power harassment and sexual harassment in the workplace.

■ IKO Group Human Rights Policy

https://www.ikont.co.jp/pdf/human_rights20230213.pdf

Education for Human Rights

We believe that fostering the awareness of each and every employee is essential for the Company to permanently fulfill its respect for human rights. In light of this, we have incorporated the Code of Conduct as a theme in the education of new employees and in some level-specific training programs so that we can share the norms and mindset that we must observe and encourage employees to be aware and conscious of respect for human rights. In addition, we are further raising awareness of human rights by informing all employees about the IKO Group Human Rights Policy formulated in 2023. By incorporating the IKO Group Human Rights Policy into our various training programs, we will further raise employees' awareness of respect for human rights and strive to create a system that will enable us to permanently fulfill our respect for human rights.

Human Rights Due Diligence

We are working to identify and assess the negative human rights impacts associated with our business activities. Specifically, we have formulated the IKO Group Supplier CSR Procurement Guidelines, which encompass our human rights policy, and began to disseminate them to our suppliers in 2022. In 2023, we conducted a questionnaire to confirm compliance with these guidelines and focus on understanding the current status. In addition, we have

joined the Global Compact Network Japan (GCNJ), a local network of UNGC, since FY2025. We gather information by participating in the Human Rights Due Diligence subcommittee meetings organized by GCNJ. We will formulate human rights-related measures based on this information in order to reduce human rights risks in the Company.

■ Human Rights Due Diligence Process



Corporate Governance

Basic Approach

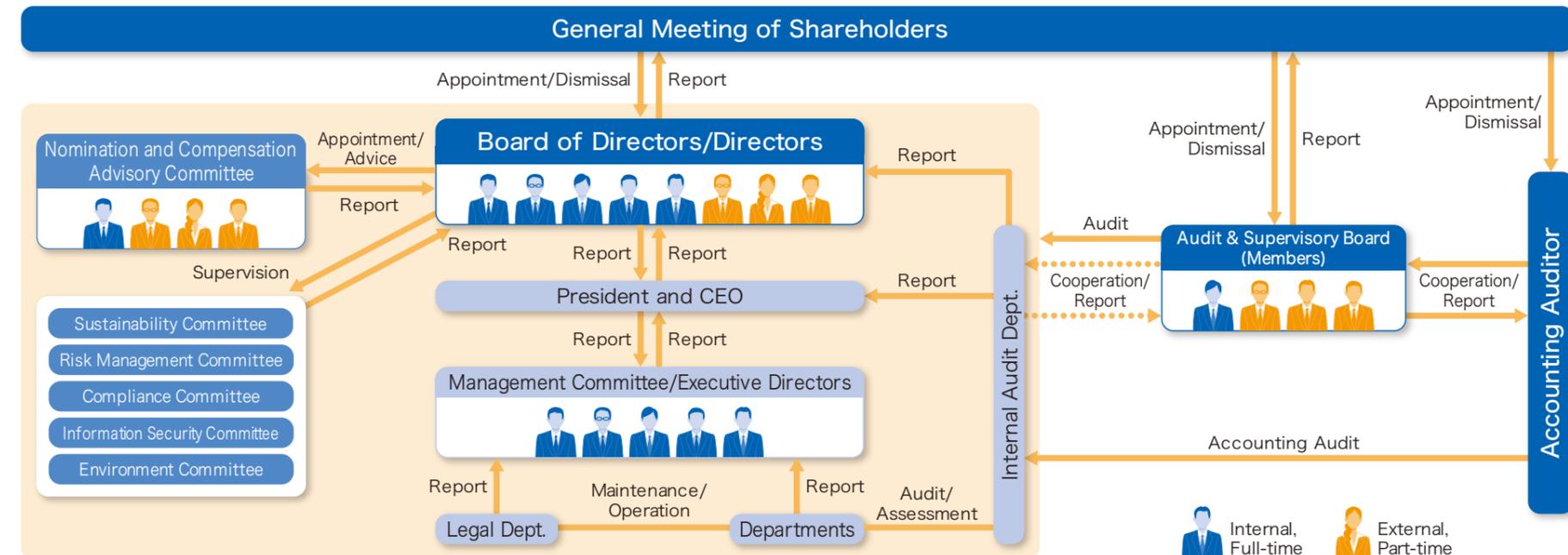
We believe that our priorities for business are facilitating prompt and effective decision making, enhancing the supervision of business execution, ensuring compliance and increasing management transparency to achieve sustainable growth, and improving corporate value over the medium to long term. For these tasks, we are guided by a basic management policy of continuing to develop together with society by promoting corporate activities in

consideration of our social mission while pursuing the development of technologies that meet customers' requirements as we help to protect the global environment. Based on this policy, 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

The Company has a corporate structure with an audit & supervisory board. Under this structure (details follow), while promoting swift management decisions and execution of duties, the Company has appointed three outside directors to provide advice on management from an external perspective and strengthen the supervisory function for directors. We adopted this structure to fully exercise our monitoring and supervisory role for management through audits by the Audit & Supervisory Board.



Corporate Governance Structure

Organization	Board of Directors	Audit & Supervisory Board	Nomination and Compensation Advisory Committee	Management Committee
Composition	8 members (5 internal + 3 external) * Chaired by the president and CEO	4 members (1 full-time + 3 external) * Chaired by the full-time Audit & Supervisory Board member	4 members (1 internal + 3 external) * Chaired by outside director	5 members (5 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	<ul style="list-style-type: none"> Decisions on important management matters Supervision of business execution 	<ul style="list-style-type: none"> 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 (FY2024)	18 times	14 times	4 times	39 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, it is necessary the majority of four committee members and the committee chairperson is to be outside director. This requirement ensures the committee's independence and objectivity.

Improving Corporate Governance

	2015	2024
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 Formulated the IKO Group Human Rights Policy Develop a succession plan
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"> Implement all the principles of the Corporate Governance Code Established Nomination and Compensation Advisory Committee Increased the 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 annually evaluate the Board of Directors to ensure its effectiveness and enhance its ability to achieve sustainable growth and improve corporate value in the medium to long term. The evaluation relies on questionnaires and interviews, and the Board of Directors discusses the results.

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 FY2024	<ul style="list-style-type: none"> Confirmation that the Board of Directors as a whole is effective The environment fosters free and open comments from external officers, creating a healthy and relaxed atmosphere for lively discussions
Improvements from Previous Year	<ul style="list-style-type: none"> Developing a succession plan for the CEO, etc Addressing sustainability issues, such as disclosure of information based on TCFD recommendations
Future Challenges	<ul style="list-style-type: none"> Improving the way meetings are conducted to revitalize the deliberations of the Board of Directors Ensuring greater diversity among members of the Board of Directors

Approach to the Composition of the Board of Directors

The Company's policy is to appoint directors based on their excellent character, insight, ability and high ethical standards rather than their gender, age, nationality, etc. The aim is to select individuals who can enhance the medium- to long-term corporate value of the Group and earn the trust of stakeholders. This approach ensures a well-rounded Board of Directors with a balance of knowledge, experience and ability.

For a skills matrix listing the knowledge, experience, and abilities of the directors, please refer to the main expertise and experience in the list of officers on page 61–62.

Approach to Nominations

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

The president and CEO appoints directors by proposing candidates who are vetted by the Nomination and Compensation Advisory Committee. This committee is an auxiliary advisory body of the Board of Directors. After the committee's approval, the candidates are then approved by the Board of Directors and appointed at the General Meeting of Shareholders. In addition, the selection of executive directors is resolved at meetings of the Board of Directors.

Succession Plan

(1) Develop and implement a succession plan of the CEO (President and CEO)

Executive Compensation

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 detailed information on the policy for determining compensation, etc., for each director (including an explanation of the monetary and stock compensation systems, as well as performance-based compensation and the process for determining Directors' compensation).

<https://www.ikont.co.jp/ir/business/pdf/cgre-port20240625.pdf> (in Japanese)

The President and CEO shall formulate a proposal for the "ideal President," including the qualities and abilities required of a president. The Nomination and Compensation Advisory Committee shall deliberate on the proposal and report back to the Board of Directors before it is finalized. The "ideal President" shall be reviewed from time to time so that it can flexibly respond to changes in the external environment.

(2) Appointment criteria and procedures

With respect to the appointment of the CEO, the President and CEO shall select a candidate based on the succession plan. The Nomination and Compensation Advisory Committee shall deliberate on the candidate and the Board of Directors shall decide on the candidate.

(3) Dismissal criteria and procedures

Dismissal of the CEO shall be decided by the Board of Directors when it becomes difficult for the CEO to perform his/her duties as CEO.

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

The Group, consisting of the Company and 14 Group companies (including eight consolidated subsidiaries and six 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

Group Governance

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, we ensure successful business execution by sharing information and collaborate with them when necessary. The Internal Audit Department conducts internal audits of the Company and its affiliates, and then provides regular reports on the audit results to the President and CEO, the Board of Directors, and members of the Audit & Supervisory Board.

Decisions concerning important matters at affiliated companies are reported to the Company, the parent com-

pany, in advance. These decisions are thoroughly reviewed and approved either by the Management Committee or the Board of Directors to ensure the appropriateness 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.

Holding Policy

The Company has established internal standards for cross-shareholdings. The main purpose of crossshareholdings 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.

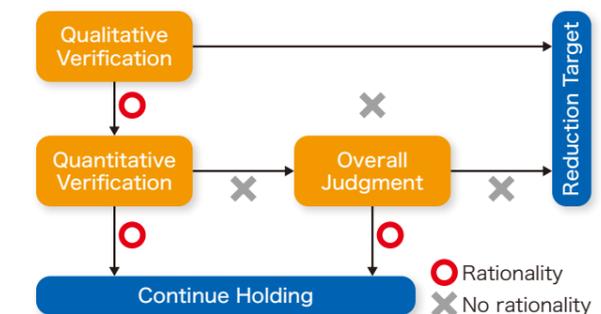
Verifying the Rationality for Holding Shares

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

Cross-Shareholdings

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.



Officers and Skills Matrix (as of June 25, 2024)

	Name Position	Career summary, positions, responsibilities, and significant concurrent positions	Period of service	Number of shares held	Rate of attendance at meetings	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board Meetings	Affiliated committees	Nomination and Compensation Advisory Committee	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	
																		Rate of attendance at meetings
Directors	 Shigeki Miyachi President & CEO	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 (current position)	14 years	123,783 shares	18/18 times				●	●	●	●	●	●	●			
	 Nobuya Hideshima Senior Managing Director	Apr. 1978 Joined Yamaha Motor Co., Ltd. June 2017 Outside Director of Fujibo Holdings, Inc. June 2018 Outside Director of ShinMaywa Industries, Ltd. June 2019 Outside Director of the Company June 2024 Senior Managing Director, in charge of Production Department and Legal Department, deputy in charge of Quality Assurance Department, Products Development Center, Technical Center and UBC (Suzhou) Bearing Co., Ltd. (current position)	5 years	7,625 shares	18/18 times						●	●					●	
	 Toshinao Kimura Managing Director	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 (current position)	14 years	26,703 shares	18/18 times						●	●	●					●
	 Shin Kasahara Managing Director	Apr. 1984 Joined the Company June 2016 Director and Executive Officer, and General Manager of Technical Center Apr. 2022 Managing Director June 2024 Managing Director, in charge of Corporate Business Development Department, Quality Assurance Department, Products Development Center, Technical Center, UBC (Shanghai) Precision Bearing Co., Ltd., UBC (Suzhou) Bearing Co., Ltd., deputy in charge of Production Department (current position)	8 years	23,577 shares	18/18 times						●	●	●					
	 Mikihito Hosono Director	Nov. 1990 Joined the Company Apr. 2019 Executive Officer and General Manager of Personnel and General Affairs Dept. Apr. 2021 Executive Officer and General Manager of Corporate Planning Dept. Apr. 2024 Senior Executive Officer, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., and Secretary Dept. June 2024 Director, in charge of Corporate Planning Department, Personnel and General Affairs Department, Accounting Department, and Secretary Department (current position)	New Appointment	7,262 shares	-								●	●	●	●		
	 Tooru Okajima Managing Executive Officer	In charge of Information Systems Department, Logistics Operations Department, DX promotion	Executive Officer															
 Takahiro Nakano Senior Executive Officer	General Manager of Sales & Marketing Administration Dept.	Executive Officer																
 Shuichi Tezuka Senior Executive Officer	Overall Manager of Eastern Japan Regional Office	Executive Officer																
 Satoshi Sato Executive Officer	General Manager of Gifu Factory Complex and Needle Roller Bearing Mfg. Management Dept.	Executive Officer																
 Kenji Yokoyama Executive Officer	General Manager of Linear Motion Rolling Guide Mfg. Management Dept.	Executive Officer																
 Tadayoshi Ariga Executive Officer	General Manager, Special Assignment, Sales & Marketing Administration Dept.	Executive Officer																
 Yasushi Nakajima Executive Officer	President of Nippon DIC Co., Ltd.	Executive Officer																
		 Hiroaki Tago General Manager of Overseas Sales Dept. 1																
		 Toyohisa Ishihara General Manager of Mfg. Innovation Management Dept.																
		 Atsushi Tsuchimochi President of IKO Thompson Vietnam Co., Ltd.																
		 Hiroyasu Fukumasu General Manager of Personnel and General Affairs Dept.																
		 Akihiko Hattori Overall Manager of Central Japan Regional Office and General Manager of Central Regional Office																
		 Osamu Nishimura General Manager of Corporate Planning Dept.																

	Name Position	Career summary, positions, responsibilities, and significant concurrent positions	Period of service	Number of shares held	Rate of attendance at meetings	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board Meetings	Affiliated committees	Nomination and Compensation Advisory Committee	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
Directors	 Youichi Takei Outside Director	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)	11 years	-	18/18 times				● (Chairperson)								●
	 Satoshi Saito Outside Director	Apr. 1982 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Apr. 2005 Professor of School of Management (current position) June 2007 Outside Audit & Supervisory Board Member of the Company June 2016 Outside Director(current position)	8 years	-	18/18 times				●	●					●	●	●
	 Atsuko Noda Outside Director	Apr. 1983 Joined Japan Airlines Co., Ltd. Apr. 1991 Purser Sept. 1994 Established Henkel & Grosse Japan Representative Office, Japan Representative Dec. 2002 Representative Director & CEO of Grosse Japan Inc. June 2022 Outside Director of the Company (current position)	2 years	-	18/18 times				●	●	●				●		●
Audit & Supervisory Board Members	 Nobuhiro Matsumoto Full-time Audit & Supervisory Board Member	Apr. 1987 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) June 2013 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) June 2017 Director (Member of the Audit & Supervisory Committee) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. June 2019 Corporate Auditor of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Member of the Board of Directors (Member of the Audit & Supervisory Committee) of Mitsubishi UFJ Securities Holdings Co., Ltd. June 2023 Full-time Audit & Supervisory Board Member of the Company (current position)	1 year	-	13/13 times	7/7 times					■			■	■	■	
	 Taketo Nasu Outside Audit & Supervisory Board Member	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 (current position)	11 years	-	18/18 times	14/14 times										■	■
	 Kazuhiko Kimura Outside Audit & Supervisory Board Member	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 Aioi Nissay Dowa Insurance Co., Ltd. June 2015 External Auditor of The Chukyo Bank, Ltd. June 2017 Outside Audit & Supervisory Board Member of the Company (current position) Oct. 2022 External Director (Member of the Audit & Supervisory Committee) of The Chukyo Bank, Ltd. (current position)	7 years	-	18/18 times	14/14 times										■	■
	 Kazuhisa Hayashida Outside Audit & Supervisory Board Member	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 Blue-Meme 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)	5 years	-	18/18 times	13/14 times							■		■	■	

Outside Directors Roundtable

Achievement of IKO VISION 2030 and further enhancement of corporate value

Through the objective oversight of outside directors and advice based on their diverse experience, Nippon Thompson strives to enhance the discussions of the Board of Directors and improve the transparency of management decision-making. The three outside directors discussed the expectations and challenges of achieving the Medium-Term Business Plan 2026 and IKO VISION 2030 (IKO Vision) from the standpoint of monitoring the execution of the plan.

Youichi Takei
Outside Director,
Chairperson of
the Nomination and
Compensation Advisory
Committee



Atsuko Noda
Outside Director,
Member of
the Nomination
and Compensation
Advisory Committee

Satoshi Saito
Outside Director,
Member of
the Nomination
and Compensation
Advisory Committee

Progress monitoring of the Medium-Term Business Plan 2026

Takei: The previous Medium-Term Business Plan fell short of its targets due to rapid changes in the business environment in the final year, but we expect that the Medium-Term Business Plan 2026, which began this fiscal year, will lay the groundwork for achieving the IKO Vision, including plans for aggressive investment in a new plant in Vietnam. Our business model is characterized by high variety, low-volume production and a global niche strategy, and this will remain the case heading towards 2030. However, this means that

we will need to be more careful in dealing with the inventory issues we currently face. Furthermore, as we accelerate our overseas development and expand the scale of our business, the shortage of human resources to support this expansion will become a major management issue. We will continue to monitor the situation closely as we need to execute our growth strategy while addressing such issues.

Saito: The most important investment we are making is in human capital. To achieve our long-term vision, it is essential to increase productivity through recruitment, development education, and appropriate placement. We also look to ensure that we have adequate mar-

gins, as the continuous investment in human resources needs to be covered by our financial performance.

Noda: I would like to focus on fostering a corporate culture that recognizes value regardless of nationality, gender, or age. In order to achieve the goals of Medium-Term Business Plan 2026 and the IKO Vision, it is necessary to have a culture in which diverse employees can feel a sense of fulfillment and take on the challenge of embracing change. From my experience as a manager, I have found that there is vitality in workplaces where diverse human resources, including women and non-Japanese, can play an active role. We have set a numerical goal of increasing the number of

female managers to five times the number in FY2022 by FY2031. To achieve this, we are also focusing on the PDCA process to ensure that it does not end up being just a call to action.

Management with an awareness of profitability and growth

Takei: The Tokyo Stock Exchange has issued a request for management to be aware of the cost of capital and stock price, and the Board of Directors has made progress in its discussions. Regarding shareholder returns, the company decided to repurchase treasury shares in the previous fiscal year. In its Medium-Term Business Plan 2026, the company has adopted the total return ratio as an indicator. Furthermore, since we have set a target of ROE of 10% or above for FY2031, I believe that concrete efforts to achieve this goal are already an urgent issue.

Noda: I believe that P/B ratio and other factors can be improved through the achievement of ROE targets, but I think it is also necessary for Nippon Thompson to better communicate its growth and sustainability strategies to the capital markets. We expect the company to strengthen its public relations with investors and shareholders, including the way it discloses information.

Saito: In addition to our strength in hardware, we would like to utilize AI and big data to promote integration with software to increase added value. In the field of mechatronics series, I believe we can offer new proposals to address the labor shortage. We believe it is important to actively develop open innovation, including joint development with universities and companies,

to sow the seeds of new areas and businesses.

Noda: I think it is important how we innovate and expand our business domain. Currently, earnings are fluctuating greatly due to the semiconductor market, so we are developing markets in the medical equipment and aerospace sectors, where stable growth is expected. Stimulating innovation is necessary to expand applications in new fields.

Saito: Looking back at the transition of innovation, Windows was followed by the iPhone, and now generative AI is stimulating change, including in manufacturing. In future manufacturing, the integration with software will be the source of competitiveness. Among the Japanese home appliance manufacturers that once dominated the world, only those that were able to adapt to these changes are still thriving today. We need to acquire and utilize these technologies through M&A and investment in startups.

Takei: When it comes to M&A, I think we have tended to consider acquisitions in areas that complement our current business, but we also need to think of them as a means to generate innovation. At the same time, I believe that the development of global human resources is essential for future growth. We share a strong sense of urgency with the executive side regarding the acquisition and development of human resources capable of managing global business regardless of nationality. In addition, we have begun to consider specific plans, and we expect this will speed up the process.

Sustainability Initiatives

Saito: There are many areas where we can contribute

to the realization of a rich global environment and social development through our products. For example, if plant factories, where vegetables are grown indoors by artificially controlling the environment, are launched, then, IKO technologies such as our needle roller bearings and linear motion rolling guides will be necessary. This is expected to solve social issues such as food security and increase corporate value. Our products are also indispensable for automation of packing operations at large distribution centers and logistics robots to cope with labor shortages. We believe that through these initiatives we can synchronize our sustainability strategy with our business strategy.

Takei: Regarding ESG, initiatives are underway to achieve the E goal, such as switching to renewable energy electricity. Initiatives are also underway to communicate progress to stakeholders in line with international standards such as TCFD and CDP in information disclosure. For S, our corporate culture has a high employee retention rate and we are a good company to work for, but I feel there are some areas where we are not taking on enough new challenges. We look forward to proactive measures to develop human resources who are up to the challenge to overcome the current situation and improve the corporate culture. I believe that if we can create an environment where many employees can take risks without fear of failure, it will increase job satisfaction and lead to innovation.

Noda: I also think that we are a friendly, caring company where it is comfortable to work. However, I also feel that we could be a little greedier. In order to pursue our management philosophy of "Company Centered on Technology Development that Contributes to Society,"

I hope that our desire to develop our own abilities and take on new challenges will come more to the forefront.

Risk management and global governance

Takei: Regarding the sharing of risk information, outside directors also attend Risk Management Committee meetings and other meetings on the executive side as observers, and are aware of the status of internal controls as well. We also receive reports from the director in charge of Management Department as necessary, and we recognize that governance is functioning well for a company of our size. The President also always asks that the bad news be reported first, so there is no tendency to hide problems.

Saito: Many members of the current management team have extensive overseas experience, and we have established a global management structure by placing managers locally. The Internal Audit Department, Audit & Supervisory Board members, and accounting auditors also report regularly on the status of audits of overseas subsidiaries. We recognize that there are no problems in sharing information, including risk information, on overseas group companies with outside directors.

Noda: Although the number of people dispatched from Japan is not large in relation to the scale of our business, the heads of all major subsidiaries are dispatched from the head office. It is also important to embrace cultural diversity and develop a local management team to promote globalization. If the locals are to become the management team, the governance system

will also need to be reviewed accordingly.

Takei: I agree. Overseas group companies are sales subsidiaries in the United States and Europe, a production subsidiary in Vietnam, and sales and production facilities in China. The method of dispatching Japanese managers to sales subsidiaries has been effective, but I believe that another approach to governance of overseas subsidiaries will be necessary, especially as overseas production expands in the future.

Activities of the Nomination and Compensation Advisory Committee

Takei: The formulation of succession plans for the management team including CEO and the implementation of training programs are also required by the Corporate Governance Code, and we recognize these as key issues for our company. Our response has been slow up until now, which is something we regret, but we have recently made the qualities and requirements required of a CEO clear and shared them within the Company. The Committee is currently discussing specific operational methods, such as how to select candidates, the necessary training and assignments, and how to evaluate them.

Noda: Our personnel system is based on a grading system, whereby employees are tested for promotion to higher grades, so it is impossible to become a manager until a certain age. However, it is necessary to have flexible management that actively selects young people, including women, who have abilities and qualities.

Saito: Recently, there has been an increase in the number of transfers of executives across business divisions,

such as the transfer of executives who were in charge of the Sales Department to the Production Department. This is an attempt to overcome the drawbacks of a silo structured organization, but I also believe that it is necessary to increase fluidity in employee transfers across business divisions. The development of talented generalists is essential to thicken the pool of reserve management personnel. For key positions such as Executive Officers and General Manager, it is necessary to establish the requirements and narrow down the list of potential successors.

Takei: Regarding executive compensation, we would like to discuss raising the total amount of compensation and the ratio and details of performance-based compensation. We understand that shareholders and investors expect us to enhance incentive compensation by linking it to financial targets clearly stated in the Medium-Term Business Plan 2026.

Noda: I believe that compensation should be more linked to performance, ESG and other commitments. Compensation tends to be kept low compared to overseas companies, but as the responsibilities of the top position are very heavy, I would like to make compensation commensurate with results. We have mentioned this point in the Committee's discussions.

Saito: Although stock compensation is targeted to account for 15% of total compensation, it may be a good idea to clarify performance evaluation indicators and strengthen its position as an incentive. If corporate value increases as a result of the growth strategy, I think there needs to be a system in place that allows the management team to receive compensation commensurate with that.

Risk Management and Compliance

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 developed a risk management system in line with our Risk Management Regulations, as the occurrence of risks could impact corporate management. The Risk Management Committee (Chairperson: Mikihiro Hosono, Director), consisting of inside directors including the President and CEO and full-time Audit & Supervisory Board member, formulates risk management policies, ensures that risk is reduced throughout the organization, inspects risk in each department, and implements control activities through internal audits. The Company promptly decides on policies to deal with risks identified through control activities and new risks that emerge.

The Risk Management Committee meets twice a year typically, and receives reports on the risk items identified through annual risk assessments conduct-

ed by departments and organizations. The committee then makes critical decisions on the most effective ways to manage these risks. In addition, a large-scale risk assessment is conducted every three years, and a major review is conducted to prioritize risk responses and identify risks for which countermeasures should be implemented. The contents of deliberations are reported to the Board of Directors for supervision and advice.

Risk Management System



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 have also formulated a business continuity plan (BCP) to ensure preparedness for potential damage and facilitate recovery in the event of a disaster. Additionally we are enhancing our systems to better handle such situations.

In addition to periodic 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 confirmation system for employees, etc., the Company is building a system to prepare for disasters, for example, by conducting periodic safety response drills. In the Production Department, the Safety and Health Committee meets monthly and is working to establish a system that will prevent secondary disasters and enable early restoration of operations. The Committee identifies hazardous operations and dangerous areas in production activities and discusses measures to mitigate or avoid damage in the event of a disaster.

Information Security

Basic Approach

While advances in information processing and network technology are progressing quickly, the ease of managing information, both internally and externally, also brings increasing risks. These risks include information leaks, falsifications, and destruction caused by 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 developed a system to ensure that the Information Security Committee (Chief Information Security Officer: Mikihiro Hosono, Director), which consists of internal directors including the President and CEO as well as the full-time Audit & Supervisory Board member, oversees the entire organization and effectively 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 ensure compliance with laws, regulations, the articles of incorporation, social norms, and other requirements, and to fulfill our social responsibilities.

Compliance Promotion System

The Compliance Committee (Chairperson: Mikihiro Hosono, Director), which consists of internal directors including the President and CEO as well as the full-time Audit & Supervisory Board member, oversees the entire organization to thoroughly educate and inform directors and employees of the code of conduct and other internal regulations. The Company has also established and is currently operating an internal reporting desk. The Internal Audit Department audits effectiveness of the compliance system.

Antibribery and Anticorruption Initiatives

The Group's Compliance Handbook clearly states the pro-

hibition 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 FY2024, 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, also known as a whistleblowing system, to serve as a contact point for reporting potentially illegal or inappropriate actions. The purpose of this hotline is to detect and address these actions at an early stage. We have an internal reporting desk and an external reporting desk.

Anonymous reporting is also an option, and the Company diligently follows regulations regarding compliance, which include maintaining confidentiality and prohibiting the mistreatment of whistleblowers. Any conduct in violation of laws and regulations is subject to disciplinary action as outlined in our internal rules.

In FY2024, we received a total of six reports: five were submitted to the internal reporting desk and one was submitted to the external reporting desk. Both reports were handled in cooperation with the related departments fairly and faithfully.

Business Opportunities and Risks

Classification	Details of Risks (-) and Opportunities (+)	Likelihood of occurrence	Degree of influence	Strategies and Policies
Management & Strategy	- Dependence on sales in specific industrial sectors, such as for equipment for electronics, and rapid shrinkage in demand	High	Major	<ul style="list-style-type: none"> Development and sales of products for growing industries such as medical equipment and robotics Providing new added value through delivery of IKO Mech-unit and other equipment
	+ Expanding demand in high-growth areas such as semiconductor manufacturing equipment	High	Major	<ul style="list-style-type: none"> Strengthen global production system and increase capacity
	- Rise of low-cost, low-quality competitors in emerging countries	High	Major	<ul style="list-style-type: none"> Reduce costs and enhance technological competitiveness Differentiation through introduction of high-quality, high-value-added products
	+ Growth of global markets including emerging countries	High	Major	<ul style="list-style-type: none"> Strengthen global production system (increase capacity at overseas production bases, particularly in Vietnam and China) Actively promote foreign national employees to core personnel
	+ Increased demand for resource- and energy-saving, low-carbon products	Medium	Major	<ul style="list-style-type: none"> Promote development of products with reduced environmental impact Promote sales of eco-products
	- Loss of demand and competitiveness due to product and technology obsolescence	Medium	Major	<ul style="list-style-type: none"> Strengthen intellectual property strategy Expanding to new fields and new businesses through open innovation (industry-academia-government collaboration)
Finance & Economics	- Intellectual property disputes (infringement lawsuits, flood of counterfeit products)	Medium	Major	<ul style="list-style-type: none"> Thorough investigation of intellectual property during development and design Proactive acquisition of intellectual property rights for new products and technologies
	- Shutdown of production sites or reduced capacity utilization due to social turmoil in a particular region	Medium	Medium	<ul style="list-style-type: none"> Expand local procurement at overseas production sites Facilitate multi-company purchasing
	- Supply chain disruptions, including geo-political risks	Medium	Small	<ul style="list-style-type: none"> Conduct periodic supplier evaluations
	- Default by a business partner	Medium	Medium	<ul style="list-style-type: none"> Hedging risks through forward exchange contracts and ensuring fund liquidity Promotion of local production for local consumption
Business process	- Deterioration in business performance and financial impact due to rapid financial market fluctuations	Medium	Medium	<ul style="list-style-type: none"> Reduced production lead time Development and deepening of inventory strategy
	- Supply delays and excess inventory due to changes in demand in a short period of time	High	Medium	<ul style="list-style-type: none"> Facilitate multi-company purchasing Product price optimization
	- Increased production costs due to soaring raw material prices	Medium	Medium	<ul style="list-style-type: none"> Maintain and strengthen the quality management system ISO 9001 Strengthen quality control system throughout our supply chain
Environment & Disaster	- Liability due to quality problems, loss of public trust	Medium	Small	<ul style="list-style-type: none"> Maintain and strengthen the quality management system ISO 9001 Strengthen quality control system throughout our supply chain
	- Losses due to environmental pollution	Low	Small	<ul style="list-style-type: none"> Maintain and strengthen the environmental management system ISO 14001 Promote green procurement throughout the supply chain
Human Capital	- Decline in production functions due to natural disasters, spread of infectious diseases, etc.	Low	Major	<ul style="list-style-type: none"> Continuous review and improvement of business continuity plan (BCP) Conduct emergency drills, utilize employee safety confirmation system, and conduct drills
	- Difficulty in securing human resources due to a declining workforce	High	Medium	<ul style="list-style-type: none"> Promoting automation and manpower saving in factories and improving operational efficiency through DX promotion Secure diverse human resources through active recruitment Support for the activities of the elderly, the disabled, etc.
	+ Expanding needs for automation and labor savings in manufacturing	High	Major	<ul style="list-style-type: none"> Expand provision of high-value-added products and offer total solutions Strengthen global production system and increase capacity
	- Suspension of business activities due to deterioration of labor relations	Low	Major	<ul style="list-style-type: none"> Formulate and promote personnel systems that accommodate diverse work styles Creating a pleasant work environment
	+ Enhancing competitiveness by improving work comfort	High	Medium	<ul style="list-style-type: none"> Formulate and promote personnel systems that accommodate diverse work styles Strengthening initiatives to improve employee engagement
Compliance & Legal Affairs	- Loss of social credibility due to human rights violations, suspension of transactions due to lack of human rights response	Low	Medium	<ul style="list-style-type: none"> Compliance with human rights policies and education Establishment of a human rights due diligence mechanism
	- Business stoppages and information leaks due to computer viruses, cyber-attacks, etc.	Low	Medium	<ul style="list-style-type: none"> Reinforcement of information security measures and implementation of in-house education Development and operation of personal information protection policy
	- Loss of public trust due to noncompliance	Low	Small	<ul style="list-style-type: none"> Strengthening Corporate Governance Stable operation of the whistleblower system Strengthen compliance and risk management systems

Stakeholder Engagement

Co-existence with Local Communities and Social Contribution

The Group aims to be a company that is needed and trusted by the community and society by contributing to society through its corporate activities to realize a safe and secure society in all regions. We believe that this will not only enhance our brand image, but also lead to the creation of corporate value for our Group by enhancing our human capital through the realization of “good corporate citizenship” as defined in our Code of Conduct.

Please refer to the “Code of Conduct” on our website below.

<https://www.ikont.co.jp/eg/sustainability/management-promo.html>

Specific Efforts

Our entire Group, including both domestic and overseas bases, is proactively involved in local activities. We have been making a variety of local contributions over the years, both in Japan and overseas, thereby building strong relationships with local communities. This includes donation activities at our overseas bases, in addition to local cleanup activities and participation in neighborhood events.



Private show



Exhibition (USA)



Donation activities in Vietnam



Volunteering at a sporting event for people with disabilities in the United States



Exchange meetings with neighborhood residents



Cherry blossom viewing party at the business site



General Meeting of Shareholders



Purchasing policy briefing

Participation in External Initiatives and Third-Party Evaluations and Certifications

The Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), joined the TCFD Consortium, endorsed the recommendation of the Taskforce on Nature-related Financial Disclosures (TNFD) as well as registered as a “TNFD Adopter”, signed the United Nations Global Compact, and joined the Global Compact Network Japan.

The Company was selected as a constituent of the FTSE Blossom Japan Sector Relative Index, an index of

Japanese companies actively engaged in ESG.

In addition, IKO International, Inc. in the US received a “Bronze” rating in a supplier survey conducted by EcoVadis (2023).

The Company has obtained ISO certification, the international management system standards for environmental protection and quality assurance.

ISO 14001: Gifu area, Kamakura area, IKO Thompson Vietnam Co., Ltd.
ISO 9001: Gifu area, Kamakura area, IKO Thompson Vietnam Co., Ltd., UBC (Suzhou) Bearing Co., Ltd.

Major Stakeholders	Main interaction methods	
Customers	<ul style="list-style-type: none"> Daily sales activities (throughout the year) Factory tours (as needed) Technical workshops and social events (as needed) 	<ul style="list-style-type: none"> Various exhibitions and private shows (irregular) General meeting of agents (once a year) Website (year-round)
Shareholders and Investors	<ul style="list-style-type: none"> General Meeting of Shareholders (once a year) IR meetings (93 meetings in FY2024) Website (year-round) 	<ul style="list-style-type: none"> Financial results briefing (twice a year) Various publications (annual securities reports, Integrated reports, business reports, etc.)
Business Partners	<ul style="list-style-type: none"> Purchasing policy briefing (once a year) Quality and environmental audits of suppliers (as needed) 	<ul style="list-style-type: none"> Green Procurement Survey (as needed) CSR Procurement Guideline Compliance Survey (as needed)
Employees	<ul style="list-style-type: none"> Personnel evaluation and MBO interviews (4 times a year) Stress check organizational diagnosis (once a year) In-house magazine (as needed) 	<ul style="list-style-type: none"> Self-assessment interview (once a year) Labor-management consultations (as needed) Various consultation services (as needed)
Local community	<ul style="list-style-type: none"> Neighborhood cleanup activities (about twice a year at multiple locations in Japan and overseas) Acceptance of student company visits and business introduction events (as needed) 	<ul style="list-style-type: none"> Donation activities to nearby welfare facilities (multiple locations in Japan and overseas, as needed) Acceptance of factory tours for neighborhood residents (as needed)

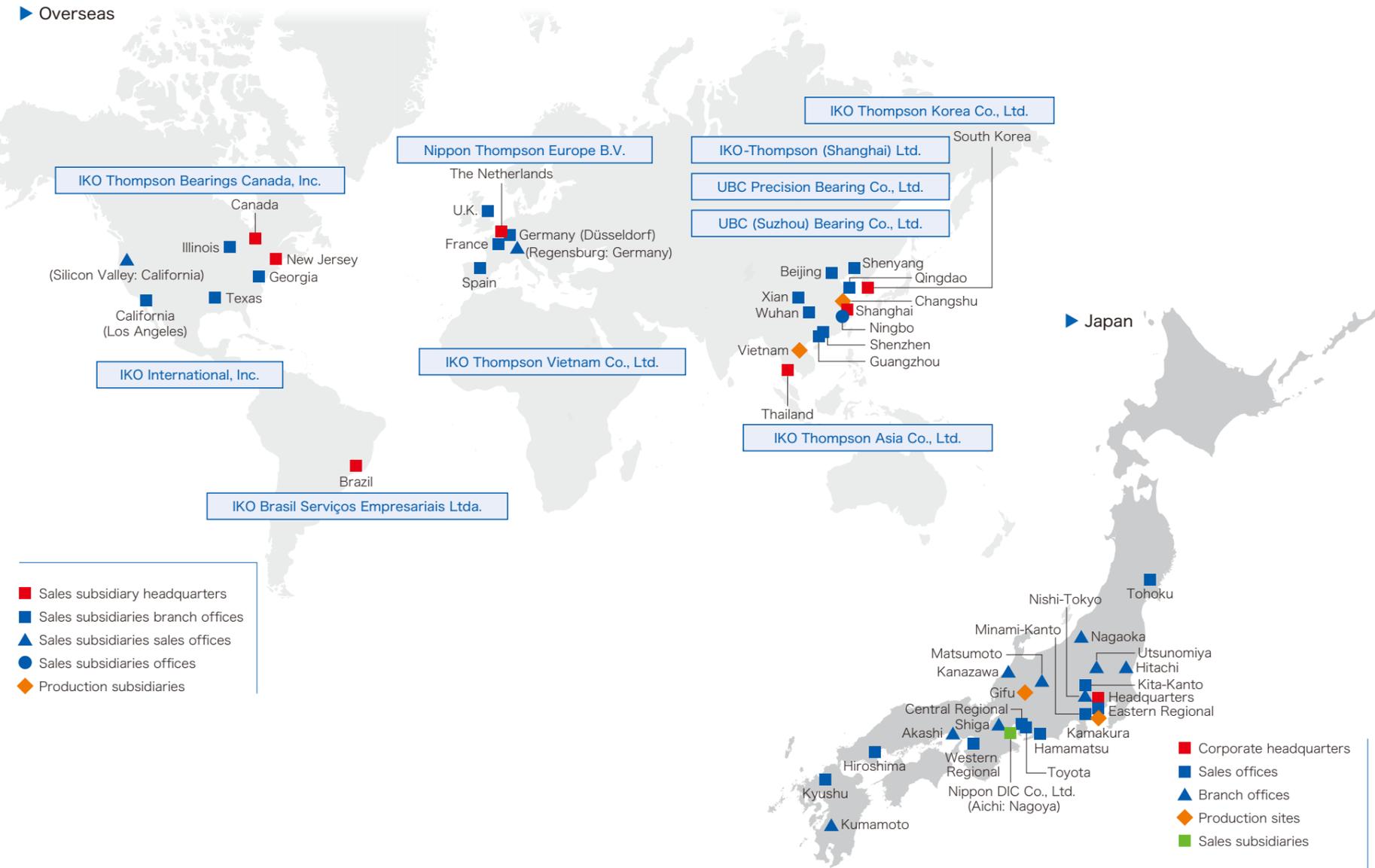


(Unit: millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Profit and Loss											
Net sales	39,259	44,972	43,664	44,130	55,228	57,570	47,457	44,342	62,284	68,260	55,048
Operating profit	(251)	3,877	3,018	1,145	2,649	4,883	1,341	(559)	5,898	9,459	3,164
EBITDA	3,654	7,504	5,144	3,625	5,657	8,748	5,202	4,211	11,534	14,002	7,973
Profit attributable to owners of parent	568	2,966	1,569	(291)	1,678	3,718	(185)	215	4,134	7,469	2,674
Financial Position											
Total assets ^{*1}	86,891	93,411	89,197	99,627	98,493	101,468	98,118	100,946	107,078	114,347	119,187
Net assets	56,121	61,099	58,056	58,605	59,666	60,195	57,439	59,425	63,974	71,662	76,164
Cash Flows											
Cash flows from operating activities	9,051	7,690	2,521	4,981	6,043	5,158	(2,497)	5,658	10,265	6,398	(2,488)
Cash flows from investing activities	(1,595)	(2,443)	(4,908)	(5,376)	(1,379)	(5,061)	(6,188)	(3,007)	(2,100)	(2,702)	(5,304)
Free cash flows	7,456	5,247	(2,386)	(394)	4,663	96	(8,686)	2,650	8,165	3,696	(7,792)
Cash flows from financing activities	(3,562)	(1,856)	(1,944)	7,126	(6,696)	(1,047)	4,618	(412)	(6,442)	(3,351)	7,566
Capital Expenditures, etc.											
Capital expenditures	2,127	2,427	6,150	2,627	2,535	5,248	5,455	2,752	2,019	2,504	4,857
Depreciation and amortization	2,636	2,584	2,272	2,596	3,094	3,297	3,800	3,833	3,885	3,423	3,325
Research and development expenses	785	778	903	990	1,036	1,148	1,305	1,266	1,324	1,526	1,554
Per Share Indicators											
Earnings per share (EPS) (yen)	7.82	40.71	21.64	(4.04)	23.35	51.95	(2.59)	3.02	58.27	104.92	37.82
Dividend per share (yen)	10.0	11.0	13.0	13.0	13.0	15.0	12.5	8.0	13.0	19.0	19.0

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Financial Indicators											
Operating profit to net sales (%)	(0.6)	8.6	6.9	2.6	4.8	8.5	2.8	(1.3)	9.5	13.9	5.7
ROA (return on assets) (%)	0.7	3.2	1.8	(0.3)	1.7	3.7	(0.2)	0.2	3.9	6.5	2.2
ROE (return on equity) (%)	1.0	5.1	2.6	(0.5)	2.9	6.2	(0.3)	0.4	6.7	11.0	3.6
ROIC (return on invested capital) (%)	(0.2)	3.1	2.7	0.9	2.3	4.2	1.1	(0.4)	4.7	7.1	2.0
Equity ratio (%)	64.6	65.4	65.0	58.4	60.1	59.1	58.4	58.7	59.6	62.6	63.8
Dividend payout ratio (%)	127.9	27.0	60.1	-	55.7	28.9	-	264.9	22.3	18.1	50.2
Inventory turnover (months)	9.8	7.7	7.7	7.4	5.6	5.8	8.0	8.8	6.3	6.3	8.7
Nonfinancial Data											
Greenhouse gas emissions (t-CO ₂)	16,993	26,309	27,429	27,249	30,848	31,750	30,580	23,894	^{*2} 33,247	^{*2} 31,942	27,277
Electricity consumption (MWh)	33,382	41,746	44,071	44,023	50,374	57,995	54,297	44,458	64,365	61,731	49,942
Water consumption (1,000 m ³)	104	124	142	134	146	165	145	134	162	^{*2} 162	144
Waste emissions (tonnes)	3,067	3,437	2,952	2,972	3,114	3,507	3,015	2,135	2,995	3,147	2,425
Amount of PRTR substances emissions/transfers (kg)	91	113	94	27	26	216	206	12	32	33	26
Number of employees (persons)	1,451	1,750	1,750	1,919	2,232	2,448	2,232	2,456	2,688	2,613	2,472
Ratio of female employees (%)	7.0	7.8	8.6	9.7	11.7	11.3	11.5	11.9	12.3	12.8	13.3
Male childcare leave utilization rate (%)	-	-	-	-	-	-	0.0	0.0	12.1	51.9	65.5
Childcare leave return-to-work rate (%)	-	-	-	-	-	-	100.0	100.0	100.0	100.0	93.8
Number of national qualification holders (persons)	931	1,071	1,212	1,242	1,319	1,355	1,401	1,390	1,421	1,453	1,513
Education cost per person (thousand yen)	-	-	-	-	-	-	34	16	20	30	31

*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 We are reviewing data retroactively.



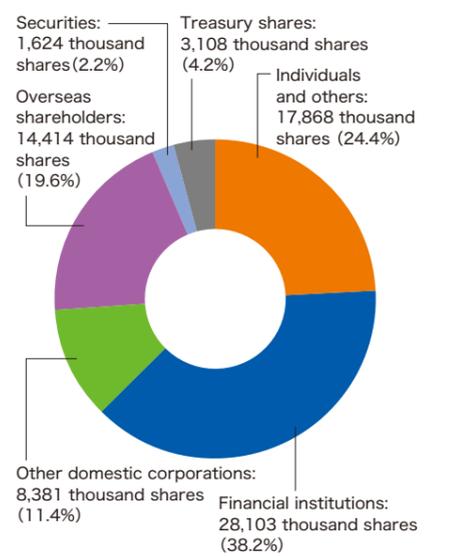
Total authorized shares 291,000,000 shares
Total outstanding shares 70,392,848 shares (excluding 3,108,577 treasury shares)
Number of shareholders 11,139名
Trade name Nippon Thompson Co., Ltd.
Trademark **IKO**
Established February 10, 1950
Corporate headquarters 19-19 Takanawa 2-chome Minato-ku, Tokyo 108-8586, Japan
Capital 9,533,170,390(Yen)
Number of employees 2,472(Group total)

Major Shareholders and Number of Shares Owned

Name of shareholder	Number of shares owned (thousand shares)	Dividend yield (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,940	12.70
Nippon Thompson Business Partners Shareholders' Association	5,571	7.91
Nippon Life Insurance Company	4,262	6.05
Custody Bank of Japan, Ltd. (Trust Account)	3,729	5.29
Nachi-Fujikoshi Corp.	2,008	2.85
Nippon Thompson Employees Shareholders' Association	1,882	2.67
MUFG Bank, Ltd.	1,612	2.29
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd., Retirement Benefit Trust Account reentrusted by Custody Bank of Japan, Ltd.	1,305	1.85
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON, SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	1,299	1.84
HSBC BANK PLC A/C M AND G(ACS) VALUE PARTNERS CHINA EQUITY FUND	1,281	1.81

Notes: 1. The Company holds 3,108,577 shares (4.22%) of treasury shares.
 2. Holdings ratio is calculated after deducting treasury shares (3,108,577 shares).

Shareholder composition by type of ownership



Total Shareholder Return (TSR)

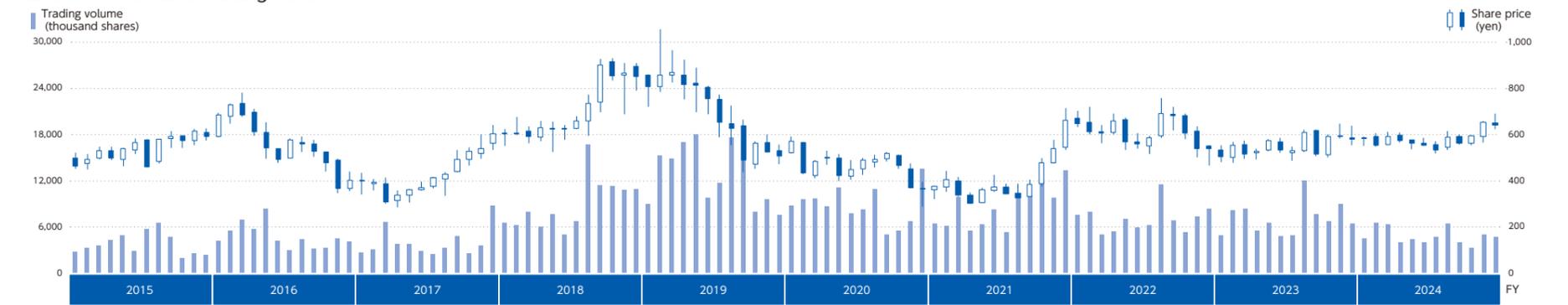
Investment Period	1 Year (End of March 2023 to end of March 2024)	3 Years (End of March 2021 to end of March 2024)	5 Years (End of March 2019 to end of March 2024)	10 Years (End of March 2014 to end of March 2024)
Nippon Thompson stock price	13.8%	4.7%	40.2%	54.2%
TOPIX	41.3%	52.5%	96.2%	188.6%
TOPIX machinery index	46.2%	52.8%	117.0%	201.8%

Stock Price Valuation

	FY2020	FY2021	FY2022	FY2023	FY2024
Year-end stock price (yen)	369	662	541	581	642
PBR(times)	0.5	0.8	0.6	0.6	0.6
PER(times)	-	219.2	9.3	5.5	17.0
ROE(%)	-0.3	0.4	6.7	11.0	3.6
Dividend yield (%)	3.4	1.2	2.4	3.3	3.0
Year-end market capitalization (millions of yen)	26,537	46,915	38,430	41,430	44,211

(Note) Market capitalization at fiscal year-end is calculated based on the total number of shares outstanding less treasury shares.

Stock Price and Trading Volume



IKO

NIPPON THOMPSON CO., LTD.

19-19 Takanawa 2-chome Minato-ku,
Tokyo 108-8586, Japan
<https://www.ikont.co.jp/eg/>
December 2024

