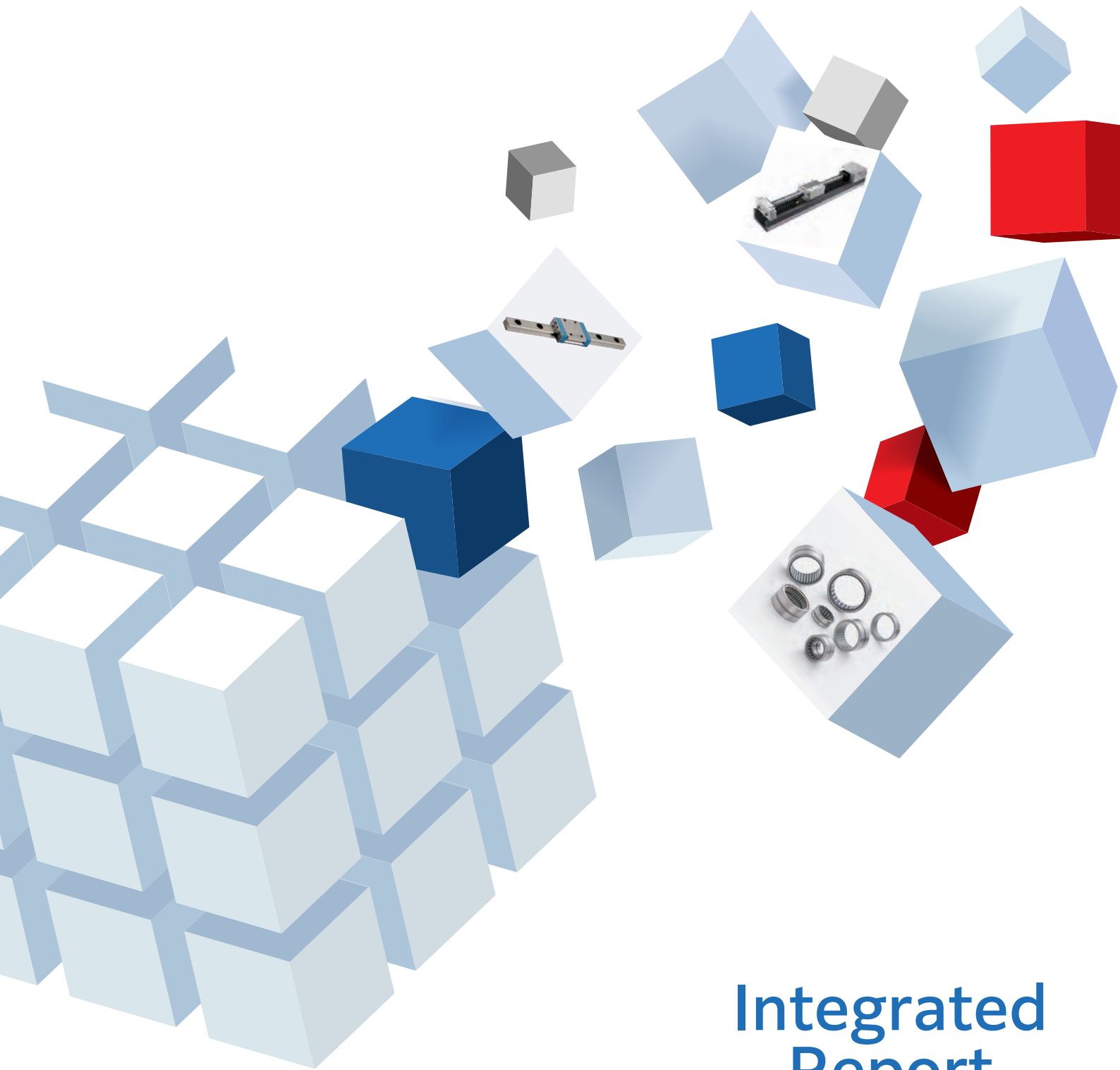


IKO



**Integrated
Report
2023**

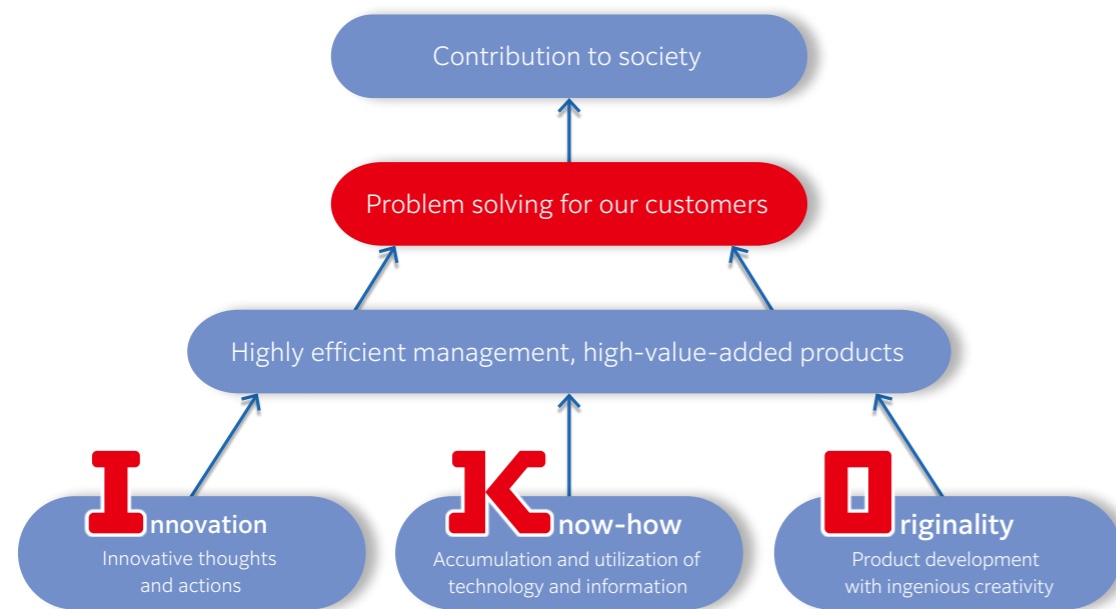
April 1, 2022–March 31, 2023

NIPPON THOMPSON CO., LTD.

Management Philosophy

A Company Centered on Technology Development That Contributes to Society

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



Nippon Thompson's **IKO** brand name is an acronym of the company's core beliefs —*innovation, knowhow and originality*— with products that are artfully creative and based on advanced technology.

IKO VISION 2030

Collaborating with customers primarily and co-creating value as a technology development-based company – co-creating a sustainable future –

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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, 2022–March 31, 2023
 * In this report, FY means the fiscal year ending/ended March 31.
 * The report includes some activities from before as well as after the reporting period.

Scope of Reporting

Nippon Thompson Co., Ltd. and consolidated subsidiaries
 * In this report, “the Company” refers to Nippon Thompson on a nonconsolidated basis and “the Group” refers to the entire consolidated Nippon Thompson Group.

Reference Guidelines

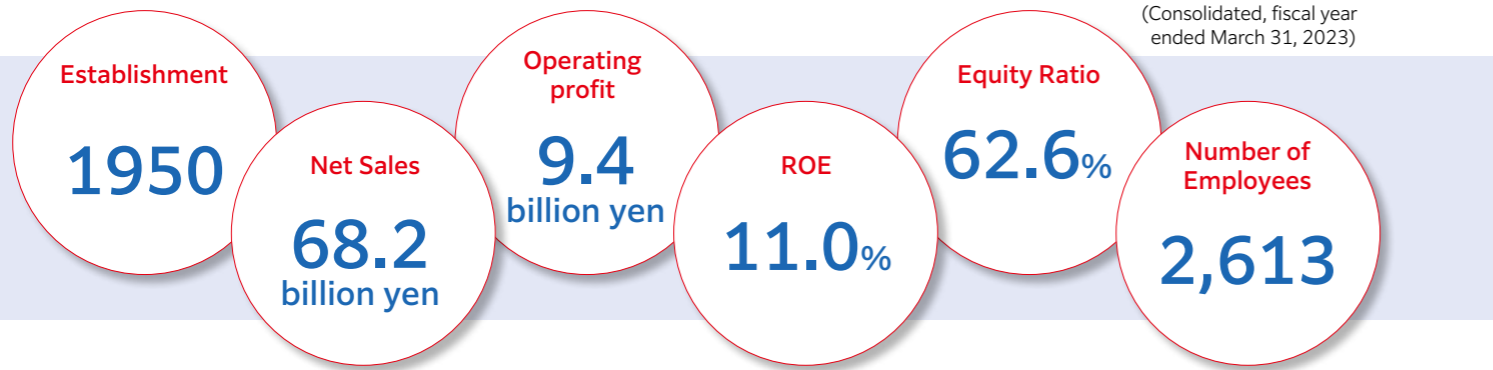
- International Integrated Reporting Framework by the International Financial Reporting Standards Foundation (IFRS)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by the Ministry of Economy, Trade and Industry (METI)
- Environmental Reporting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

Cautionary Statement Regarding Forward-Looking Statements

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



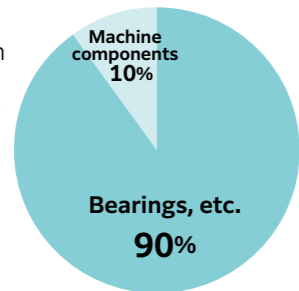
At a Glance



Main Products

Nippon Thompson Co., Ltd. was the first company in Japan to develop needle roller bearings using in-house technology. This advanced technical knowhow has been the foundation for our progress in the field of linear motion (linear motion rolling guide series and mechatronics series). We respond to diverse needs with a rich product range that utilizes our creativity, supporting the advancement of technology.

● Net sales composition ratio (by product)

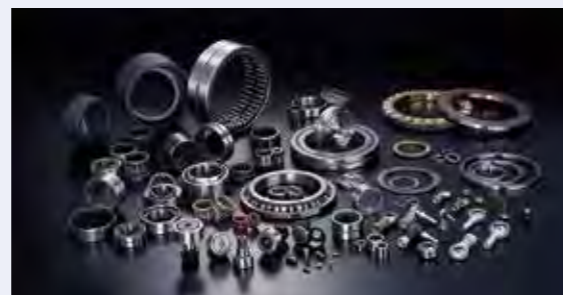


* Bearings, etc.: Needle roller bearings, linear motion rolling guides, Mechatronics series
Machine components: Accessory parts such as system products incorporating our own products

Needle Roller Bearings

A rich lineup of world-class products

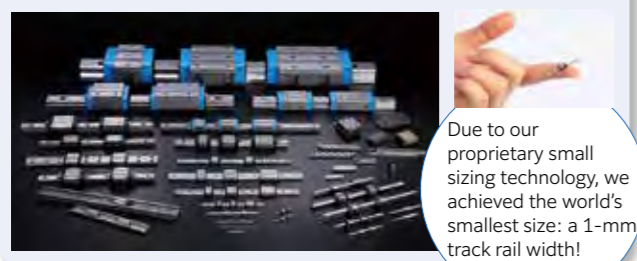
Needle roller bearings are bearings for rotary motion that use needle-shaped thin rollers as rolling elements. Compared to ball bearings, they have low sectional height and large load capacity.



Linear Motion Rolling Guides

The world's smallest

These machine components, derived from rotary bearings, reduce the friction of linear motion. Their applications range from the everyday usage, in train station platform doors, to cutting-edge semiconductor manufacturing equipment.



Due to our proprietary small sizing technology, we achieved the world's smallest size: a 1-mm track rail width!

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.

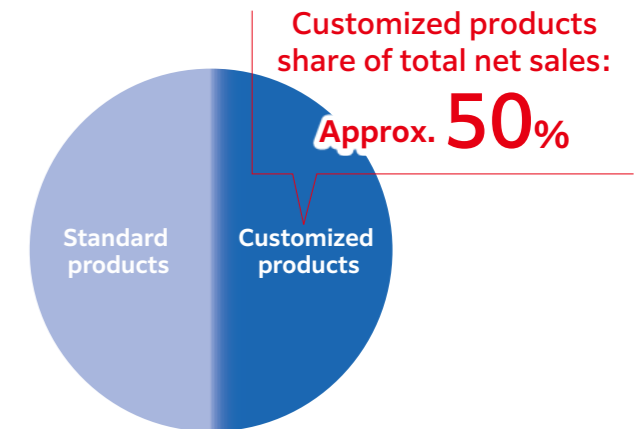


The high-precision XY stage has a positioning accuracy of ±0.5 μm!

Nippon Thompson's Strengths

Our Group's products support the convenience and comfort of people all over the world, as well as the equipment that in turn makes other precision products. Trust in high-quality, high-precision products: that is why our customers choose us.

To meet diversifying needs, we offer not only standard (catalog listed) products, but also custom items. Customized products aligned to customers' requests and specifications account for about half of our net sales. We have created a high-value-added business model by integrating the Sales, Engineering, Production, and Management Departments so that we can respond quickly and flexibly, even for requests with special form factors (shapes and sizes).



Developing Our Global Supply System

As well as the Gifu factory complex, our main plant, the Group's products are manufactured in Vietnam and China. We send engineers from Japan to our overseas production sites where they provide detailed

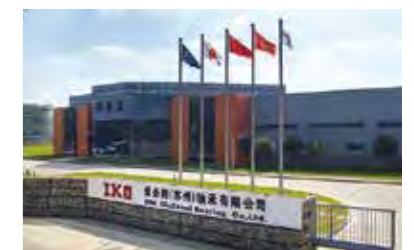
technological guidance. By combining cutting-edge machinery with expertise built up in Japan, our overseas locations can make products of the same quality as those made in Japan.



Gifu factory complex (Japan)



IKO Thompson Vietnam Co., Ltd. (Vietnam)



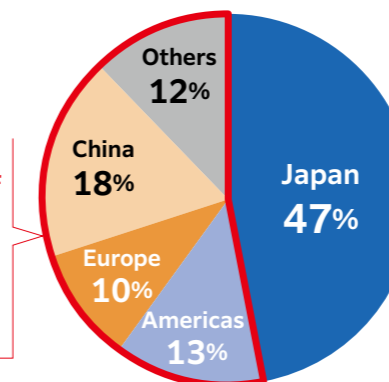
UBC (Suzhou) Bearing Co., Ltd. (China)

Global business fields

Through our global sales network, we export **IKO** brand products to 70 countries, supporting virtually every industry in the world.

● Net sales composition ratio (by region)

Overseas share of total net sales: **More than 50%**



Number of global offices



IKO Products That Contribute to Society

Providing High-Quality Products to a Diverse Range of Industries

The Group provides machine components that are indispensable to all industries for customers around the world, from equipment for electronics to machine tools and transportation equipment. Backed by advanced

technological capabilities, the core of our value creation is that we quickly provide high-quality products that meet the challenges and requirements of our customers.

Application Fields

Electronics-related Devices and Equipment

Helping to improve machine reliability!

As semiconductors become increasingly miniaturized and more precision is required, contamination even by nanoscale particles can cause irreparable damage. For this reason, semiconductors are manufactured in special environments, such as high temperature or vacuum environments and cleanrooms.

The liquid crystal lubricant series is the first product in the world to contain high-performance liquid crystal lubricants to handle the requirements of customers operating in these special environments. This lubricant helps to dramatically boost the performance and reliability of mechanical equipment.



Liquid crystal lubricant series

Semiconductor manufacturing equipment (exposure equipment)



C-Lube linear way L

Semiconductor inspection equipment (handlers)



Linear motor tables



Nano linear

General Industrial Machinery

Helps make machines more compact and lighter!

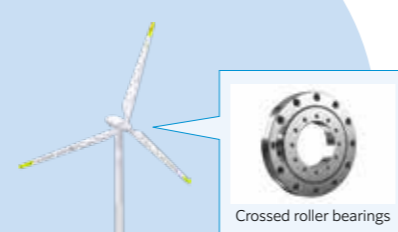
Crossed roller bearings are widely used in applications that require a compact form with high rigidity and rotational accuracy, such as wind turbines, industrial robots, and rotating parts in medical equipment.

Super slim-type crossed roller bearings combine outstanding performance with extreme thinness and small size, helping to make machines that are more compact and lighter.



Super slim-type crossed roller bearings

Wind turbines

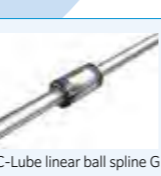
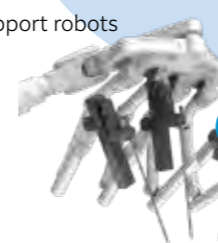


Crossed roller bearings

Humanoid robots



Surgical support robots



C-Lube linear ball spline G

Machine Tools

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

Machining centers



C-Lube linear roller way Super X



Crossed roller bearings

Machine tools that require high precision, a high load capacity, and high rigidity.

The linear roller way super X is a linear motion rolling guide used in many machine tools. The rolling element uses a roller that we were the first in the world to develop.

We continually improve our machine tools, pursuing ever-higher precision.

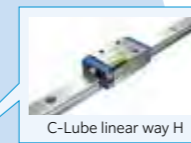


Linear roller way Super X ZERO

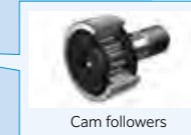
Transportation Equipment

Helps reduce the labor hours required for maintenance and protects the global environment!

Electric vehicle (EV) production lines



C-Lube linear way H

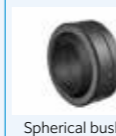


Cam followers

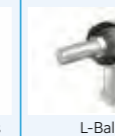
Motorcycles



Needle roller cages



Spherical bushings



L-Balls

The C-Lube linear way is used in various fields such as production lines for electric vehicles (EVs), which have come to the forefront as the next-generation of vehicles, and train station platform doors that protect the safety of passengers.

IKO's proprietary lubrication component C-Lube has an oil-minimizing construction, providing an optimal amount of lubricating oil over a long period.

While enabling customers' machinery and equipment to operate maintenance-free for a long time, C-Lube also contributes to protecting the global environment.



Creating Eco-Products That Help Achieve Carbon Neutrality!

The Group has taken a global environment-friendly approach with minimal oil as the key concept. Our proprietary products, including C-Lube, liquid crystal lubricant, and LRX ZERO, have many key attributes, including reducing environmentally hazardous substances, improving energy efficiency through

weight reduction, and curbing industrial waste by enabling a long life. In this way, they help reduce greenhouse gas (GHG) emissions throughout the product lifecycle, providing environmental value that contributes to achieving carbon neutrality.

Value Creation Trajectory

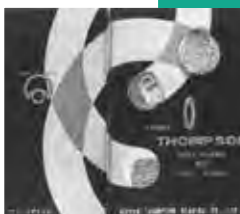
From 1950 Founding and Early Days

Creating value by diversifying needle roller bearings products

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

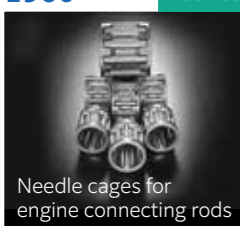
- 1950 Daiichi-Kogyo Co., Ltd., the predecessor of Nippon Thompson Co., Ltd., was established.
- 1956 Began R&D for needle roller bearings.
- 1959 Established the Himeji Factory in Himeji, Hyogo, and began manufacturing needle roller bearings.
- 1963 Changed the company name to Nippon Thompson Co., Ltd.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

1959 **Needles**




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

1960 **Needles**



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

1964 **Needles**



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

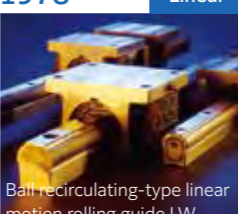
From 1970 Growth and Expansion

Responding to increasingly complex product requirements by developing linear motion rolling guides and the mechatronics series

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


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

1978 **Linear**



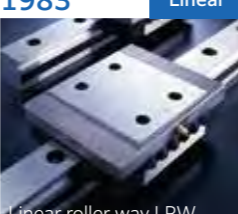
Introduced linear motion rolling guides, an evolution of rotary bearings to linear motion.

1982 **Mechatronics**



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

1983 **Linear**



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


From 1990 Maturity and Transition

Beginning full-scale global expansion and demonstrating value through a stronger management base

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

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

1996 **Mechatronics**



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

2002 **Linear**



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

2008 **Mechatronics**



Launched ultra-compact ball screw drive tables.

From 2010 Change and Dynamism

Creating new value through high precision and responding to customers' requirements

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

- 2012 Launched the Company's first **IKO** Medium-Term Business Plan.
- 2014 Established IKO Thompson Asia Co., Ltd. in Thailand.
- 2015 Established IKO Thompson Korea Co., Ltd. in South Korea. Established IKO Brasil Serviços Empresariais Eireli In Brazil.
- 2016 Established IKO Thompson Bearings Canada, Inc. in Canada.
- 2017 Acquired two companies engaged in the manufacturing and sales of bearings in China; UBC (Shanghai) Precision Bearing Mfg. Co., Ltd. and UBC (Suzhou Bearing Co., Ltd.)
- 2021 Formulated the Basic Sustainability Policy.
- 2022 Transferred shares to the Tokyo Stock Exchange Prime Market.
- 2023 Formulated **IKO** Group Human Rights Policy.

2016 **Linear**



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


Fiscal year ended March 31, 2023 (consolidated)
68.2 billion yen

2019 **Linear**

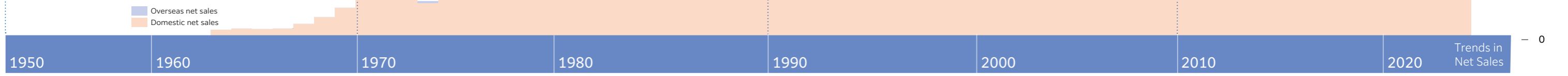


Launched the world's first liquid crystal lubrication linear way.

2020 **Linear**



Linear way L is used for NASA Mars rover.



Message from the CEO

Providing our customers with high-quality products and delivering returns to our stakeholders through corporate growth



Shigeki Miyachi
President and CEO

The essence of the value proposition by Nippon Thompson

Nippon Thompson is a company centered on developing technology, with a history that dates back 73 years. To date, it is the quality of our products that has supported the Group's growth and shaped the essence of the value we provide to our customers. It is our responsibility to supply unique, high-quality products that are exclusive to the Group and that our customers can use them without any worries. Fulfilling this responsibility is the reason we exist.

We provide products under the IKO brand name.

IKO is an acronym of our three core beliefs—*Innovation, Knowhow and Originality*—or providing products that are artfully creative and based on advanced technology. Immersing ourselves in manufacturing based on these three keywords has led to the creation of the Group's high-quality, high-value-added products, which continue to receive high acclaim in industrial circles. The idea that the value of the IKO brand must exceed our customers' expectations is firmly rooted not only among management

but also among all Group employees. It is here that the strength of the Group can be found. This belief is ingrained at all of our production and sales sites, both in Japan and overseas. In 2017, the Group established the Brand Image Improvement Committee, and since that time, the Committee has continued to find ways to improve, across the entire Group, the value of the brand. One conclusion the Committee has drawn is that the value of the IKO brand lies in the quality of

our products.

Moving ahead, we are finding new ways to communicate the value of the IKO brand more widely. Having more customers use our products and experience their value firsthand will encourage their use in customers' products. This in turn can help our customers to generate technological innovations and improve their value. Ultimately, we aim to help improve value throughout the entire industry.

Human capital and organization are the sources of our growth

Improving the value of our employees

The Group's human capital is an essential management resource that generates high quality and drives growth. Moreover, to build the foundation for the future, it is necessary for us to utilize our employees' unique ideas and ability to take action. As President, I will make every effort to invest the management resources and take all necessary actions to improve on the strengths of our employees, and I will provide comprehensive support for their growth. I believe that the growth of employees drives the growth of the Group. For this reason, and to boost our rate of growth, I intend to invest management resources in creating an environment that makes possible the more rapid growth of every employee. Over these past few years, we have reinforced employee motivation and growth, including by introducing new personnel systems. The next challenge, however, will be to create an organizational culture that supports individual growth. To do this, we must first work to rebuild awareness among management. I am certain that we already have many managers who take good care of their employees. However, moving forward, it is important that they now think about every employee more than ever before, discuss what is required for them to grow even more, and look for solutions together. For managers themselves, we must also create a culture and systems that enable employees to make proposals or suggestions to their managers to grow, in addition to top-down management.

Moreover, considering human capital, I am strongly aware of the importance of diversity. Organizational management through employees who only have experience of their own organization and culture is not helpful for fostering new ideas or for speedy growth. To make changes, we must increase

opportunities so we can learn from the expertise of women, people from other companies, and those from overseas. Diversity is also a key theme for the Board of Directors. While last year we appointed a female outside director to the Board of Directors, we have not yet to appoint an officer from overseas. In this area, I hope to meet the global standards as quickly as possible.

In recent years, the expression *human capital* has come to be used more frequently. Rather than considering investments in human resources as expenses, it is becoming increasingly important to view them as asset investments that enhance the corporate value. Although we too must continue to invest in people to drive growth, we first need to boost our ability to generate earnings in order to secure enough capital to do this. I believe that this approach will result in a distinctive human capital management system.

Reinforcing our organization

A strong organization is key to bringing together the strengths of individual employees and turning them into a powerful force.

Moving forward, for the Group to achieve more growth, the essential tasks are reinforcing and optimizing our production capacity. In April 2023, we implemented a major organizational change in our Production Department. Under the leadership of Nobuya Hideshima, the Senior Managing Director in charge of the Production Department, senior frontline employees repeatedly discussed ideas for a new production organization and finalized the concept for an organization that could bring about changes on the production front lines. Mr. Hideshima previously served as an outside director of the Company for three years, before being appointed

as Senior Managing Director in June 2022. The new organization, because it was based on many frontline ideas, is full of highly motivated employees. I am incredibly grateful to Mr. Hideshima for the excellent job he has done.

At the same time, the reinforcement of an entire organization requires wide-scale or horizontal teamwork. For a manufacturing company like ours, it is not only essential that all of our production, technology, sales, and management departments are effective, but that there is also horizontal teamwork. Without this, we will not be able to fully respond to our customers' requirements. There is a thorough internal understanding of the need for this type of widespread teamwork. Over the past decade or so, we have been able to create a culture that places the highest value on cross-departmental and cross-organizational

teamwork. In the current Medium-Term Business Plan, we are working to reinforce a strong management foundation through the One Team IKO concept, where we aim to maximize our organizational strengths—from the customer's perspective—that transcends departments and organizational boundaries.

We are also moving ahead with initiatives to support horizontal teamwork. One example is the Medium-Term Business Plan Top Management Review meeting, where departments share their respective frontline issues and explore solutions. By looking at the issues that other departments face and then working together to find solutions, the meetings are helping us to learn innovations and apply them in their own departments. As a result, these meetings are leading to stronger horizontal or widespread teamwork.

our customers and the solid relationship of trust we have built with them. For example, without such solid trust, our customers would be unwilling to listen to the one-on-one presentations we are hosting as part of the Medium-Term Business Plan. In addition, we are also focusing on industry-specific presentations, and because we have a thorough understanding of the issues facing customers in particular industries, we are able to offer proposals that resonate with our customers.

On the other hand, there are still many issues that we must tackle to achieve our long-term vision, IKO VISION 2030. In addition to continuing to strengthen profitability and improve efficiency, we will also reinforce some of our financial strategies, including growth investments and shareholder returns.



The importance of achieving the current Medium-Term Business Plan and our long-term vision beyond this plan

While working to reinforce our human resources systems and organization, at the IKO Group we are also taking actions for new growth. Our current Group-wide initiatives focus on attaining the goals of Medium-Term Business Plan 2023: deepening, expanding, and embracing change. This plan was formulated by backcasting from IKO VISION 2030, which outlines the Group's vision for 2030, and our basic policy for the plan is improving and co-creating value by *deepening, expanding, and embracing change*. The decisive difference between our previous plans and the current one is the close involvement in its formulation by the general managers, section managers, and mid-level employees who will be responsible for the next generation. *Deepening, expanding, and embracing change* are the actions that will be taken by these senior employees and candidates for these positions in their day-to-day operations. Under this plan, we must clearly

recognize the business domains where we can show our strengths, as well as our robust products. This policy signifies our enduring ambition for thorough investigation and research, intensive investment, and the behavioral change that is required to further refine our strengths.

Turning to progress, at the end of the second year of this management plan, we have already achieved roughly 70% of our targets. As a result of our work to shift to a stronger business structure that is capable of responding to highly volatile market conditions, in the fiscal year ended March 31, 2023 (the fiscal year under review) we had 9.4 billion yen in operating profit and an ROE of 11.0%. In the fiscal year under review, despite a tough earnings environment compounded by soaring raw material prices and other factors, we were able to maintain prices with the cooperation of our customers. We believe this is due to the strong reputation of the IKO brand among

Initiatives for sustainable management

We will continue to focus on strengthening our management structure and attaining more sustainable management to ensure that we can sustain strong growth into the future.

Sound corporate governance will be the key to these initiatives. The Board of Directors, which I mentioned briefly above, has nine directors, three of whom are outside directors. These three outside directors are providing valuable advice based on their deep insight in their respective areas of expertise. Moreover, in 2022, we welcomed Atsuko Noda onto the Board as our first female outside director, and she has been offering substantial advice and guidance, including opinions from her perspective as a female director.

For advancing the initiative for sustainable management, based on our Basic Sustainability Policy, the Sustainability Committee, which is linked directly to the Board of Directors, holds discussions

on sustainability-related issues and regularly reports to the Board. We are also addressing materiality (key issues) that has been identified as consistent with the Basic Sustainability Policy, and have organized these into six themes with 16 issues.

At the IKO Group, we recognize that our businesses are built on the support of our wide range of stakeholders. We therefore looked carefully at the kind of company we want to be for five groups of stakeholders: customers, shareholders, suppliers, employees, and competitors. We then used the desired outcomes as key criteria when formulating our Medium-Term Business Plan. Note that we consider competitors as one of our stakeholders, while wanting to have the No. 1 competitive advantage in niche markets. Moving forward, we will create strategies to make us even stronger, succeeding even more in robust business areas and with outstanding products.

Achieving growth from valuing human connections

When looking at our reputation in the capital markets, it is clear that our explanations to investors are not getting the results that we expected. Looking ahead, we believe it will be important to ensure that investors thoroughly understand the Group's growth story and our cash allocations, including our proactive return of profits to shareholders.

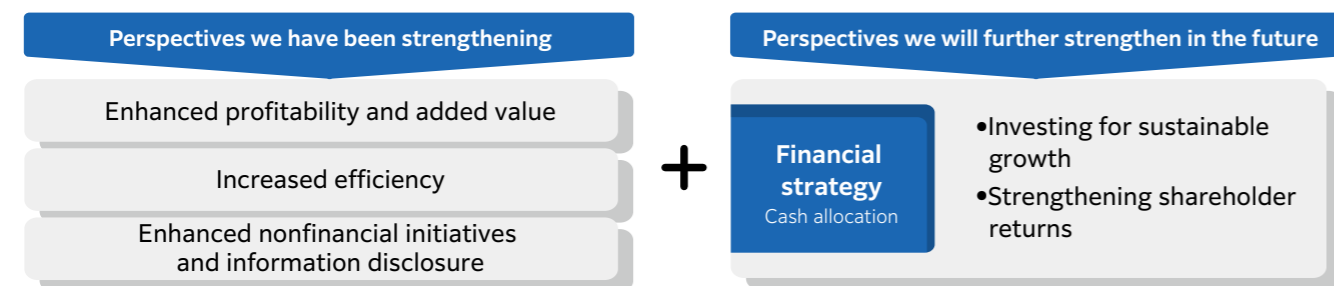
I always place the most importance on human connections. This is the case for both my role as a corporate manager and my life outside of work. I strive to be considerate, then think and act in a way that can benefit others. The One Team IKO concept in our Medium-Term Business Plan embodies the

importance of human connections.

Throughout our history, I believe we have built a culture in which employees act with honesty, integrity, and giving their all for both customers and to their work. The Group's strengths are our employees and organization, as well as the high quality of products, that are the result of this genuine corporate culture.

Moving forward, we will strive to achieve sustainable growth by maintaining the support of our customers through high-quality and high-precision products. I would like to ask all of our stakeholders for their continuing understanding and support.

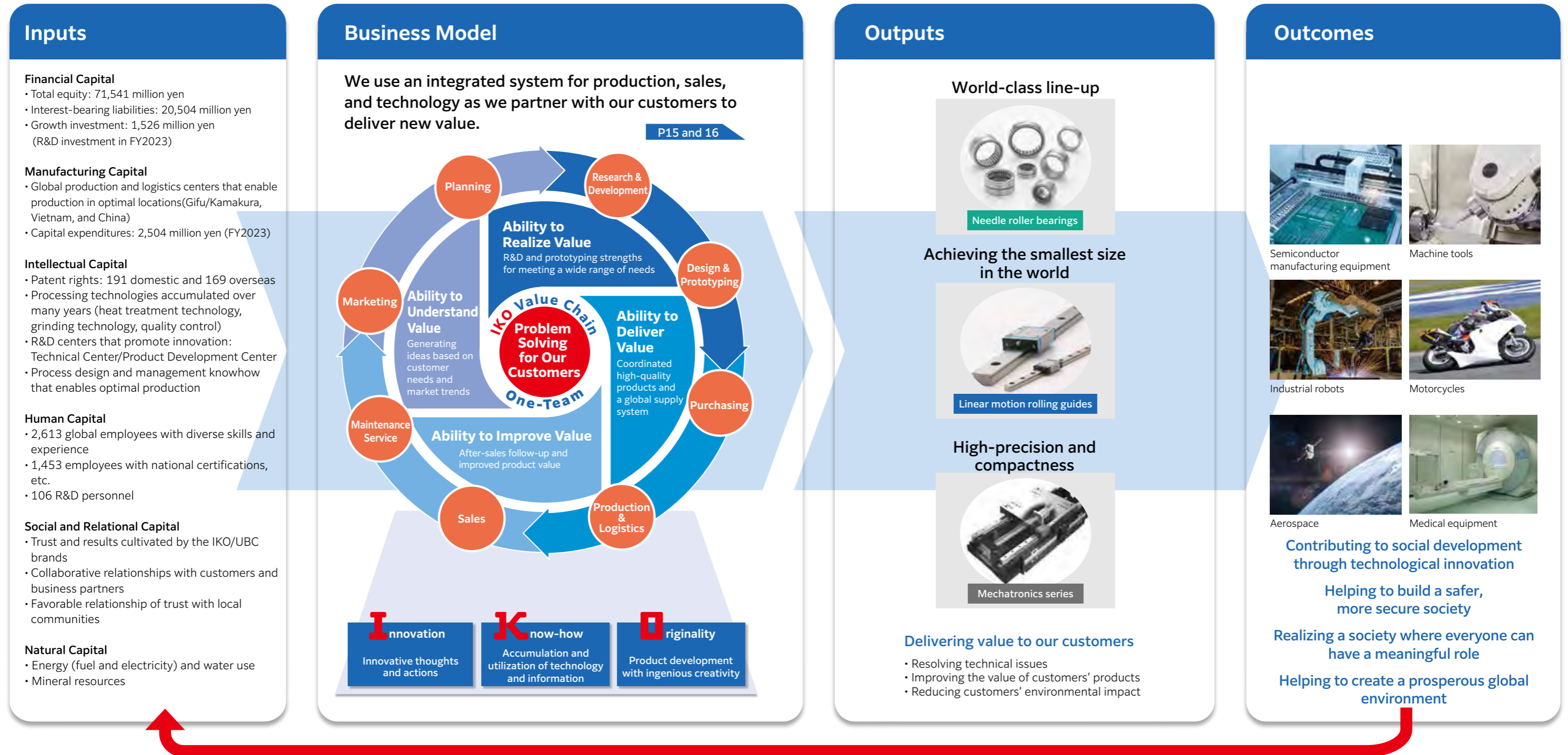
- For further growth toward the realization of IKO VISION 2030



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



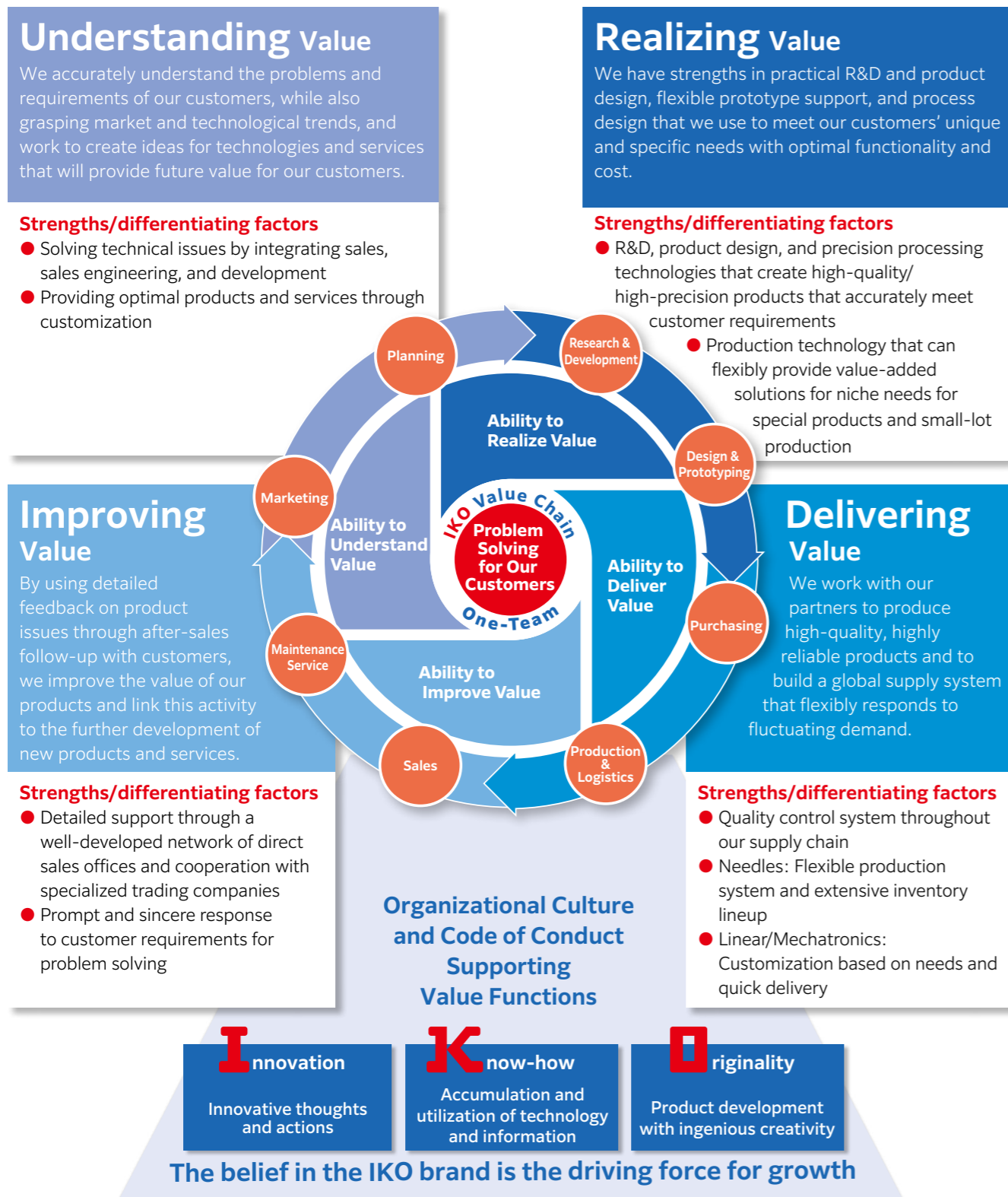
Materiality (Material Issues) P37 and 38

- Implement corporate activities for realizing a prosperous global environment
- Contribute to technological innovation by leveraging core technologies
- Contribute to social development by providing products society needs
- Provide healthy, safe, and secure environments for people
- Contribute to a society where diverse people can thrive and be rewarded for their work
- Continuously improve compliance and governance

Source of Value Creation

The value creation of our Group begins with every employee being on “the same page” as our customers. We achieve sustainable value creation by connecting the “value function” of the entire Group, including partner companies, quickly and effectively.

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



A case study in value creation: Developing a positioning mechanism for a genetic testing and analysis system



Toshinao Kimura Managing Director In Charge of Sales Department

After assessing the challenges of this project, by working closely as a single team with our customer we combined our “four abilities” to create a product that resolved our customers’ issues.

Production, Sales, and Engineering Departments team up to develop a mechanism that balances precision and cost

The following example illustrates the process of using the Group’s unique value creation process based on the “four abilities”—understanding, realizing, delivering, and improving value—to help resolve customers’ issues. The customer in this case is a precision equipment manufacturer whose products include cutting-edge medical equipment and semiconductor manufacturing equipment. They asked us to develop a positioning mechanism for genetic testing analysis equipment that could control moving and stopping at the stage where samples are first located. Along with the need for accuracy to the micron level, there were also constraints on cost. This was expected to be difficult.

To drive the project, we set up a professional team made up of a factory manager, a sales manager, as well as design and measurement staff from the Mechatronics Development Department. Through frequent visits to the customer, our sales and sales engineering staff determined that the optimal solution for the customer’s requirements would be one that struck the best balance between precision and cost. To achieve this target, we developed a range of ways to maximize value, including minimizing the elements of customization by using a standard product of our high-precision mechatronics series; setting target costs for major components; and using our entire supply chain to ensure that production volume would meet the customer’s requirements. In addition, to ensure the accuracy needed for stopping, a major technical issue, we repeatedly tested the prototype under varied conditions. By promptly sharing the results with our counterparts from the customer side, we worked together to examine the specifications for meeting all the cost and precision requirements. This process enabled us to stay aligned with the customer as we moved the project forward.

One Team working together to deliver the best solution for customer issues

When a product defect occurred during development, we carried out a detailed assessment to find the cause within one week. We then worked to amend some of the specifications. Throughout the development work, all of our departments worked together as One Team. As a result, we were able to complete a sophisticated, low-cost positioning mechanism in about six months. One point worth noting is that a key factor in the project’s success was the involvement of our counterparts from the customer side, who joined with our team and spent a lot of time at our factory.

With the success of this project, we proved once again that to demonstrate value to the customer we used our value creation process, including our comprehensive strengths, and to bring together the management resources of our production, sales, and engineering departments as well as our corporate culture for cooperating without barriers between departments are the source of value creation. The customer was grateful to us for aligning our departments to present the best solution for their demanding requirements for precision and cost, and for our continual, thorough technical support.

After that, we were the first to hear about new projects, which enabled us to secure more orders. We will continue to develop initiatives to optimize our business portfolio, including increasing orders for mechatronics products and capturing demand in the medical equipment field. For us, this project was a key opportunity to demonstrate our strengths and we will continue to use the close teamwork among our departments to resolve customer issues while leveraging the value of our “four abilities,” which are backed by advanced technology and knowledge.

The “four abilities” demonstrated in the project

Understanding Value	Realizing Value	Delivering Value	Improving Value
<ul style="list-style-type: none"> · Collaboration among sales, sales engineering, and development to propose specifications in line with customer requirements on precision and cost 	<ul style="list-style-type: none"> · Prototype design and cost construction that balance precision and cost · Investigating the cause of quality defects and resolving them quickly 	<ul style="list-style-type: none"> · Building a supply chain that can meet the customer’s required production volume 	<ul style="list-style-type: none"> · Increasing orders by becoming One Team with the customer and advising them on new projects

DX Strategy

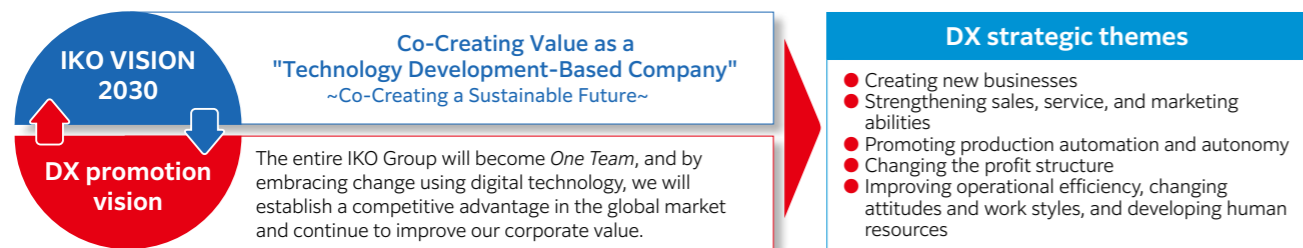
Nippon Thompson's DX Strategy

As we work toward the future vision set out in IKO VISION 2030, we believe that for the Group to provide new value to the world, we must transform our existing business structures and business models. That is why we have positioned company change through DX (digital transformation) that pursues the potential of digital technologies as the core of our Embracing Change theme in our Medium-Term Business Plan.

Office, a company-wide organization headed by the President and CEO, and then formulated the DX promotion vision and five strategic themes. To realize each strategic theme, we launched several projects across the Production, Sales, and Engineering Departments. In collaboration with the DX Promotion Office, we are currently steadily transforming our business segments.

Specifically, in 2021, we launched the DX Promotion

● DX Vision and Strategic Themes



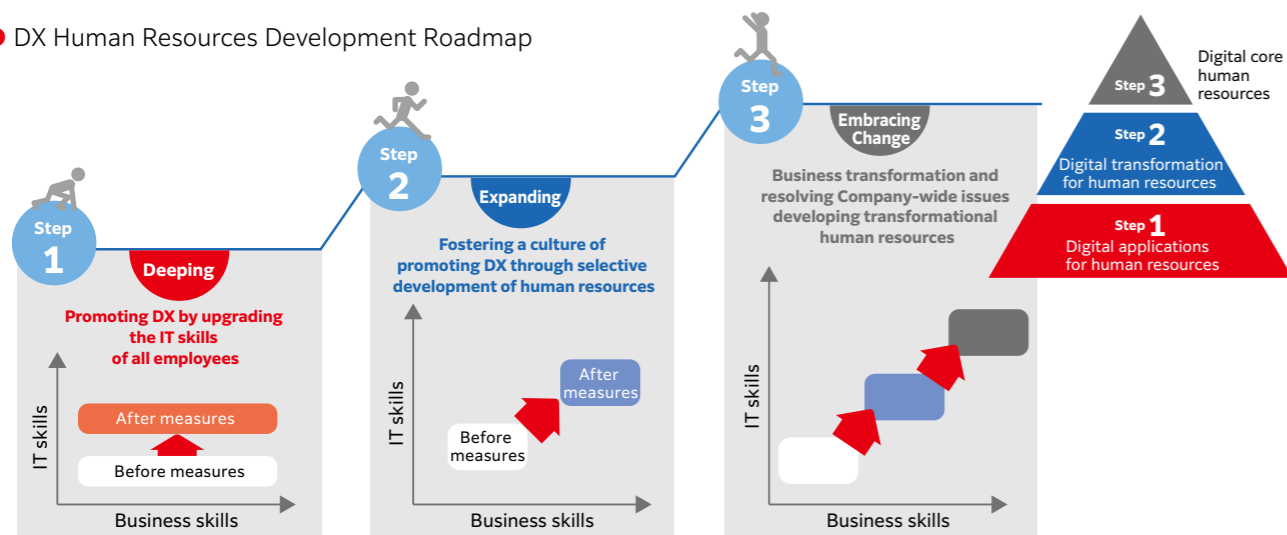
DX Human Resource Development

Human resources are the driving force that enables companies to change through DX. That is why we are working to systematically develop our DX human resources. We define DX human resources not only in terms of digital technology, but also in terms of "transformational human resources" who have a combination of the ability to identify essential issues and the ability to help resolve difficult issues. Our varied educational programs are intended to develop these human resources.

conduct digital education, such as e-learning, with the aim of upgrading the IT skills of all employees. In step 2, we select the human resources who will lead our digital transformation. We not only provide training, but we also give them practical problem-solving exercises so they can learn the basic skills of transformational human resources. In Step 3, we aim to develop human resources who can take on more advanced business problem solving.

By continuing these activities, we will grow our team of employees skilled in DX and leverage DX to accelerate company transformation.

● DX Human Resources Development Roadmap



Intellectual Property (IP) Initiatives

Developing Intellectual Property: Human Resources

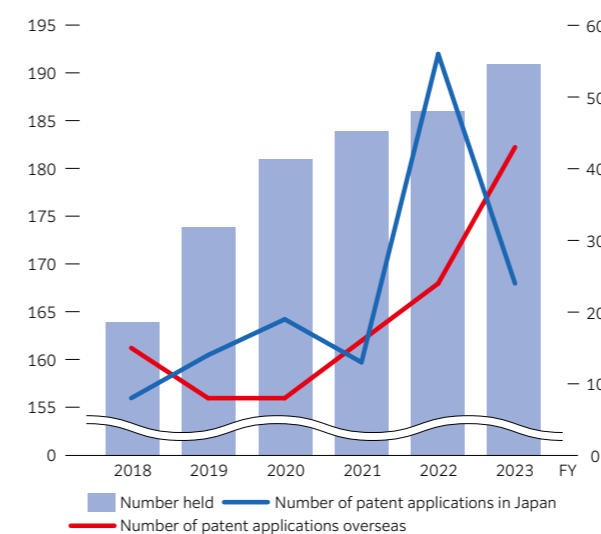
We are working to strengthen the Group's creation and use of intellectual property (IP) so that we can further improve our corporate value as a company centered on technology development. To protect the Group's strengths as IP and to apply this advantage, it is important that all employees have a correct understanding of IP and are able to use this knowledge as a business tool. In particular, we need to remind our engineers that it is their responsibility to apply for and protect patents for their IP. They need to remember that patent applications become the property of the Company and that IP contributes to future business success. For this reason, in the Medium-Term Business Plan 2023, we are updating the education on IP that we provide to engineers.

Specifically, we hold semiannual IP seminars by patent attorneys. These seminars cover not only understanding the creation of IP, but also information

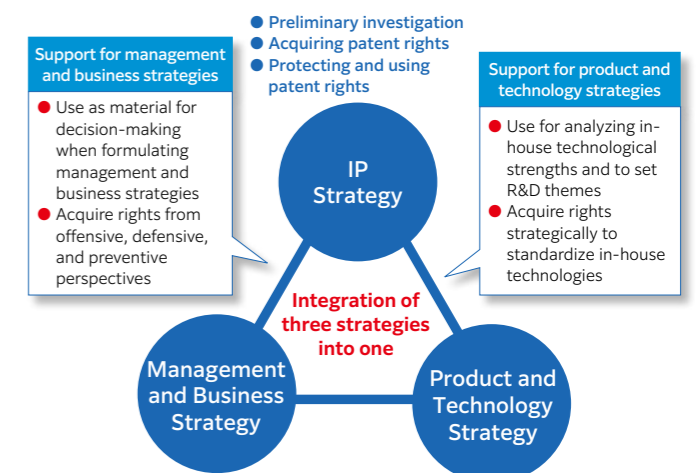
about infringements of IP rights held by other companies. In this way, we are using this education to strengthen compliance and governance. We are also working to make new technologies and ideas concrete and to file patent applications for them at an early stage. As a result, the number of patent applications filed by the Group has risen sharply compared with before the start of the Medium-Term Business Plan 2023. The experience that many engineers have gained by filing patent applications has resulted in increased internal awareness of patent rights and a stronger grasp of our technologies.

To develop this initiative further, communication between engineers and the IP Department is essential. We will therefore promote more collaboration to improve corporate value as a company centered on technology development.

● Number of Patents Held/ Number of Patent Applications

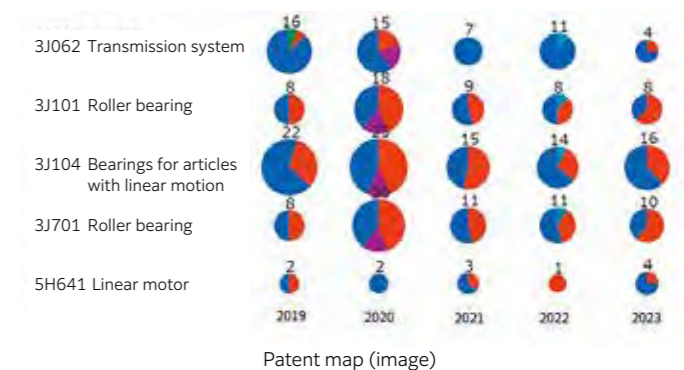


● System for Building Our IP Strategy



Strengthening Our IP Strategy

We use information on market requirements and technological trends which are combined and analyzed to formulate the Group's business strategies. In today's fast-paced era of technological innovation, analyzing patent information is a key part of quickly and accurately gauging technological trends. We will work to improve our patent analysis in response to competitors and market needs then continue to file strategic patent applications so that we can expand our business.

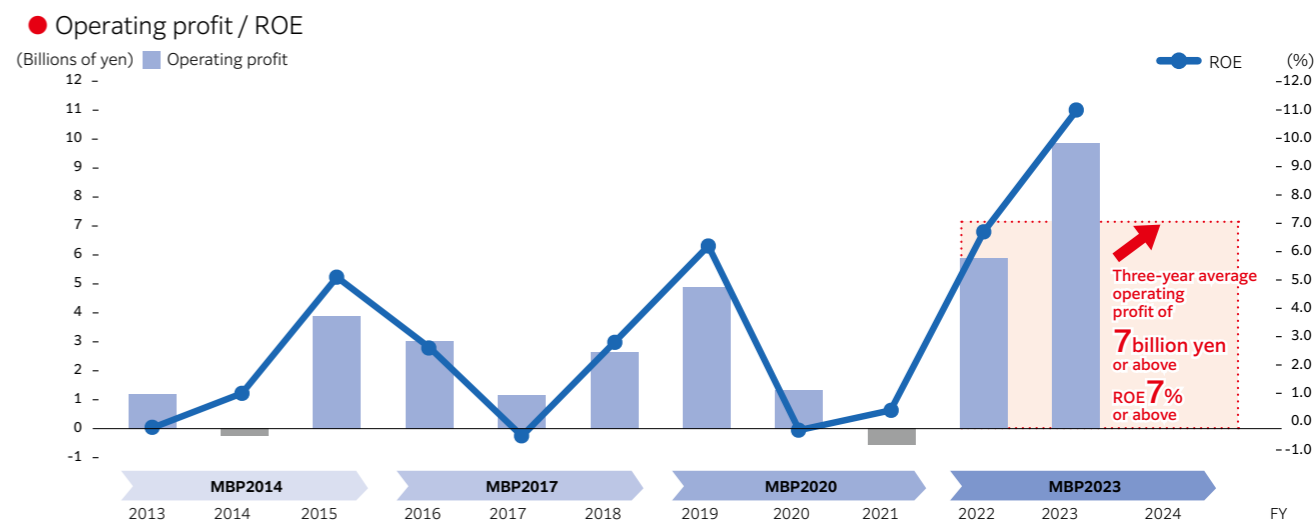


History of Growth Strategies: Past to Present Medium-Term Business Plans

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

At the same time, the business environment surrounding the Group fluctuated enormously during

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



	Medium-Term Business Plan 2014 1st (April 2012 to March 2015)	Medium-Term Business Plan 2017 2nd (April 2015 to March 2018) Change & Challenge	Medium-Term Business Plan 2020 3rd (April 2018 to March 2021) Change & Challenge—Next Stage ACCOMPLISH	Medium-Term Business Plan 2023 4th (April 2021 to March 2024) Deepening, Expanding, Embracing Change	IKO VISION 2030																																																																																																						
Positioning and Themes	Formulating our vision, direction and long-term vision for the Company	Shift to "Offensive Management"	Establishing a "Highly Profitable Organization"	"Value Enhancement, Value Co-Creation"	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 (3) Strengthening collaboration with partner companies		(2) Developing new products using core technologies																																																																																																							
Financial Targets	<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 																																																																																																						
	<table border="1"> <thead> <tr> <th>(Billions of yen)</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>Final year target</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>Final year target</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>Final year target</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td>35.9</td> <td>39.2</td> <td>44.9</td> <td>60.0</td> <td>43.6</td> <td>44.1</td> <td>55.2</td> <td>60.0</td> <td>57.5</td> <td>47.4</td> <td>44.3</td> <td>70.0</td> <td>62.2</td> <td>68.2</td> </tr> <tr> <td>(three-year average)</td> <td></td> <td></td> <td>40.1</td> <td></td> <td></td> <td></td> <td>47.7</td> <td></td> <td></td> <td></td> <td>49.8</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Operating profit</td> <td>1.1</td> <td>-0.2</td> <td>3.8</td> <td>6.0</td> <td>3.0</td> <td>1.1</td> <td>2.6</td> <td>7.0</td> <td>4.8</td> <td>1.3</td> <td>-0.5</td> <td>8.0</td> <td>5.8</td> <td>9.4</td> </tr> <tr> <td>(three-year average)</td> <td></td> <td></td> <td>1.6</td> <td></td> <td></td> <td></td> <td>2.3</td> <td></td> <td></td> <td></td> <td>1.9</td> <td></td> <td></td> <td></td> </tr> <tr> <td>ROE</td> <td>-0.2%</td> <td>1.0%</td> <td>5.1%</td> <td>Not available</td> <td>2.6%</td> <td>-0.5%</td> <td>2.9%</td> <td>7% or above</td> <td>6.2%</td> <td>-0.3%</td> <td>0.4%</td> <td>8% or above</td> <td>6.7%</td> <td>11.0%</td> </tr> <tr> <td>(three-year average)</td> <td></td> <td></td> <td>2.0%</td> <td></td> <td></td> <td></td> <td>1.7%</td> <td></td> <td></td> <td></td> <td>2.1%</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	(Billions of yen)	2013	2014	2015	Final year target	2016	2017	2018	Final year target	2019	2020	2021	Final year target	2022	2023	Net sales	35.9	39.2	44.9	60.0	43.6	44.1	55.2	60.0	57.5	47.4	44.3	70.0	62.2	68.2	(three-year average)			40.1				47.7				49.8				Operating profit	1.1	-0.2	3.8	6.0	3.0	1.1	2.6	7.0	4.8	1.3	-0.5	8.0	5.8	9.4	(three-year average)			1.6				2.3				1.9				ROE	-0.2%	1.0%	5.1%	Not available	2.6%	-0.5%	2.9%	7% or above	6.2%	-0.3%	0.4%	8% or above	6.7%	11.0%	(three-year average)			2.0%				1.7%				2.1%				Set three-year average target to build a corporate structure that is more resilient to market fluctuations. Operating profit: 7 billion yen or above ROE: ROE of 7% or above
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Achievements and Challenges	Outcomes <ul style="list-style-type: none"> Sharing and grasping approaches on our direction and long-term vision Strengthening the Company's structure by resolving financial issues Challenges <ul style="list-style-type: none"> Ability to respond to the external environment (market conditions / foreign currency volatility) Defensive management focused on strengthening financial position 	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 	Net sales 100 billion yen or above Operating profit 15 billion yen or above ROE 10% or above																																																																																																						

Medium-Term Business Plan 2023 emphasizes steadily resolving imminent issues, even amid major social change, while at the same time firmly proceeding with our long-term direction and ensuring that forward-looking tactical measures are also being implemented. Constantly taking the customer's point of view, we will add significant value throughout the IKO Group's value chain, including partner companies, to achieve sustainable growth and realize our long-term vision, IKO VISION 2030.

Medium-Term Business Plan 2023

Three Basic Policies

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

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

Expanding is an initiative to realize sustainable growth

by continuing to explore and address new technologies and new business segments in response to society change.

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

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



Three Basic Policies

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

(1) Deepening Strengthen the Present: Exploring Existing Businesses More Deeply	<ul style="list-style-type: none"> • Differentiation and enhanced added value through product development based on both "product out" and "market in" approaches • Strengthen responsiveness of supply chain delivery by shortening lead times and improving productivity 	Strengthen Resilience to Market Fluctuations Segments Where Core Technologies Are Used	"Maximize Earning Capabilities" Secure Resources for Growth with Value Focus Generate Operating CF (Growth Capital) Earn and Reinvest in Core Business
(2) Expanding Creating the Future: Expanding into New Technologies and New Segments	<ul style="list-style-type: none"> • Search for strategic technology alliance partners for joint development, OEM, etc. • Initiatives to develop new products and businesses (use of accumulated data and knowhow) • Strengthening competitiveness by reformulating the global supply structure 	Preemptive Investment for Social Change	"Creating New Value" Preparing in Advance for Future Growth Risk-taking (Growth Investment)
(3) Embracing Change Robust Management Infrastructure-Behavioral Change, Organizational Capability Change, Digital Change	<ul style="list-style-type: none"> • Initiatives to improve the break-even point (per capita productivity and asset efficiency) • Develop change leaders to promote DX strategic themes • Promote sustainable management 	Embracing change to management for enabling both <i>deepening</i> and <i>expanding</i>	

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

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

Progress

	(1) Deepening	(2) Expanding
Profitability/Value Added	Development based on both approaches: product out and market in Sales of high-value-added products <ul style="list-style-type: none"> • Enhanced one-on-one presentations • Developing ultra-high-precision LRX ZERO • Growing the overseas sales ratio • Revising prices to realize appropriate profits 	New product and business development through industry-academia collaboration Development of original new products Liquid crystal lubricant Pressed crossed roller bearings
Efficiency	Pursuit of efficiency in both production and sales <ul style="list-style-type: none"> • Visualization of facility operation status • Inventory strategy planning through departmental collaboration • Improved accuracy of demand forecasting • Reduction in lead-time and production leveling 	Strengthen targeted global supply system <ul style="list-style-type: none"> • High growth markets (semiconductors, new energy, medical field, etc.) • Priority items (small linear motion rolling guides, small needle bearings, etc.)
	To further bolster proposal-based sales, one of our strengths, we significantly enhanced our presentation materials (one-on-one presentations) specific to industries and equipment. We are also widening our range of high-value-added products to differentiate ourselves from the competition, including by developing the ultra-high-precision LRX ZERO, incorporating ideas from customer feedback, and our outstanding technological strengths.	For the Company to grow over the medium to long term, we are improving the functionality of our proprietary liquid crystal (LC) lubricants and developing unique products in collaboration with our partner companies, such as pressed crossed roller bearings produced using entirely new ideas. In these ways, that we are taking on challenges of the development of products which could be new pillars for future earnings.
	(3) Embracing Change	
	Profit structure reform <ul style="list-style-type: none"> • Strengthen cost reduction efforts through the use of SAP 	Promotion of sustainable management <ul style="list-style-type: none"> • Integrated Report (first published in October 2022) • Information disclosure based on the TCFD recommendations
	Human resources and organizational capacity reform <ul style="list-style-type: none"> • Organizational change in production departments • DX human resource development / HR system reform 	Promotion of DX <ul style="list-style-type: none"> • Improving business efficiency with RPA • SCM enhancement through process mining
	In addition to strengthening ways to reduce costs by using SAP, we began a major reorganization of our Production Department for production innovation in the medium to long term. We also promote initiatives from an ESG perspective, including issuing integrated reports and disclosing information based on the TCFD recommendations. Further, for DX (digital transformation), we are improving efficiency by using RPA and refining supply chain management through process mining.	

Financial Strategy



Environmental Awareness

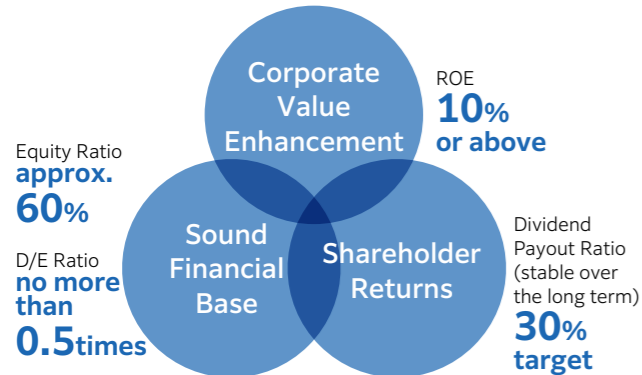
The IKO Group has formulated the three-year Medium-Term Business Plan 2023: Deepening, Expanding, and Embracing Change that started in April 2021. We have set financial targets: operating profit of 7.0 billion yen or above and an ROE of 7% or above on average over the three-year period of the plan. Our goal is to achieve stable and solid corporate value improvements, even when there is an unstable business environment.

In FY 2023, the second year of our Medium-Term Business Plan, the outlook remained uncertain. While some activities returned to normal following restrictions during the COVID-19 pandemic, there were some negative factors, such as soaring raw material and energy prices; general inflation mainly due to the situation in Ukraine; as well as sharp exchange rate fluctuations caused by monetary tightening by central banks around the world. In the Group's business environment, however, demand from

Basic Financial Policy

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

Under an environment where customer requirements are becoming increasingly sophisticated and diversified, our goal is to secure stable profits and achieve



capital investment in Japan and overseas was strong in sectors such as semiconductor manufacturing equipment and other electronics-related devices and equipment.

As a result, the business performance exceeded our targets for the second consecutive year, with consolidated net sales of 68.2 billion yen, up 9.6% year on year, a record high; operating profit of 9.4 billion yen (operating margin of 13.9%) due in part to increases in sales and production volumes and the effect of the yen's depreciation; and an ROE of 11.0%.

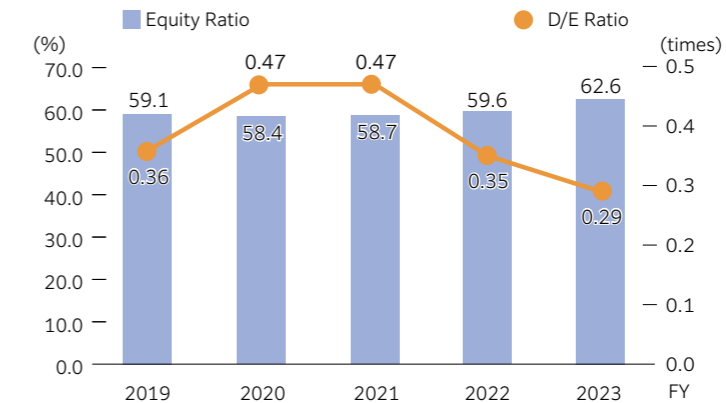
The initiatives included in this Medium-Term Business Plan are progressing. In FY 2024, the final year of the plan, we will explore and execute additional growth strategies, while also considering our long-term vision beyond the current plan. Our focus is not only meeting our targets within the plan, but also achieving our vision for the future.

sustainable growth in the future by strengthening our response to market fluctuations and social change. To reach this goal, we have formulated IKO VISION 2030, which is intended to achieve consolidated net sales of 100 billion yen or above, an operating profit of 15 billion yen or above, and an ROE of 10% or above in FY2031. We will continue to push ourselves and transform the IKO Group in both financial and nonfinancial areas, including balancing investment for growth with financial discipline and promoting sustainable management.

As a financial KPI, we have set the target for an ROE of 10% or above, which exceeds the cost of shareholders' equity (8 to 9%), with the aim of strengthening profitability and improving capital efficiency. In addition, the volatility of the Group's performance is due to the high proportion of sales in specific industries, such as electronics-related devices and equipment. Going forward, we will focus more on expanding sales in

industries where demand is expected to be stable over the medium to long term, such as the medical device industry and environmental fields. We will also work to reduce capital costs by investing in ESG and other methods. We will prioritize achieving sustainable growth by focusing on profitability and improving capital efficiency. To achieve this, we will maintain a strong financial structure with a targeted equity ratio of 60%.

The price-to-book, or P/B, ratio, which represents our evaluation by the capital markets, has remained at a low level, hovering at around 0.6 times. To improve our P/B ratio, we will strive not only to improve ROE by strengthening profitability, but also to reduce capital costs by stabilizing our performance (mentioned above). We will engage more with shareholders and investors



Cash Allocations

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

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

As for capital expenditures, we intend to invest in increased production capacity, automation, and labor savings, as well as in energy conservation leading to decarbonization and a reduced environmental

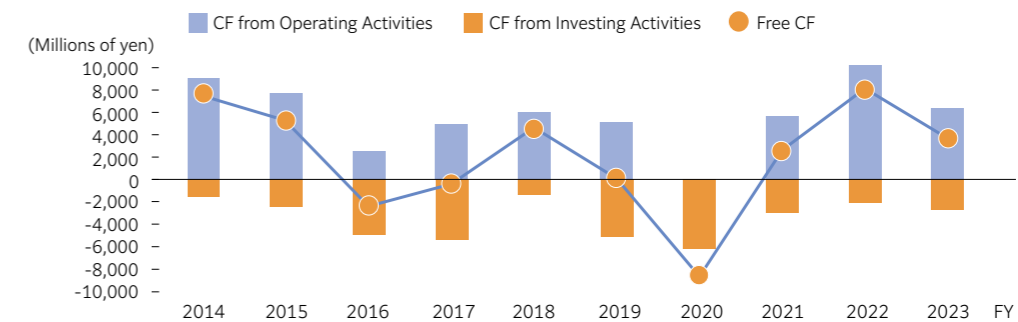
as well as disclosure information to encourage higher expectations for our future growth. In particular, we will strengthen and enhance our growth investments and shareholder returns, aiming to realize a P/B ratio of more than 1 times, as soon as possible.

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

impact. We also plan to invest in increased production capacity, including the acquisition of new sites and the construction of new plants, in order to invest in the growth of strategic products that are among our group's major strengths.

The primary source of capital reserves for these investments will be operating cash flow and liquidity (funds) on hand, as well as funds from other financing sources, if necessary. We will also consider the sale of cross-held shares in cases where the rationale for continuing to hold them is poor and where the returns are not keeping pace with the capital costs. In addition, we will maintain sound financial positions in order to have consistent financing.

Cash Flows (CF) from Operating Activities



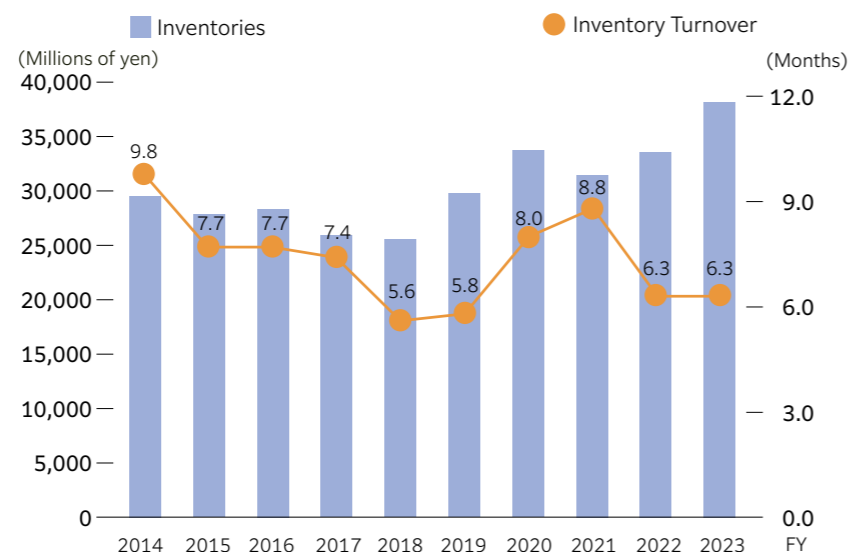
Approach for Inventory Strategy and Capital Turnover Efficiency

Our Group business model ensures a reasonably high profit margin by offering a diverse variety of products provided through multi-product manufacturing and by enabling a flexible supply that includes access to the small-lot distributor market, which often large companies struggle to access. As a result, the number of months of stock turnover is generally high.

In FY 2023, the value of inventories at overseas subsidiaries increased due to the depreciation of the yen as well as higher inventory levels in preparation for a future recovery in demand. As a result, the value of inventories at the end of the period increased to 38.1 billion yen, higher by 4.6 billion yen year over year. On the other hand, inventory turnover (based on net sales) was 6.3 months, the same level as at the end of the previous year, partly due to higher net sales. Although future inventory levels will fluctuate over the short term due to changes in market conditions and strategic inventory holdings for each product, we will strive to control excess inventory and promote inventory optimization. We will aim

for an inventory turnover of around six months, which we consider to be an appropriate level for the Group.

In addition, shortening the cash conversion cycle (CCC) is essential to strengthen our ability to generate cash flow. We will strive to improve asset efficiency through better fund management practices, including through account receivables collections, and considering the appropriate inventory levels necessary to respond promptly to customer needs.



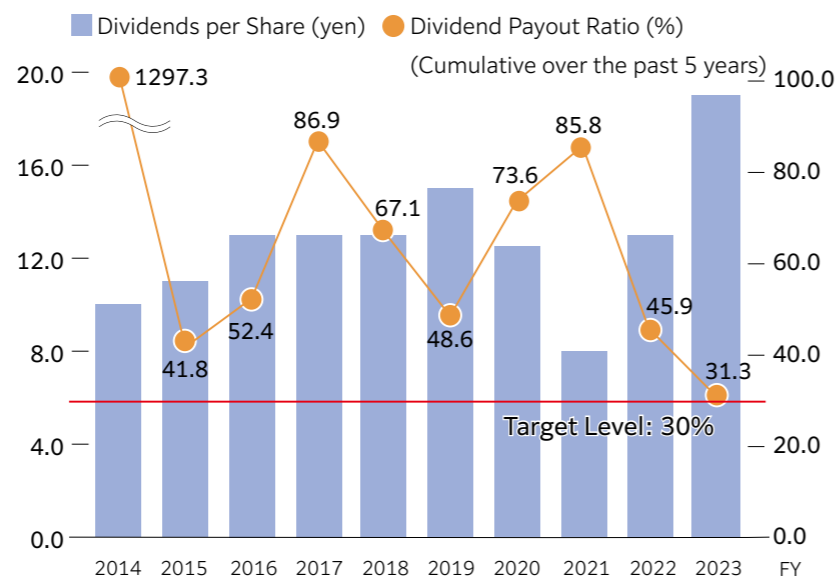
Shareholder Returns Policy

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

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

In addition, we decided to repurchase (buy back) our shares from August 2023, up to 2.2 billion yen or 2,176,700 shares (3.0% of the total number of outstanding shares

excluding treasury shares). The Company will consider implementing this buyback program as necessary to execute a flexible capital policy in response to changes in the business environment, to further enhance shareholder returns, and to improve capital efficiency.



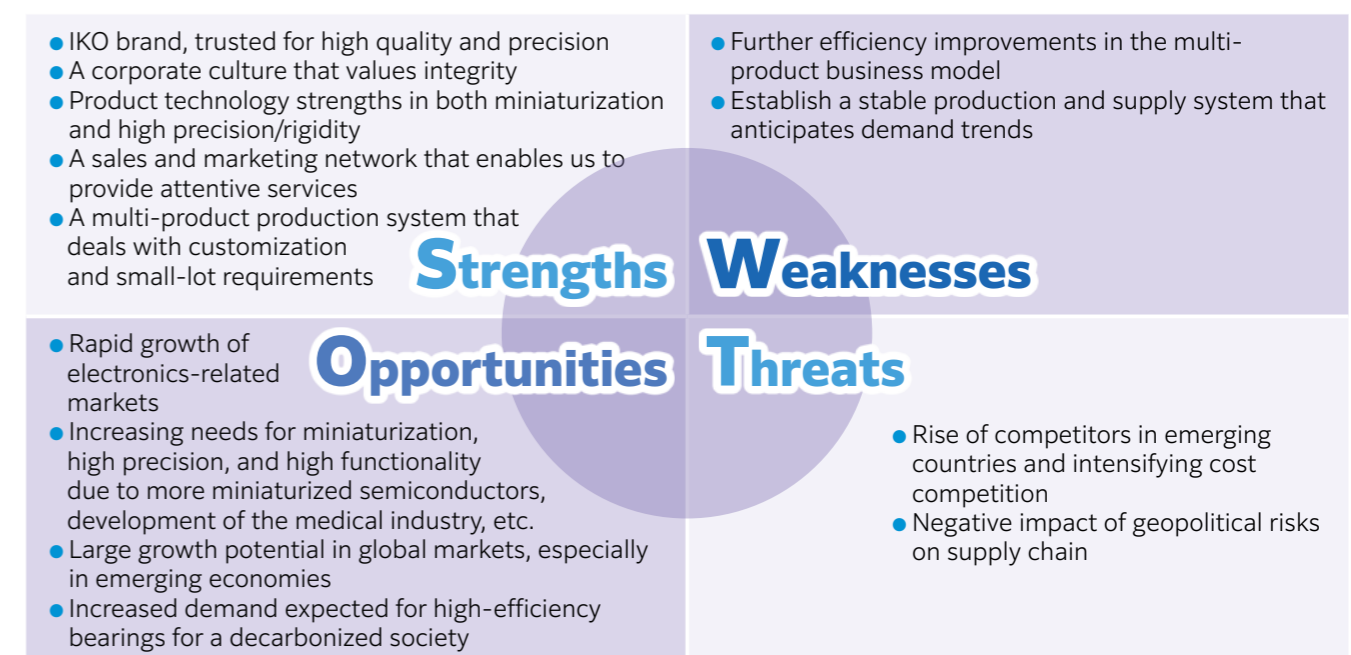
Business Strategy

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

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

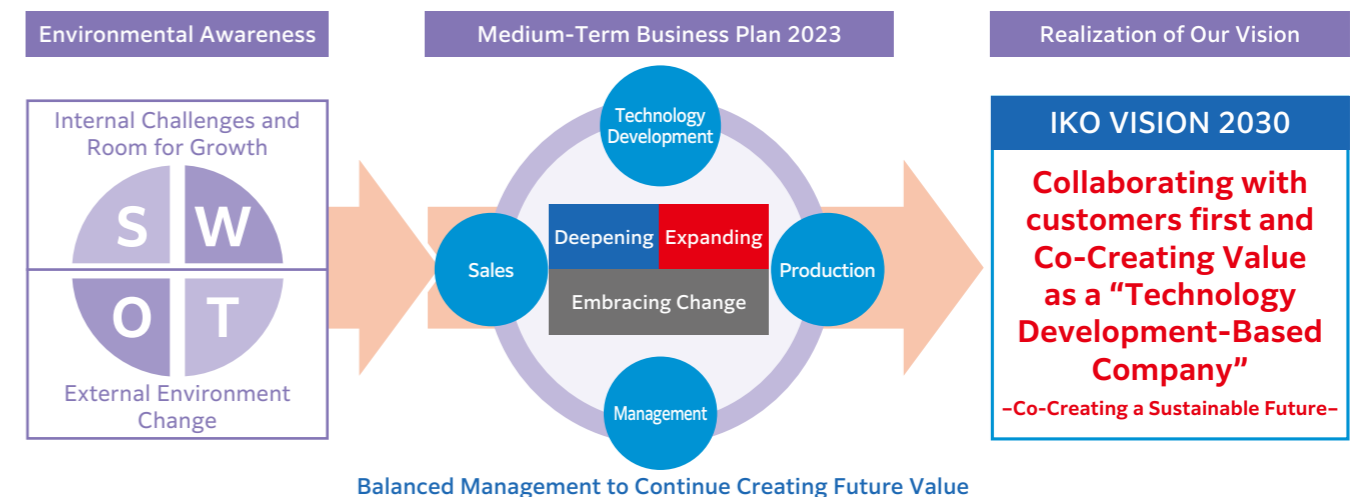
At the same time, global society is undergoing a period of historic change, including a digital shift, the evolution of AI and IoT, and social demand for sustainability, including the SDGs. We will address potential risks, and continue to pursue new growth opportunities that capitalize on the Group's strengths in order to create sustainable value.

SWOT Analysis



Direction of Company-wide Strategies

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



Business Strategy

Sales Department

Ideal Vision

The source of our value creation is the ability to propose solutions that focus on customers' needs. We would like to expand ourselves as the niche leader from a global perspective and provide a roadmap for growth as well.



Toshinao Kimura
Managing Director In Charge of Sales Department

Environmental Awareness and Issues

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

to develop products while foreseeing market trends.

To achieve carbon-neutrality on a global scale, there has been a rapid increase in demand for downsizing machinery and equipment to reduce CO₂ emissions. Therefore, we anticipate customer expectations will grow more and more in the future for compact products, an area in which we specialize. 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, accurately identifying the needs of each country, 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 by improving direct sales. 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.

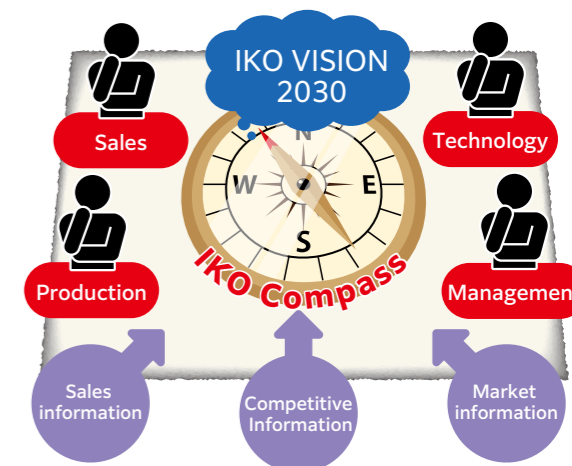
With our legacy as a bearing trading company founded in 1950, the DNA of our Company has been firmly inherited by our current Sales Department. With a strong belief in proposal-based sales activities, and the customer's perspective, we have earned a high level of trust by constantly seeking to add value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

Policy and Future Initiatives for Achieving the Long-Term Vision IKO VISION 2030

A Roadmap for Growth

To achieve the goals of IKO VISION 2030, we recognize that it is essential to accurately read market trends. The Sales Department has a key role in guiding companywide growth strategies, so this department has formulated the "IKO Compass", a long-term demand forecast model for important products. As the name suggests, the "IKO Compass" has been positioned as the Group's "compass" that points the IKO Group in the right direction. This direction has been shared with not only the Production Department but also the Engineering Department and the Management Department, and each department is developing policies that are in sync with the compass. In a fast-changing era, it is crucial to promptly communicate company policies from a global perspective. Therefore, we continually update the "IKO Compass" to immediately share throughout the Group the latest information on our competitors, in

addition to customer trends in Japan and overseas. We believe it is critical for us to capture opportunities and minimize risk by staying ahead of market trends, as well as to maintain definite policies for realizing our vision, while adapting to change.



Reinforcing IKO Mech-unit Business Segment and Adding Value

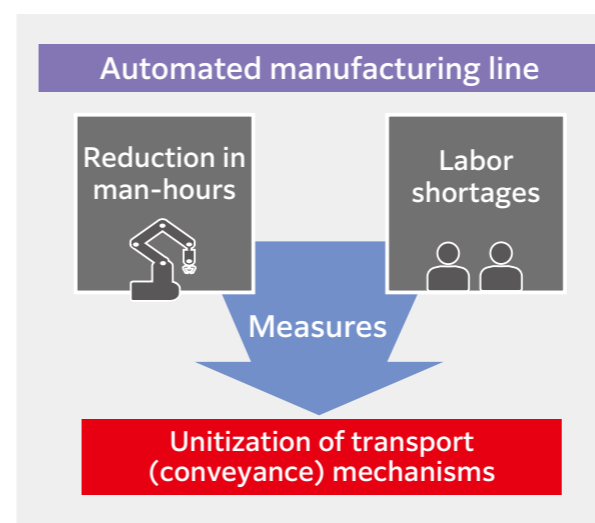
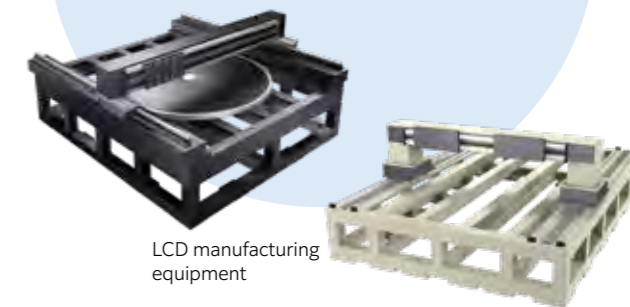
As recent labor shortages and supply chain issues have come under close scrutiny, customers' needs also continue to change. Particularly in the FA (factory automation) equipment industry, there has been a rapid increase in cases where the design and manufacture of complete sets of modules and equipment is outsourced, something that was usually done in-house. As a result, in addition to the functionality and performance of bearing products, requirements are growing to provide specialized units. Seeing this change as a growth opportunity for IKO Mech-unit Business, we will grow this segment by reinforcing our collaboration with partner companies

that have a wide range of technologies. We recently introduced the IKO Partner Company Recognition System to conduct thorough, and independent inspections of partner companies' technologies. This system ensures both quality and environmental responsiveness. In this way, we will enhance our customers' feeling of security and provide additional value.



IKO Mech-unit manufacturing examples

Alongside our partner companies, we use our many years of mechatronics technologies to create the optimal IKO Mech-unit.



Business Strategy

Technology Development Department

Ideal Vision

The source of our value creation is the unique and advanced technological strengths supporting the IKO brand. We hope to grow together with our customers by creating new value, combining "market in" and "product out" approaches.



Shin Kasahara
Managing Director In Charge of Technology

Environmental Awareness and Issues

Bearings and linear motion rolling guides 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 miniaturization of semiconductors and advancements in medical equipment have increased the need for bearings and

components with superior specifications, such as small size, high functionality, and high accuracy, and the needs for each application are becoming far more 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 utmost 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.

Members of our Technology Development Department not only visit customers directly, but also actively communicate with customers by attending exhibitions held throughout the country. We thoroughly examine the issues raised by customers in the course of these activities and develop optimal solutions.

The Technology Development Department is taking on the challenge of creating new de facto standards that start with building relationships of trust with customers.

Policy and Future Initiatives for Achieving the Long-Term Vision IKO VISION 2030

A Balanced Combination of Market In and Product Out Approaches

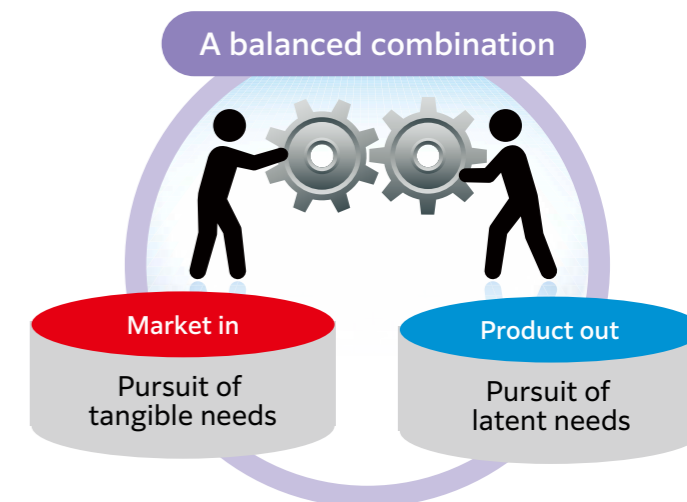
In the Technology Development Department, our initiatives are aligned with the key missions for new product development that more thoroughly meet existing market needs, strengthen our brand, and create new value.

In terms of new product development, we announced the LRX ZERO, which achieves ultra-high precision guide performance, at the Japan International Machine Tool Fair last year. With this product, we intend to meet the demands of customers, particularly from machine tool manufacturers who have been using our linear roller ways 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. We will strive to differentiate us from other companies by achieving a balance between improvement (market in) development that accurately identifies needs and issues through dialogue with customers and proposal (product out) development that identifies latent needs that customers are not yet aware of, with prototypes of technology-driven products.



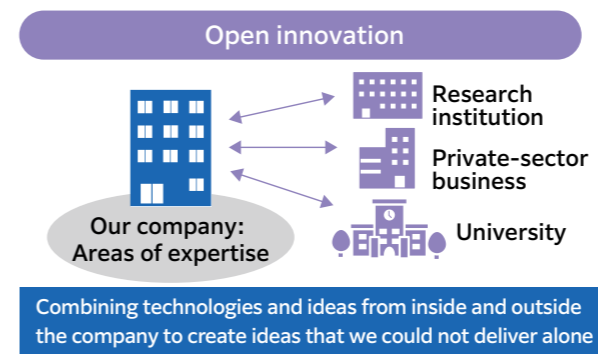
Meeting with a customer at a private show to discuss specifications



Using Open Innovation to Deepen Technology

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 began jointly developing with the University of Yamanashi in 2016.

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 creating value that does not exist anywhere else in the world.



Linear way with liquid crystal lubricant

Business Strategy

Production Department

Ideal Vision

Pride in our manufacturing excellence is what drives our value creation. We aspire to evolve IKO's unique expertise globally to create high-quality products.



Nobuya Hideshima
Senior Managing Director
In Charge of
Production Department

Tooru Okajima
Managing Director
Deputy in Charge of
Production Department

Environmental Awareness and Issues

Traditionally, the bearing industry was centered on mass production, mainly for the automotive industry. However, this is changing with the recent shift to EVs. With this change, we expect steady demand for the needle roller bearing series in areas that we have been focusing on. We are upgrading our multi-product manufacturing system to strengthen our competitiveness. In the linear motion rolling guide series, the main challenge is to boost supply in response to significant market growth, particularly in the semiconductor

industry, as well as to reinforce our "swift response capability" to address the fluctuating business cycle.

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

Features and Strengths

Our greatest strength in manufacturing is our quality. It is our thorough commitment to high quality that has enabled us to gain the trust of our customers. In addition, our multi-product response is another source of the Group's value. To meet customers' diverse requirements, one of the biggest challenges is assessing how flexibly the Production Department can respond.

In the series of Needle roller bearings, we have developed a wide range of products through to small-lot production and inventory optimization. We quickly provide these products to meet customer requirements.

At the same time, in the linear motion rolling guide series, we accept orders for single customized products, including rail lengths in 1-mm increments, enabling a detailed response to our customers' needs.

The strengths of IKO that support the IKO brand are our commitment to high quality and our unique manufacturing expertise, including equipment development, process design, production and inventory planning, and collaboration with suppliers, which enables us to optimally respond to requirements for a diverse range of products and customization.

Achieving Long-Term Vision, IKO VISION 2030: Policies and Initiatives for the Future

Creating an Optimal Global System through Organizational Changes—A System That Can Swiftly Adapt to Customers' Expectations

This April, the Production Department was reorganized based on the product series. By integrating the management of every process for each product series, from prototyping to quality and production management, we will reinforce control across the supply chain and improve our "swift response capability" to promptly, accurately, and flexibly reflect customers' requirements. This is the reason why we also recently established the Manufacturing Innovation and Production Management.

This new department, in addition to planning our future global production system, is responsible for developing

new technologies and processes, including those related to automation, and is focused on building a strong foundation for future growth.

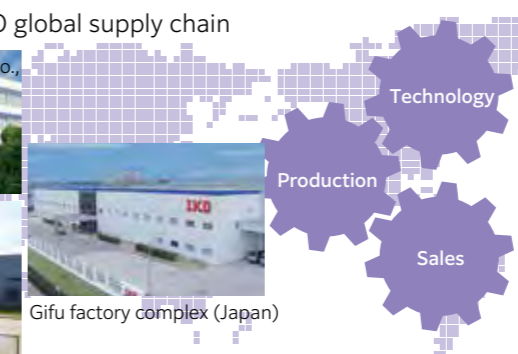
We will reinforce our integrated initiatives across three production sites—in Japan, Vietnam, and China—as well as to build optimized production systems unique to IKO while maximizing the features of each region. Going forward, we will continue to improve our production systems and technological strengths for a quick response to customers' diverse expectations, while improving our corporate value.

Strengthening IKO global supply chain

IKO Thompson Vietnam Co., Ltd. (Vietnam)



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



Gifu factory complex (Japan)



Meeting at IKO Thompson Vietnam Co., Ltd.

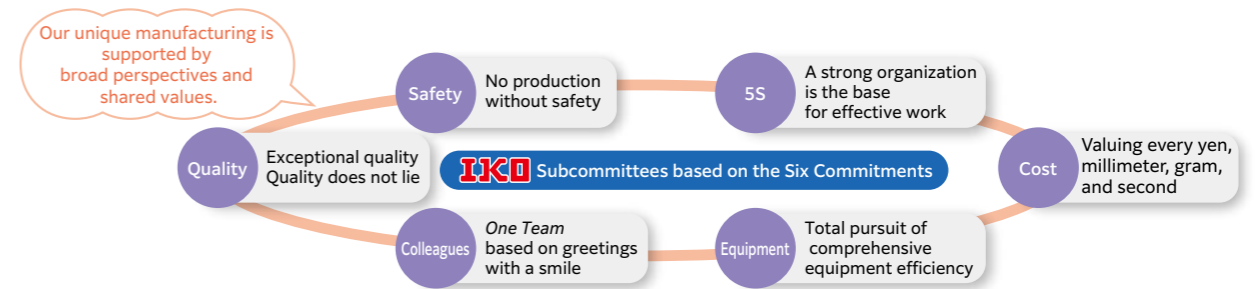
IKO-GP Committee—Aiming to Develop Human Resources Who Can Support the Foundations of Our Manufacturing Department

The IKO-GP (Gemba Power) Committee allows supervisors at manufacturing sites to collaborate on making improvements, while also promoting the development of young employees and strengthening our organization. Site supervisors representing each factory get together for in-depth discussions on shared targets, including the Company's policies and long-term vision. In this way, they are making every effort to take the lead in uncovering and addressing issues. Through this enhanced collaboration, we are developing the ability to improve manufacturing processes not only from a production perspective but also with a comprehensive understanding of the entire organization.

The IKO-GP Committee consists of all supervisors,

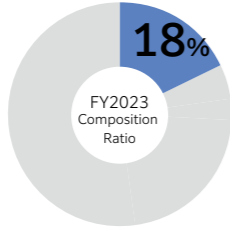
including the chairperson, and is organized into subcommittees based on the Six Commitments that the Production Department values. Through these subcommittees, members share their expertise and experience, as they conduct detailed analyses to help resolve issues. In the future, we will also promote interactions with employees from our global offices. By having people from different cultures and backgrounds work together to address issues, we are fulfilling our duty to create new value.

Embodying the IKO brand through *innovation*, *know-how*, and *originality*, we will make steady progress on creating a global production system that no other company can replicate.



Business Overview

Demand Overview by Industry

		Net Sales	Major Applications	Market Environment
Electronics  Semiconductor Manufacturing Equipment			<ul style="list-style-type: none"> Semiconductor manufacturing equipment FPD manufacturing equipment Electronic component mounting machines Electronic component inspection equipment 	<p>The market for electronics-related industries is growing steadily, not only for devices such as PCs and smartphones, but also for the recent progress in IoT in home appliances and self-driving vehicles. Demand for semiconductors indispensable for these devices is expected to grow even more in the future as they become increasingly miniaturized, highly integrated, and more power efficient, and progress in this industry is expected to lead to increased earnings for the Group.</p>
Machine Tools  Machine Tools			<ul style="list-style-type: none"> Machining centers Multi-axis machining centers Lathes Grinding machines Electrical discharge machines 	<p>Machine tools process components from metal and other materials with high precision and efficiency. Demand for our products is expected to increase going forward. The latest machining centers, which are capable of precise and complex machining, and other technological advances in machine tools have traditionally required high-speed, highly rigid, high-precision linear motion rolling guides and needle roller bearings.</p>
Transportation Equipment  Motorcycles			<ul style="list-style-type: none"> Automobiles Motorcycles Railway cars Aircraft Platform doors 	<p>Many characteristics are required for transportation equipment, including drivability and economy, comfort, safety, and quietness, and we continue to create unique technologies and innovative products. High precision and quality are required to maintain smooth and stable running. Further, steady demand can be expected in the future due to the shift to EVs in preparation for a carbon-neutral society and the deployment of platform doors at railway stations.</p>
Other Machinery  Other Machinery			<ul style="list-style-type: none"> Industrial robots Printing machines Construction machines Textile machines Measuring instruments Medical equipment 	<p>Many machines are used on production lines, and in addition to basic capabilities such as high load capacity and high rigidity, it is important to have the required technical strengths and reliability for responding to new initiatives and systemization. Medical devices used to diagnose, treat, and prevent diseases have also made significant technological advances in recent years, and their markets are growing worldwide. As the performance requirements for these products are extremely precise, there is a need for characteristics such as high speed, accuracy, rigidity as well as low vibration, and easy maintenance. This demand for high quality, high-value-added products is expected to grow.</p>
Domestic/Overseas Distributors  Domestic/Overseas Distributors			<ul style="list-style-type: none"> All industries 	<p>This category includes the aftermarket segment, with products for domestic and overseas distributors as well as for repairs and maintenance. Japanese motorcycle manufacturers and machine tool manufacturers are now shifting to overseas production, so deliveries to overseas production sites are also included in this category. This market segment accounts for approximately 50% of our sales, and continues to grow steadily.</p>

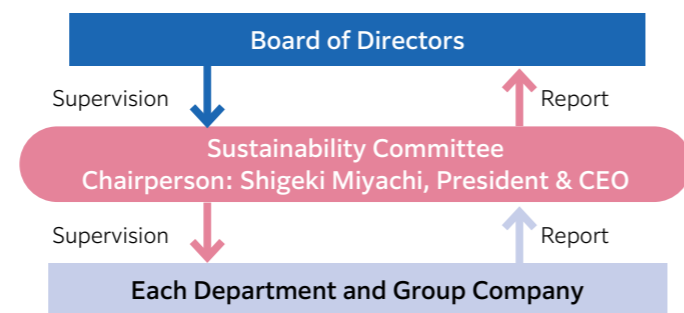
Sustainable Management Promotion

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, the Group established the Sustainability Committee. The Committee is chaired by the President and CEO, and its purpose is to encourage sustainable management throughout the organization, following our Basic Sustainability Policy. The Committee meets regularly, in principle once every half year, mainly to develop a sustainability promotion system and to review issues related to each material issue (materiality), with the aim of steadily advancing sustainable management and improving our corporate value.



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

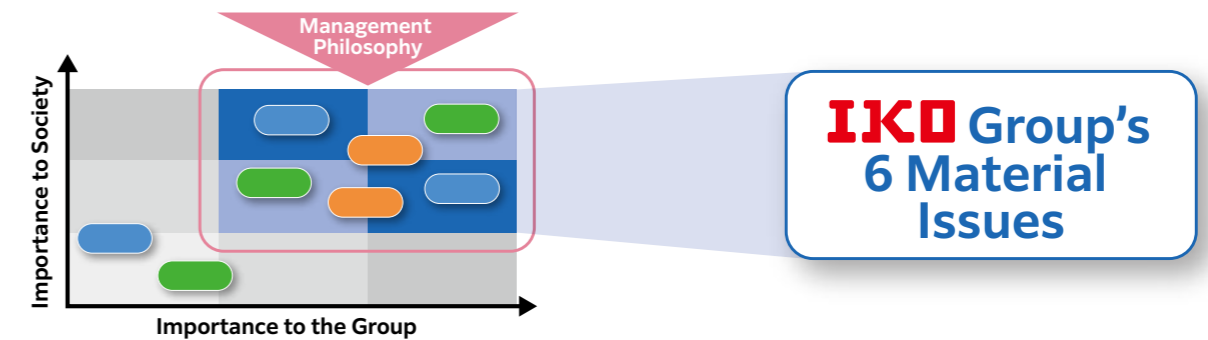
develop initiatives in line with our basic sustainability policy, based on our management philosophy of being a technology development-oriented company that contributes to society.

Materiality P37



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. We have taken into consideration the opinions of external consultants.

We are also implementing specific initiatives to address these issues. We will continuously assess our material issues in light of social and the business environment changes.

Materiality P37

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



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				
(1) Implement corporate activities for realizing a prosperous global environment	Environmental considerations in business activities	• Carbon neutrality throughout the entire Group	• Reduce actual greenhouse gas emissions from business operations by 50% or more from the baseline year	• Continue and strengthen energy conservation • Develop specific action plans to achieve medium-term targets • Improve accuracy of calculating greenhouse gas emissions of Group subsidiaries	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY
	Promoting supply chain management	• Carbon neutrality throughout the entire supply chain	• Achieve a high level of accuracy when calculating greenhouse gas emissions and build a system for collaboration toward carbon neutrality • Strengthen and help deepen global CSR procurement initiatives	• Improve accuracy of calculating supply chain greenhouse gas emissions • Formulate CSR procurement guidelines • Coordinate CSR procurement policies with partner companies	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
	Adapting to climate change	• More sophisticated sustainable management linked to adapting to climate change	• Enhance corporate value while responding to climate change	• Respond to and disclose achievement of TCFD recommendations	14 LIFE BELOW WATER, 15 LIFE ON LAND
(2) Contribute to technological innovation by leveraging core technologies	Promoting open innovation, such as industry-academia-government collaboration	• A company that thoroughly refines all technologies related to machine elements and receives requests for technological collaboration from around the world	• Continue and strengthen technological collaboration with industry, academia, and government agencies	• Proactively collaborate with external parties with a strong awareness of open innovation • Strengthen alliances with partner companies	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Taking on the challenge of new technologies and new business domains	• Accelerating our contribution to technological innovation by globally developing new markets and new business domains	• 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	• Strengthen marketing analysis to accurately capture market trends • Expand sales in overseas markets • Develop better products through better contact with customers	17 PARTNERSHIPS FOR THE GOALS
(3) Contribute to social development by providing products society needs	Pursuing product quality and safety	• No. 1 product quality in the industry	• Global quality control system • Maintenance and improvement of product quality	• Maintain and strengthen quality management system • Strengthen quality education for employees • Continue providing regular survey feedback to partner companies	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Providing flexible and stable products	• 100% customer delivery satisfaction	• Flexible delivery by reducing production lead times • Promotion of automation • Improve productivity by using DX and IoT	• Review systems for stable production • Reduce production lead times for target model numbers • Deepen inventory strategy	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
(4) Provide healthy, safe, and secure environments for people	Co-existence with local communities	• Becoming a company that is needed and trusted by contributing to the community and society	• Maintain good relations and revitalize local communities	• 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	4 QUALITY EDUCATION, 5 GENDER EQUALITY
	Providing products leading to healthy, safe, and secure lifestyles	• Manufacturer of key components that create the future for all industries leading to the realization of healthy, safe, and secure lifestyles	• Create and provide high-value-added products leading to healthy, safe, and secure lifestyles • Develop products together with customers, free from preconceived ideas	• Strengthen our offer of high-value-added products through collaboration with partner companies, etc. • Provide solutions to customers' issues	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Respecting human rights	• Realization of corporate activities as well as co-existence and co-prosperity ensuring full social safety in the global supply chain	• Instill human rights policies and establish a system for conducting human rights due diligence in the global supply chain	• Formulate a human rights policy • Instill human rights policies into the supply chain • Conduct human rights due diligence	10 REDUCED INEQUALITIES, 11 SUSTAINABLE CITIES AND COMMUNITIES
(5) Contribute to a society where diverse people can thrive and be rewarded for their work	Strengthening recruitment and employee training	• A group of employees that creates high added value in a challenging way	• 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	• Clarify the Group's human resource requirements • Implement talent management • Enhance self-development support system	4 QUALITY EDUCATION, 5 GENDER EQUALITY
	Building a rewarding work environment	• Work environment that realizes an optimal work-life balance	• Develop a high degree of employee engagement improving various systems, etc.	• Develop systems related to diversified work styles • Implement measures to improve employee engagement	8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
	Promoting diversity and inclusion (D&I)	• Contributing to the development of a sustainable society by ensuring diversity in human resources, regardless of gender, nationality, career, etc.	• Expand diversity by increasing the ratio of women in management and supervisory positions, etc.	• Promote women's activities, including better childcare support • Actively assign foreign nationals and mid-career hires to core human resources	11 SUSTAINABLE CITIES AND COMMUNITIES
(6) Continuously improve compliance and governance	Improving internal controls and ensuring compliance	• A system where all employees have a deep understanding of the purpose of risk management, compliance, information security, etc., and are able to put these into practice successfully	• Develop a system so that all employees understand the purpose of risk management, compliance, information security, etc., and are capable of practicing these successfully	• Improve the content of all committee discussions • Strengthen employee education, dissemination, and self-assessment • Strengthen cybersecurity	
	Continuously improving corporate governance	• Highly fair and transparent management through the Group's strong governance system	• Strong governance system in the Group	• 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	• Maintaining good relationships with stakeholders by ensuring transparent disclosure of information	• Ensure transparent information disclosure and build good relationships with stakeholders	• Enhance voluntary, timely and appropriate information disclosure • Strengthen IR activities, including heightened communication with investors • Implement stakeholder engagement (dialogues)	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Environmental Initiatives



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

Nobuya Hideshima

Senior Managing Director, Chief Environmental Management Officer

Basic Approach

Recognizing that the preservation of the global environment is an important issue common to all humankind, the Group has been working to help resolve social issues, for instance by providing products where the C-Lube Linear Way is included as part of IKO's proprietary advanced technologies, based on a global

environment-friendly development approach with *minimal oil* as the key concept. As part of our corporate social responsibility, we will continue to take environmentally friendly corporate actions, reduce our environmental impact, and contribute to creating a sustainable, prosperous global environment.



Environmental Policy

- Countermeasures for global warming and climate change**
As "a technology development-based company" that contributes to society, we will continue to design and develop products and services that reduce the load on the environment throughout their lifecycle. We have a clear understanding of how our business activities impact the environment and are implementing climate change countermeasures with the aim of achieving a completely carbon neutral supply chain.
- Conservation of biodiversity**
We have assessed the impact of our business activities on biodiversity and are promoting environmental protection activities in collaboration with each country and region with the aim of achieving a society that can coexist with nature.
- Contributing to a recycling-oriented society**
We are thoroughly implementing Reduce, Reuse, and Recycle efforts through our business activities to minimize input resources such as raw materials and water, while also minimizing waste.
- Reducing substances that are hazardous to the environment**
We are properly managing and reducing substances that are hazardous to humans and ecosystems throughout our entire supply chain.
- Environmental compliance**
We are complying with laws, ordinances, agreements, and other requirements related to environmental conservation, and are proactively cooperating with measures that have been implemented in each country and region. We also establish our own management standards as needed to further environmental conservation efforts.
- Improving environmental performance**
In addition to establishing environmental goals for achieving this policy, we organize an environmental management system and engage in continuous environmental conservation activities. We endeavor to improve the environmental performance of the IKO Group based on this review.
- Promoting environmental communication**
By making this policy clearly understood throughout the IKO Group, we will improve the awareness and knowledge of employees about the environment. We will also proactively disclose information about the environment to all stakeholders via positive communication in order to deepen mutual understanding and to maintain and strengthen trust.

Environmental Plan and Progress in FY2023

As shown in the table below, the Group's initiatives to reduce our negative environmental impact in fiscal 2023 were focused on two perspectives that are in line with identified material issues: environmental considerations during business operations and responding to climate change.

From a short-term perspective, we set targets consistent with those set by the industry associations that we belong to. For the medium to long term, we have set ambitious targets consistent with the 1.5°C to 2°C climate change scenario. In addition, our initiatives are

centered on saving and creating energy, while we work to communicate this information as a company centered on technology development that contributes to society. As well, we are taking the lead in stimulating activities that reduce environmental impact across society.

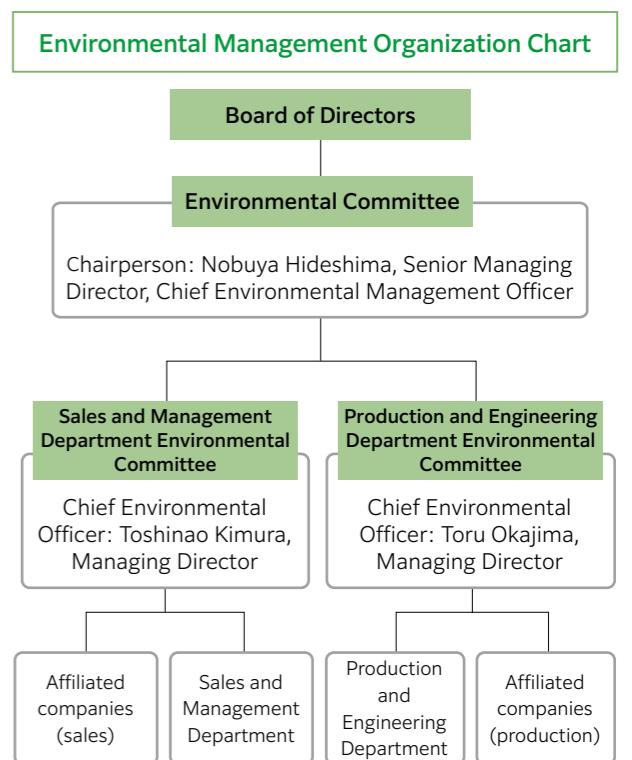
As a result, in FY 2023 we achieved both our quantitative and qualitative targets for all items listed. Moving forward, in addition to continuing and strengthening our initiatives, we will promote our medium- to long-term initiatives and accelerate developments aimed at achieving carbon neutrality.

Issues to Be Addressed	Targets for FY2023	Actual Results for FY2023	Degree of Achievement
Environmental considerations during business operations	Reduce unit energy consumption by more than 1.0% every year (Nippon Thompson only)	3.5% reduction year on year	Achieved
	Achieve a recycling rate of at least 96% in FY2031	Recycling rate: 96.8%	Achieved
	Reduce final disposal volume by 92% in FY2026 compared with FY2001	Final disposal amount: 98.7% reduction	Achieved
Climate change response	Formulate environmental impact reduction measures based on use of renewable energy	Implement on-site PPA in the Mugegawa area (launched in April 2023)	Achieved
	Response to TCFD recommendations and disclosure	Create a disclosure report in line with TCFD recommendations and post it on the Company's website	Achieved

Environmental Management System

Recognizing the importance of co-existence and co-prosperity with local communities, the Group has been promoting environmental management under our Environmental Policy since 1998. In April 2023, to prepare for strengthening environmental management in the future, we revised the content of our Environmental Policy and reorganized this into seven items that clarify the objectives. In addition, by extending our organization for environmental management, which was previously limited to Nippon Thompson, to cover affiliated companies, including non-consolidated companies, so that the entire IKO Group becomes *One Team*. In this way, we will strengthen our system so that we can work toward resolving environmental issues based on a common understanding.

The Environmental Committee, chaired by the executive director in charge of the Production Department, handles environmental management. Held more than once semiannually, the Committee sets the Group's annual environmental issues and monitors the progress of environmental management initiatives. The details of the Committee meetings are reported to the Board of Directors as they are held, and the Board of Directors supervises and gives advice on the details.



Contributing to a Recycling-Oriented Society

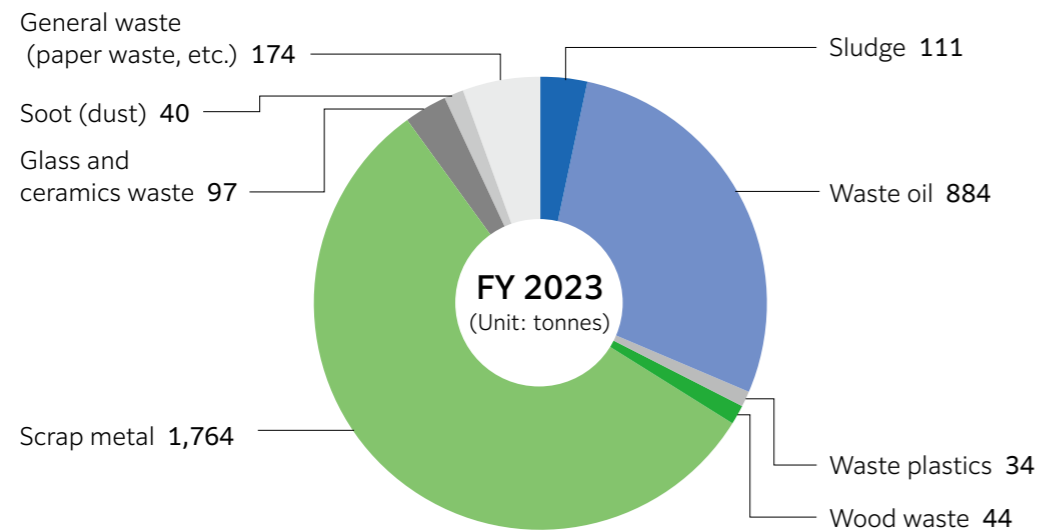
Initiatives to Reduce Waste

To help build a recycling-oriented society, the Group is working to reduce the waste we generate and to improve recycling rates based on the principles of reduce, reuse, and recycle. The main waste materials generated from our business operations are scrap metals (grinding sludge), waste oil, sludge, grinding wheels, and waste plastic. Our medium- to long-term target for waste generation reduction is to achieve a recycling rate of 96% or higher by fiscal 2031 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.

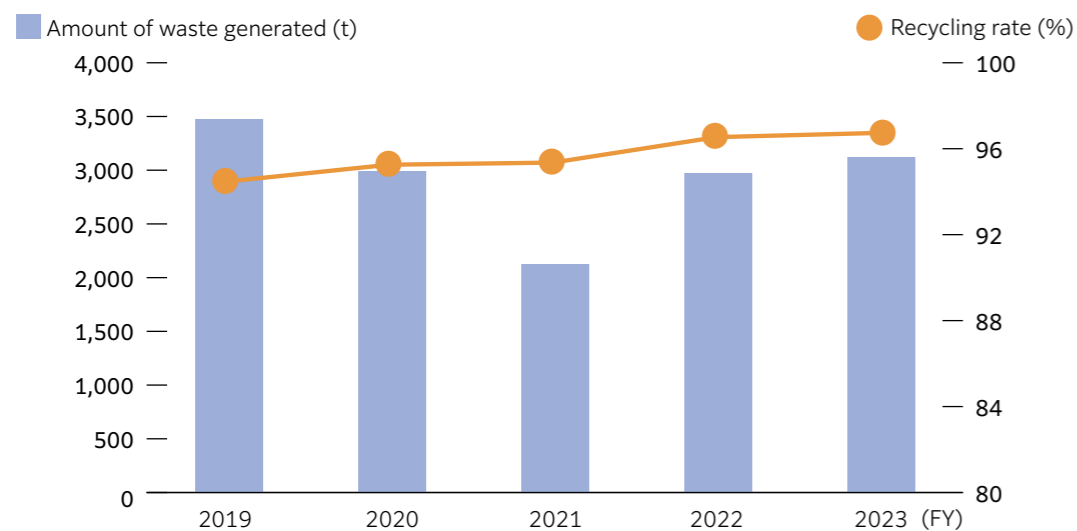
We believe that the Group's social role in building a recycling-oriented society is extremely important, and we will contribute to creating a sustainable society through our initiatives from a variety of perspectives.

● Breakdown by Waste Type



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

● Waste Generation Trends and Recycling Rate



Initiatives for Water Conservation

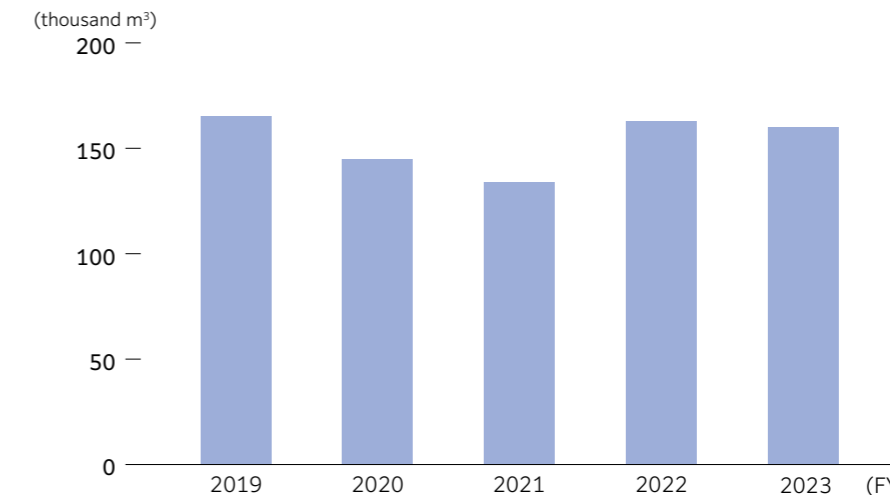
The Gifu factory complex, the Group's main domestic production center, is next to the Nagara River, one of the three clearest rivers in Japan, and we consider the management of water resources to be essential for environmental conservation.

In a part of Group's business operations, we use a large amount of water. We use both city water and well water as our intake sources, and the main applications involve the use of fluid for grinding and cooling water used during production. 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.

Although our domestic production centers are located in regions with ample water supply, we are committed to further reducing our water consumption by reusing water. Additionally, we will continue implementing strict measures to maintain water quality and control wastewater temperature in compliance with all applicable laws and regulations.

● Water Consumption (5 years)



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

Reducing Environmentally Hazardous Substances

Believing that providing environmentally friendly products to our customers will contribute to the improvement of the global environment, the Group has been promoting green procurement since 2003. We have established the Green Procurement Standard and have been working together with our suppliers. Prohibited substances are restricted for intentional use under international laws and regulations, including the RoHS II Directive and the TSCA regulation, the European and US hazardous substance control laws, respectively. Where there is a regulated threshold value, a guarantee is required so that the concentration is less than that value. We believe it is important to have a clear understanding of the substances we use and their regulated concentrations. Therefore, we are happy to provide information on these substances upon request from 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 2019	FY 2020	FY 2021	FY 2022	FY 2023
Methyl naphthalene	Fuel	14	19	13	27	27
Methylene bis(4, 1-phenylene) diisocyanate	Packing cushioning material	0	0	0	6	6
1, 2, 4-trimethylbenzene	Fuel	5	0	0	0	0
Inorganic cyanide compound	Heat treatment agent	198	188	0	0	0

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

Responding to Carbon Neutrality (TCFD Recommendations)

Basic Approach

The Group is promoting sustainable management through corporate initiatives to achieve both sustainable growth and social sustainability. As we recognize responding to climate change as an important management issue, we established the Sustainability Committee in January 2022. In January 2023, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. After releasing an information disclosure report based on the TCFD recommendations in June 2023, we joined the TCFD Consortium to reinforce

our initiatives. Moving forward, we will carefully examine risks and opportunities, as well as their financial impact, as we implement countermeasures to improve the sustainability of our business. At the same time, we will continue to improve the content of disclosure related to governance, strategy, risk management, as well as indicators and targets.

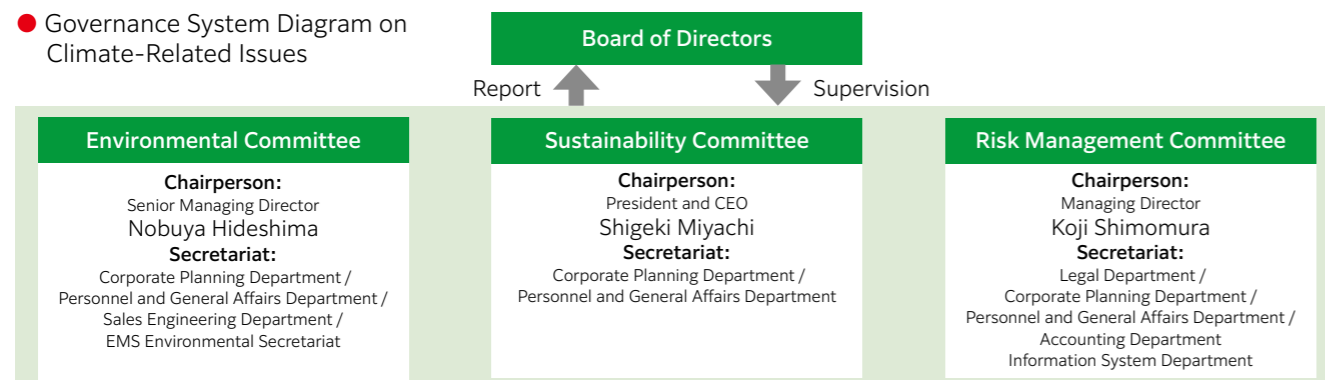


Governance

In January 2022, the Group established the Sustainability Committee that includes inside directors with the President and CEO as the Chairperson. This committee holds meetings at least twice a year, with the Corporate Planning Department and Personnel and General Affairs Department as the Secretariat. The Committee is responsible for developing fundamental policies on sustainability which cover climate-related issues. They also establish systems to promote sustainability, identify risks and opportunities in the medium and long term, formulate and review material issues, and regularly assess

the progress made in implementing these policies. The information is then reported to the Board of Directors at least once every half year, and the Board of Directors oversees and gives guidance on the state of progress on the medium- and long-term targets as well as on risks and opportunities related to sustainable issues for the whole Group. The Group has positioned initiatives for the environment, such as measures for combatting climate change, as important issues for sustainable management, and are working under this promotion system to strengthen the actions taken by each department.

● Governance System Diagram on Climate-Related Issues



Strategy

Risks and opportunities where climate change issues impact Company Group business was assessed according to the following steps by referencing each risk/opportunity item indicated in the TCFD recommendations. 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.

Analysis Process



Impact and Measures for Risks and Opportunities

Risk	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	Long term	Medium	- Implementing renewable energy - Implementing energy-saving equipment
			Rising costs for raw materials due to carbon tax implementation	Medium to long term	Medium	- Purchasing low carbon materials and parts - Developing new low-carbon materials through collaboration with suppliers
	Technology	Implementation of low carbon equipment	Increased investment in latest equipment	Medium term	Medium	- Considering investment through implementing ICP (Internal Carbon Pricing)
		Popularization of renewable energy	Increased costs for electricity due to rising short-term power generation costs	Short to medium term	Medium	- Construction of solar power stations at internal/external sites, and formulating/ implementing introduction plans - Realizing 100% renewable energy use at each business site through various means based on "Additionality"
Market	Changes in customer demand	Decreased demand for carbon negative business	Medium term	Major	- Shifting to products that contribute to low carbon emissions - Working to achieve longer product life - Improving the response level to meet diversifying demands	
Reputation	Slow response to climate change	Reduced sales in the European and US markets due to insufficient climate change measures and information disclosure	Short to medium term	Major	- Implementing proper climate change measures and enhancing information disclosure	
Physical risk	Chronic	Average temperature rise	Lower employee productivity due to worsening work environment	Long term	Major	- Adding break rooms and installing spot air conditioners
			Higher electricity costs due to increased use of air conditioning in heat treatment / surface treatment processes	Medium to long term	Medium	- Implementing energy-saving air conditioners
	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
Acute	Intensification of extreme weather	Lowered production capacity caused by damage to company production bases due to flooding, and higher costs for handling damaged equipment (Production bases in Japan)	Medium to long term	Major	- Regularly confirming hazard maps and reviewing the BCP - Promoting investment in disaster mitigation	
Resource efficiency	Valuation of unused resources	Reduction of slow-moving inventory and costs for handling waste by reuse of rail mill ends	Short to medium term	Medium	- Improving the accuracy of demand forecasting - Reviewing operations for improving reuse rate	
	Reduced CO ₂ emissions	Reduced burden from carbon tax	Medium to long term	Major	- Implementing renewable energy - Implementing energy-saving equipment	
Energy source	Popularization of renewable energy	Reduced costs for purchasing electricity by reducing power generation costs from a long-term perspective	Long term	Medium	- Procuring renewable energy through various methods	
Products and services	Contribution toward transitioning to a decarbonized society	- Increasing demand for low-friction, durable bearings - Increasing demand for "the oil-minimum" products		Medium term	Major	- Improving accuracy of demand predictions for efficient production, and shortening delivery dates by improving production lead time - Developing "the oil-minimum" products
		Promotion of electrification	- Developing new Mechatronics series and increasing demand - Increasing demand for bearings due to increased drive components	Short to medium term	Major	- Strengthening production capabilities by collaborating with partner companies - Strengthening global production system including construction of new factories
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 - Establishing organization system allowing for further production innovation	
Resilience	Expansion of products compatible with the BCP	Increase in demand for company products as disaster mitigation devices	Medium to long term	Major	- Pursuing high-rigidity and quality	

* Assumed period Short term: Up to 1 year / Medium term: 1 to 7 years / Long term: 7 to 27 years

* Financial impact assessments of risks and opportunities were conducted according to qualitative and quantitative impact on sales or profit based on published reports and advice from experts, etc., and then categorized as either Major, Medium, or Minor.

Calculation of financial impact (Transition Risk: Carbon tax implementation / Increase in carbon tax rate)

Risk Contents

Regarding the transition risks and opportunities associated with transitioning to meet the 1.5°C targets, we analyzed the carbon tax, as it is projected to have the most significant impact. Our analysis based on "IEA WEO2022 Net Zero Emissions by 2050 Scenario."

We calculated financial impact using two patterns: (1) When Company standalone emissions for FY2031 are assumed to be the same as FY2023 (without CO₂ reduction measures), and (2) When Company standalone

emissions for FY2031 are reduced 50% compared to FY2019. Calculation results for (1) indicated an expected cost burden of about 339 million yen for FY2031 and about 197 million yen for (2). Moreover, no carbon tax burden is expected if initiatives for achieving FY2051 carbon neutral targets are implemented.

* According to EA NZE, Carbon tax unit price: \$140/t-CO₂ in 2030, \$250/t-CO₂ in 2050
* 1 dollar = 130 yen

	FY2031		FY2051	
	CO ₂ emissions	Financial impact	CO ₂ emissions	Financial impact
No measures for reducing CO ₂	18,632 t-CO ₂	Approx. 339 million yen	18,632 t-CO ₂	Approx. 605 million yen
When CO ₂ reduction targets are met	10,852 t-CO ₂	Approx. 197 million yen	0 t-CO ₂	0 million yen
Reduction amount	-	(142 million yen)	-	(605 million yen)

Risk Response

Transition risks include the implementation of a new carbon tax and an increase in the carbon tax rate. In response, the Group is purchasing renewable energy generated from solar power. When it comes to purchasing renewable energy, we believe it is important to use the perspective of "Additionality," which has the

effect of increasing the number of net new facilities for renewable energy. We will therefore continue to consider renewable energy with a focus on methods that have high potential for additionality. While we work to decrease our company's CO₂ emissions, we will also help promote the use of renewable energy in society.

Example (1): On-site PPA

We implemented an on-site PPA (power purchase agreement) for solar power generated on the roofs of our production centers in Japan: Gokurakuji area Factory 2 (operating since November 2021) and in the Mugegawa area (operating since April 2023) at the Gifu factory complex.

The power generated at both sites was used in-house, and we expect a reduction in the Company's Scope 2 greenhouse gas emissions of around 2.3% for FY 2023.



Gokurakuji area Factory 2

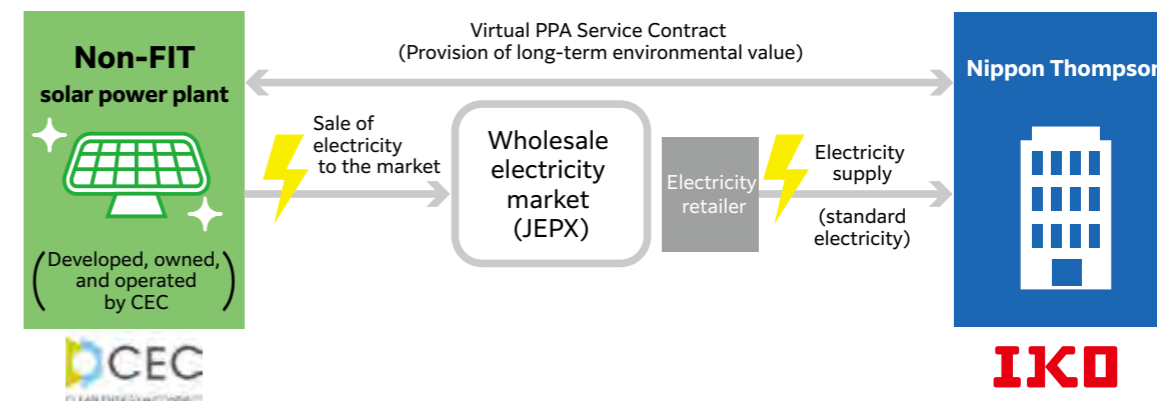


Mugegawa area

Example (2): Virtual PPA Service (Off-site PPA)

In May 2023, we concluded a virtual PPA (power purchase agreement) with Clean Energy Connect, Inc. to become the first company in the domestic bearing industry to purchase renewable energy. Power generation began in July 2023, and as a result we expect a reduction

in the Company's Scope 2 greenhouse gas emissions of around 2.1% for fiscal 2023, ensuring that 100% of the electricity used at all our domestic sales offices will be sourced from renewable energy.



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. Additionally, we have implemented a robust risk management system.

Process for managing climate-related risks

The "Risk Management Committee" clarifies the orientation for controlling risks based on the risk assessment results conducted every year according to the "Risk Management Regulations," and determines which departments or organization (committee, meeting body, etc.) need to respond for each identified risk item including climate change risks for implementing risk responses. Major revisions are carried out every

three years via risk assessment. Risks that need to be monitored and newly recognized risks are clarified based on the current status of risk measures. The probability of risk occurrence, impact of the risk on corporate value, and the response status to the risks are assessed using four levels, and we then identify the priority risks that need to be addressed.

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.

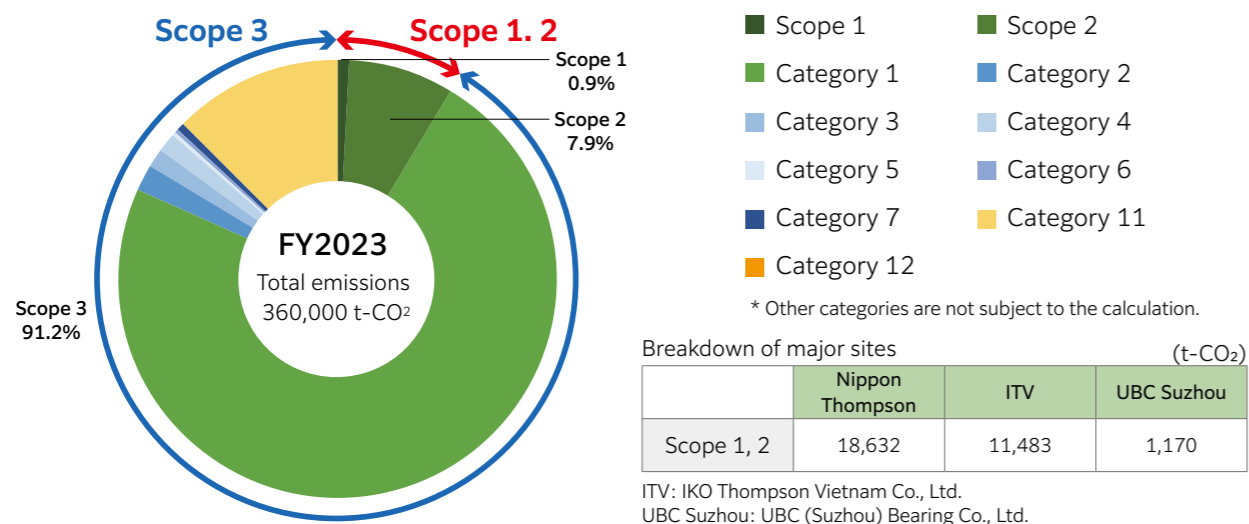
Metrics and Targets

The Company Group calculates greenhouse gas emissions based on GHG Protocol standards for assessing and controlling the impact of climate-related issues on management. Currently, targets for reducing greenhouse gas are for NIPPON THOMPSON alone, and the goal is to achieve at least a 50% reduction by FY2031 compared to the benchmark emissions in FY2019 (Scope 1, 2) of 21,704 t-CO₂, and we are working to achieve this.

Since FY 2022, the Environmental Committee has taken the lead in calculating greenhouse gas (GHG) emissions over the whole supply chain, which includes

the entire IKO Group. Emissions of CO₂ are calculated using the Asuene CO₂ emissions visualization cloud by Asuene Inc. During FY 2023, calculations were performed for overseas offices. These calculations were not made in the previous fiscal year. For Scope 3 emissions, calculations were performed for all target categories except for Category 9, which we are currently preparing. From now, in addition to improving the accuracy of our calculations, we will work harder to reduce emissions throughout the supply chain with the goal of achieving carbon neutrality by FY 2051.

Greenhouse Gas Emissions in FY2023



Future Plans

For reducing our greenhouse gas (GHG) emissions, the Group will add consolidated companies to our Scope 1 and 2 targets, quickly set Scope 3 targets, and steadily move forward with initiatives aimed at reducing all emissions. We are also planning to create an environment for active investments, aiming to reduce the environmental impact, as well as to acquire external certification. At the same time, in order to protect biodiversity, we will not only enhance our understanding, but we also evaluate the impact of our business operations on biodiversity. We will also make progress in preparing to disclose information in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. Further, for protecting water resources, we will set quantitative targets as early as possible and promote ways to reduce our water use.

We believe it is important to develop human resources to lead our activities who are familiar with GX (green transformation) and have excellent environmental literacy. This should reinforce our actions to reduce our environmental impact. For one example, we have begun acquiring an external qualification (GX Certification) using Skillup Green, an employee development service offered by SKILLUP AI, Ltd.

We will work to improve the content of our information disclosure based on the TCFD recommendations and strive to distribute information as quickly as possible to further improve our information disclosure into the future, in addition to improving the accuracy of our CO₂ calculations.



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.

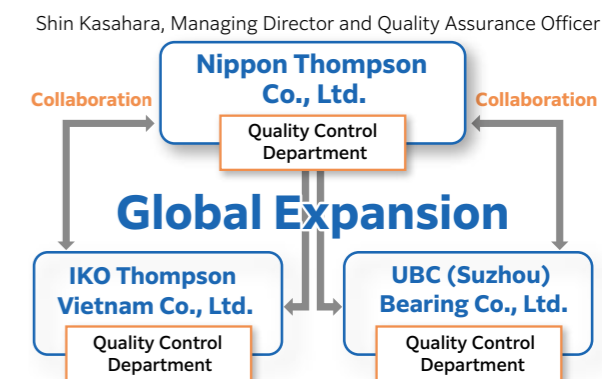
Quality Policy

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.

Human Capital

Realizing a Society Where Diverse Human Resources Can Play Active Roles and Are Rewarded for Their Work

Message from an Executive Officer



Aiming to be an organization whose DNA of integrity supports a bold and challenging spirit

Hiroyasu Fukumasu
Executive Officer, General Manager of Personnel and General Affairs Dept.

Values We Cherish

The value we have maintained since our founding is that a company depends on its people. Our management has consistently valued our people, which is reflected in our high retention rate. By providing a workplace where employees can work with a sense of security, we have built a corporate culture of integrity, which is our strength. That integrity has earned us our customers' trust, supporting our business for many years. Amid mounting uncertainty, however, a bold and challenging spirit to bring new value into society is critical, and in our recent HR management strategies, we have worked that aim idea in mind.

Embracing Challenges in Our HR Management Strategy

The most notable initiative has been the transformation of the HR personnel system that we implemented in 2021. To carry out the project, we initially began a thorough dialogue with our employees. This gave us a sense of how our employees really saw the Company and what they thought we should be doing. Based on these insights, we could then set a direction to aim for. The concept of the new HR personnel system we developed as a result is to effectively take on responsibilities and to get results. We overhauled the customs of the seniority-based system, challenging ourselves to instead foster a culture that emphasizes a willingness to take on challenges and diversity.

Two years have passed since we transitioned to our new HR personnel system. During that time, we have quickly rolled out a series of programs to support the willingness to take on challenges and diversity, such as training sessions, interviews, childcare support, and systems to support flexible working. This transformation is steadily yielding results. Certainly, many young employees have taken up management positions, as have

many female employees. We are fostering leaders for the next generation.

Human Capital Management in the Future

While we are making steady progress toward our vision, we feel that we are still only halfway there. Specifically, since each part of the HR management strategy tends to be individually optimized, we need to firmly integrate HR management and have more sophisticated talent management. To do that, we are now in the process of introducing an integrated HR management system, and we plan to implement skill development and engagement programs for individual employees. In addition, by optimizing our HR management operations with the introduction of this system, we plan to improve the strategic role of the HR Department and establish a direction for the next-generation HR Department.

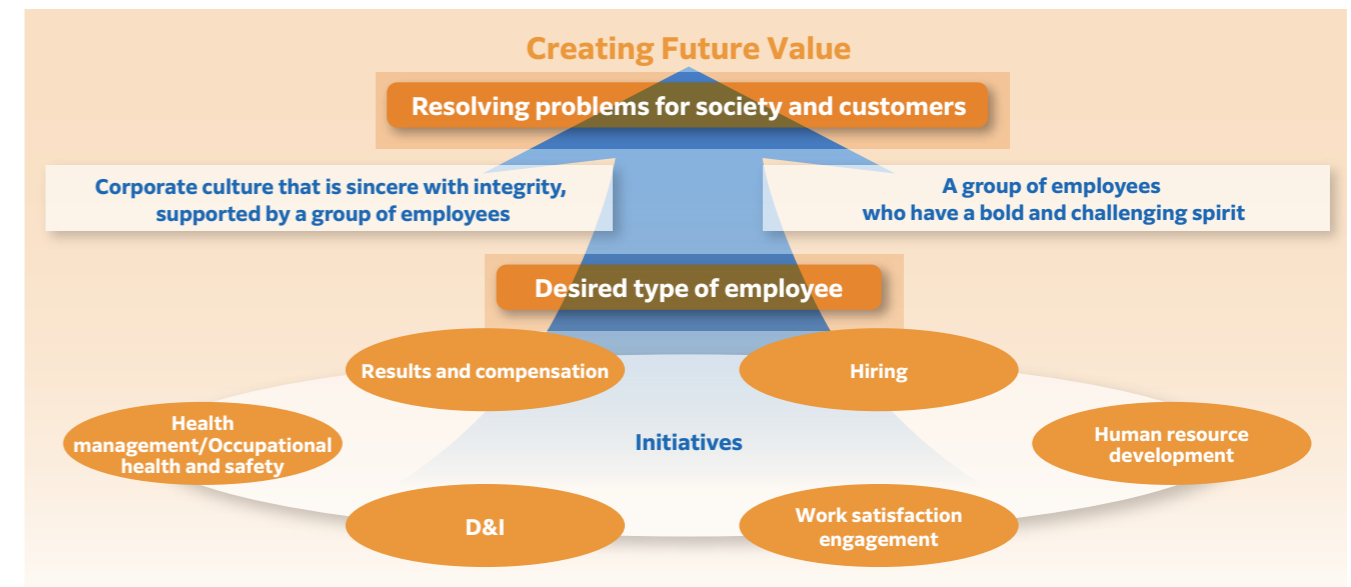
The source of our value creation is human resources. We believe that increasing the value of human resources is vital for improving corporate value. We will continue to focus on human capital management with the aim of becoming a group of employees who have a bold and challenging spirit, based on our core DNA of integrity.



Our Approach to Human Resources Strategy

Guided by our management philosophy—A Company Centered on Technology Development That Contributes to Society—we believe that helping to resolve social issues faced by society and our customers will lead to the sustainable improvement of our corporate value. For this reason, it is essential that we continue to be a company that is trusted and is relied upon both by society and our customers. So, we position the sincerity and seriousness of our corporate culture and human resources (human capital) as the source of our value creation.

Based on these strengths, we will focus on aspects such as recruiting, developing human resources, improving the education system establishing fair compensation and evaluation systems, and creating a comfortable working environment. These efforts aim to encourage employees to take on challenges, support their independent growth, and enhance their engagement. Guided by being "a group of employees who have a bold and challenging spirit" as the pillar of our human resource strategy, we aim to enhance corporate value by further improving our human capital.



Hiring

As a company that positions human capital as a source of value creation, we see hiring activities as a priority issue at the core of our human resources strategy. Our hiring policy focuses on recruiting new graduates, and aims to develop them over the medium-to long term. This approach allows us to benefit from our high retention rate which is one of our strengths. When hiring, we place importance on finding candidates who meet our requirements and who empathize with our philosophy. In the selection process, through a range of channels and by creating the motivation among candidates to join us, we continue to steadily hire human resources even amid intensifying competition for employees. We are also focusing on hiring career professionals with the aim of diversifying our HR portfolio from the viewpoint of driving innovation. We carry out these activities in a systematic way so that we can maintain a certain ratio of mid-career hires. Going forward, we will continue to acquire the employees who will be responsible for the future of the Company.

Human Resource Development

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

As part of a specific policy, we are focusing on on-the-job training, which is one of the pillars of our development system. Our corporate culture is built on an approach where every member of the workplace is cared to educate and support each employee individually.

In addition, we are striving to develop leaders through offsite training based on varied job levels with the

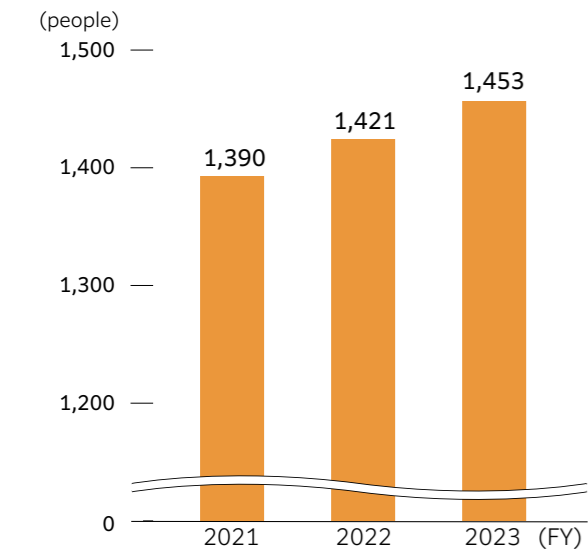
Indicators	FY2021	FY2022	FY2023
Percentage of employees receiving training by job level (%)	11.9	10.0	13.6
Training cost per person (thousands of yen)	16	20	29

intention of implementing HR strategies. We are also conducting practical training for every department. In addition, we will reinforce the development of the next generation of management executives through training for senior managers and others.

We are also prioritizing and supporting self-development of employees from the viewpoint of their autonomy. We have an incentive system in place for local qualifications, and we also support our employees in obtaining national qualifications. These include technical skill tests. Every year, a significant number of our employees successfully obtains qualifications. With the improvement of employee skills through these activities, we aim to further boost quality and provide high-value-added products.

Also, for HR development, the Group has accepted many technical trainees from IKO Thompson Vietnam Co., Ltd., and we are promoting skill exchanges. We position this training as a way to contribute to the development of employees who will be responsible for the economic growth of their region. Additionally it helps in cultivating internationally-minded employees through diverse experience. This is an area that we will continue to focus on in the future.

● Number of national qualifications held



* Some employees hold multiple certifications.

Work Satisfaction and Engagement

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

To foster a sense of security among employees, we consider benefits to be an important issue. So, we focus on improving programs, such as housing and meal

subsidies, in cooperation with labor unions, with which we maintain a good relationship, in order to increase the level of employee satisfaction. In addition, we are working to improve employee engagement by fostering individual growth and realizing career plans through interviews based on a self-assessment system and a target management system.

Through these initiatives, we have been able to maintain our low employee turnover rate for many years and have been able to develop human resources from a medium- to long-term perspective. We will examine current systems and approaches to continue supporting our employees' sense of security.

Indicators	FY2021	FY2022	FY2023
Percentage of employees leaving for personal reasons (%)	1.0	1.1	2.4
Turnover rate within three years of employment (%)	11.1	13.5	4.9

Diversity and Inclusion (D&I)

The Group promotes diversity and inclusion (D&I) to boost corporate value from multiple perspectives, including gender and other diversity and skills, and we strive to create an environment where every employee can work on their own initiative with a sense of fulfillment. Moreover, to respond to the diversified needs of society, we consider securing diversity in human resources to be an important issue. Accordingly, we will work to develop employees by supporting them guided by their own career goals in harmony with their respective work styles, providing fair opportunities for skill development and career advancement to all employees regardless of gender, age, nationality, work experience, etc.

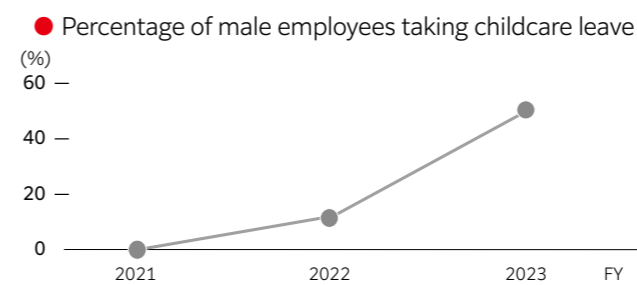
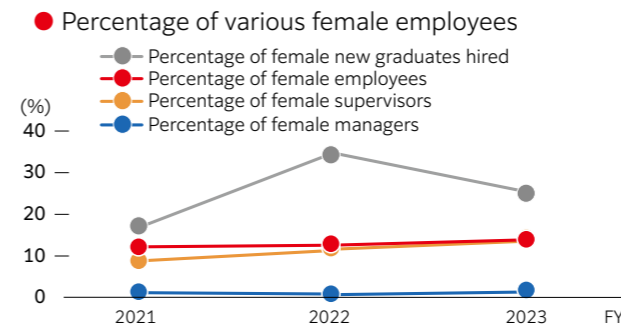
The Company, as a manufacturer, especially in the machinery industry, tends to have a high percentage of male employees. To address this situation we have taken steps in recent years to increase our percentage of female employees. One of the measures is organizing company information sessions exclusively for women. As a result, the percentage of females among all employees and among core personnel has steadily increased.

From a career development viewpoint, we focus on preventing "mommy" career tracks by providing childcare support while working closely with employees as much as possible to foster a sense of security. We have set up systems based on this perspective, and our childcare leave and shorter working hours for childcare exceed the legal requirements. We also support employees who take

childcare leave to balance work and childcare by working closely with their departments and the HR Department to address their individual concerns, as much as possible.

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

- [Target 1] Steadily increase the percentage of women among all full-time recruits to 20% or more.
- [Target 2] Increase the number of women in management positions and above by 1.5 times or more compared with March 2022 by the end of March 2025.
- [Target 3] Increase the number of women in management positions and above by 5 times or more compared with March 2022 by the end of March 2030.
- [Target 4] Increase the percentage of male employees taking childcare leave to 85% or more by FY2031.



Health Management / Occupational Health and Safety

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

adverse effects on the health of all people participating in our business activities through the participation of all employees in health and safety programs.

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

By establishing a mental health consultation desk and monitoring long working hours, we will prioritize the health and safety of all employees. We will work towards promoting additional safety activities.

Indicators	FY2021	FY2022	FY2023
Annual paid leave taken (%)	64.5	62.8	68.0
Average monthly overtime hours	4:22	10:55	13:15
Occupational accident frequency rate	2.584	0.739	1.195
Occupational accident severity rate	0.006	0.001	0.001

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

Results and Compensation System

With the intent to effectively respond to responsibilities and to get results, our HR personnel system is designed to ensure alignment between internal qualifications, evaluations, and treatment. In this way, we are working to nurture ambition and engagement among our employees. For evaluations, we have introduced a goal management and evaluation system that uses KPIs and competencies as the evaluation criteria. Goals are established at the beginning of the fiscal year, and evaluation feedback interviews are concluded at the end of the fiscal year. The purpose of these interviews is to increase engagement by promoting acceptance of feedback and evaluation, as well as creating communication opportunities in the workplace. By conducting periodic interviews and evaluator training, we work to ensure that the system is working correctly. We will continue to build systems that encourage employees to have a bold and challenging spirit, as we strive to maximize the value of our human capital.

Supply Chain Management

Basic Approach

As our business grows globally, we believe that in order to earn the trust of the international community, not only

the Group but also our entire supply chain must take responsible actions to meet the demands of society.

Basic Procurement Policy

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

CSR Procurement Initiatives

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

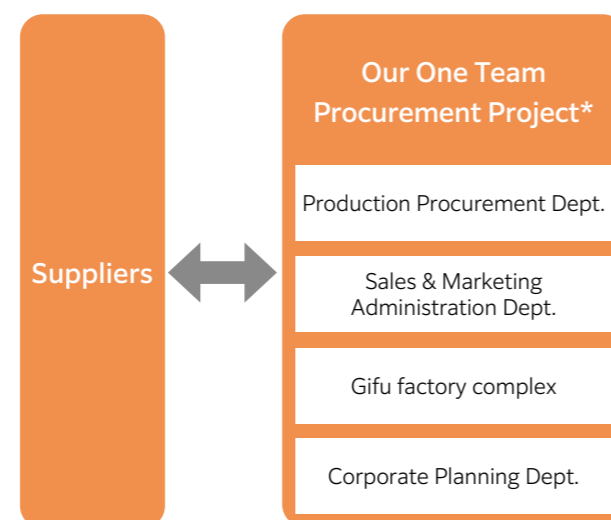
In July 2022, we formulated the IKO Group Supplier CSR Procurement Guidelines to achieve our social responsibility more broadly, including the consideration of human rights and labor issues as well as environmental issues.

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

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

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

CSR Procurement Promotion System



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

Respect for Human Rights throughout the Entire Supply Chain

Since the 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 complies with our Human Rights Policy, and we are ramping up respect for human rights throughout the entire supply chain. Through these activities, we aim to promote respect for human rights for all stakeholders related to our business activities in cooperation with various stakeholders including business partners.

Co-existence with Local Communities and Social Contribution

Basic Approach

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

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

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

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

Specific Initiatives

The entire Group, not only domestic but also overseas sites, has been deeply involved in community activities. In addition to organizing local cleanup drives and participating in neighborhood events, we have also been contributing

to local communities in Japan and other countries through various initiatives over the years, including making donations at overseas locations. In this way, we have built strong relationships with local communities.



Donations in Vietnam



Introducing the Company at neighborhood events



Tree planting activities in the United States



Company tours for children of employees

Dialogue with Our Stakeholders

As our business grows globally, we believe that 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.

Major stakeholders	Major channels of dialogue
Customers	● Daily sales activities (all year) ● Exhibitions, private shows (occasionally) ● Factory tours (as needed) ● Agency general meetings (once a year) ● Technical seminars, exchange meetings (as needed) ● Website (all year)
Shareholders and investors	● General Meeting of Shareholders (once a year) ● Presentation meeting for financial results (twice a year) ● IR/SR meetings (about 100 meetings a year) ● Various publications (securities, integrated, and business reports, etc.) ● Website (all year)
Business partners	● Purchasing policy briefings (once a year) ● Purchase partner quality and environmental audits (as needed) ● Green purchasing surveys (as needed) ● CSR purchasing guidelines compliance surveys (as needed)
Employees	● Personnel evaluations and MBO interviews (four times a year) ● Self-report interviews (once per year) ● Stress check diagnosis (once a year) ● Labor and management consultations (as needed) ● Internal newsletter (as needed) ● Various consultation desks (as needed)
Local communities	● Neighborhood cleanup drives (about twice a year at numerous sites in Japan and overseas) ● Donations to nearby organizations (at numerous sites in Japan and overseas, as needed) ● Facilitating company visits by students, business briefing events (as needed) ● Facilitating factory tours for local residents (as needed)

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.

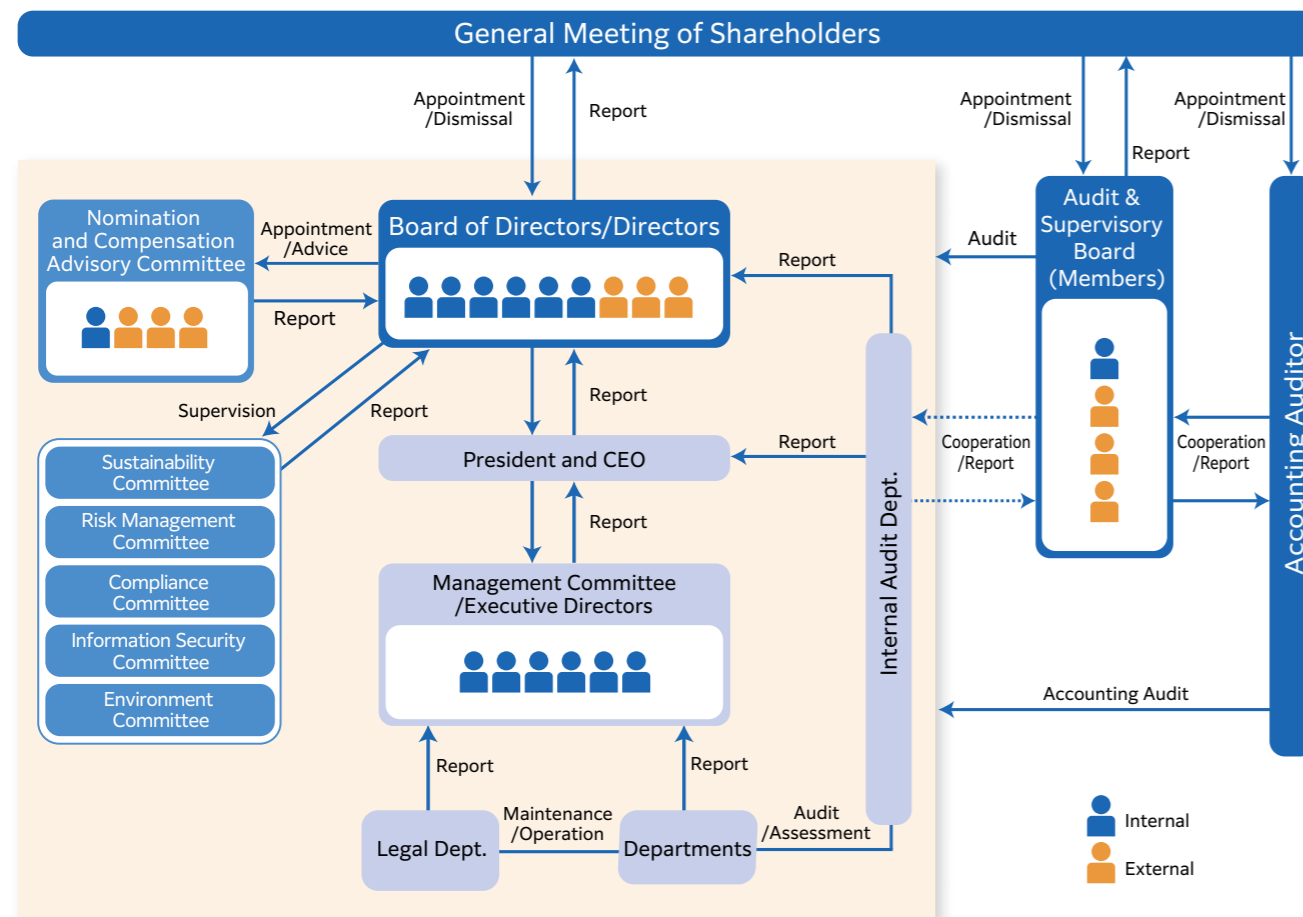
Please refer to the Company's website below for the Basic Policy on Corporate Governance.

<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	9 members (6 internal + 3 external) * Chaired by the president and CEO	4 members (1 internal + 3 external) * Chaired by the full-time Audit & Supervisory Board member	4 members (1 internal + 3 external) * Chaired by outside director	6 members (6 internal) * Chaired by the president and CEO
Objectives	Ensuring efficient execution of duties by directors	Monitoring and supervising management	Deliberate and report on matters related to nomination and compensation as a voluntary advisory body to the Board of Directors	Prompt management of decision-making and business execution
Main Discussion Items	• Decisions on important management matters • Supervision of business execution	• Checks on business execution • Reporting on the status of internal audits, etc.	Matters related to nomination and compensation of directors and Audit & Supervisory Board members, etc.	Confirmation of progress against targets and for solutions to issues, etc.
Number of Meetings Held (FY2023)	18 times	12 times	3 times	38 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	2023
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
Improving the Objectivity of Management Decisions	<ul style="list-style-type: none"> • Increased number of outside directors (appointment of several independent outside directors) • Assessed effectiveness of the Board of Directors 	<ul style="list-style-type: none"> • Established Nomination and Compensation Advisory Committee • Increased 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 FY2023	<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"> • Enhanced discussions to attain the goals of the Medium-Term Business Plan • Ensured diversity of the Board of Directors by appointing female outside directors
Future Challenges	<ul style="list-style-type: none"> • Improving the way meetings are conducted to revitalize the deliberations of the Board of Directors • Formulation and operation of succession plans for CEO, etc.

Approach to Nominations

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.

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 Planning

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

The Nomination and Compensation Advisory Committee discusses and formulates the succession plan for the president. They take into consideration factors such as experience, ability, personality and other qualities, based on the company's management philosophy and strategy. The committee then reports to the Board of Directors as needed.

(2) Retirement criteria and procedures

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

(3) Dismissal Criteria and Procedures

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

Executive Compensation

Basic Policy

The Company's basic policy is to align the compensation system of directors with business performance and shareholder returns. The goal is to motivate the directors to improve the Group's performance and increase the corporate value in the medium to long term. Additionally, the compensation for individual directors is determined based on their responsibilities and achievements. Guided by this fundamental policy, the compensation of the Company's executive directors includes basic compensation, bonuses, and stock-based compensation, and basic compensation is also paid to the Company's outside

directors.

Please refer to the Corporate Governance Report posted on the Company's website for the 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/cgreport20230627.pdf> (in Japanese)

Compensation System for Executive Directors

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

Group Governance

The Group, consisting of the Company and 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 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 company, 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.

Cross-Shareholdings

Holding Policy

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

investment targets, among various criteria.

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

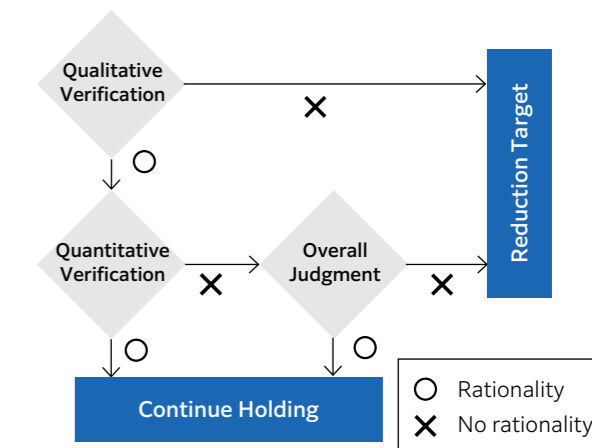
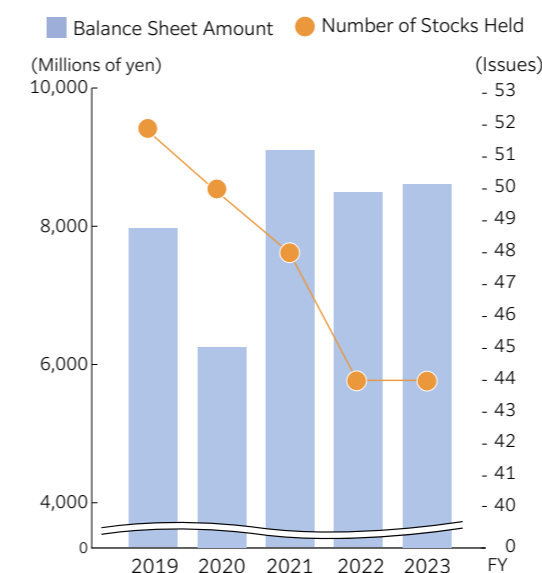
Verifying the Rationality for Holding Shares

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

The qualitative verification is related to business strategies, such as maintaining smooth business

relationships with customers and suppliers and ensuring that supply chains function well.

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



Message from an Outside Director



I will support the healthy growth of Nippon Thompson and contribute to the promotion of D&I from a global viewpoint and my perspective as a female director.

Atsuko Noda
Outside Director

Working from a global viewpoint

It has now been one year since I joined Nippon Thompson as an outside director. After working as a cabin attendant for a global airline, I became the CEO of the Japanese subsidiary of a costume jewelry brand. In my 11 years at the airline, I encountered a wide range of values, cultures, and mindsets through my communication with people of diverse nationalities, and I believe that this experience has shaped who I am today. Afterwards, I moved into business management. However, this process has been difficult. While witnessing unpredictable changes in the business environment caused by the Great East Japan Earthquake and the COVID-19 pandemic, we were somehow able to weather the storm. Facing these difficulties, however presented a good opportunity for me to improve my set of skills. Moreover, through my experiences as a manager, I have always felt the importance of people. Through these experiences, I have also come to realize the importance of diversity. I feel that my experience is one of my essential assets.

Using my skills and coming from a unique perspective, I am participating in the management of Nippon Thompson as an outside director. Even before I joined the company, I was aware that it is a highly respected bearing manufacturer in the industry, both in Japan and overseas. It is known for producing high-quality, high-value-added products with exceptional technical strengths. However, there are some significant differences from the industries that I have previously worked in, and I recognize that it is my role to provide advice from a completely different perspective than the internal directors. Further, as the Company seeks to accelerate worldwide business growth and become a company that can earn widespread trust across the globe, I believe that my advice, which comes from my career experience and unique viewpoint, can be utilized in management. Also, the importance that the Company places on people is something that correlates with my own experience and values, and where I can have empathy with others.

The potential of Nippon Thompson and challenges for the future

We are currently working towards the goals outlined in the Medium-Term Business Plan 2023 (fiscal year ending March 31, 2024), the theme of which is value improvement and value co-creation. Based on the three basic policies for the plan—*deepening, expanding,*

and embracing change—we are moving forward with *embracing change* for management, to enable both *deepening* and *expanding*. As of the fiscal year ended March 31, 2023, we are making steady progress toward achieving the three-year average financial targets for operating profit and ROE that are outlined in the Medium-Term Business Plan. This information is regularly reported to the Board of Directors, and I am always deeply impressed by the easy-to-understand, high-quality reporting, which visualizes the progress of initiatives and the recognition of the challenges for the future.

Employees at Nippon Thompson often use the phrase One Team. While organizations tend to be viewed as top-down structures, but our corporate culture is one of openness between departments and in-depth cross-departmental teamwork, and in this sense, One Team is the ideal term. As I mentioned earlier, there is a corporate culture of placing importance on people in the Company. Our low employee turnover rate is the result of our approach to creating a sincere corporate culture and rewarding work environments.

On the other hand, I believe there are two challenges that the Company needs to tackle. First, we must proactively promote our strengths. In one sense, Nippon Thompson is a group of engineers with excellent technological abilities, while our management philosophy is to become a company centered on technology development that contributes to society. While this is admirable, I believe that we must also communicate the outstanding nature of our company more actively to external parties. Surprisingly, for example, it is not generally known that our products are utilized in NASA's Mars rovers and state-of-the-art surgical robots. It is very unfortunate that we are not effectively showcasing our technological strengths.

The second challenge is diversity. In particular, there are still many hurdles for the Company to overcome for having more active roles for female employees. The Company is aware of this challenge, and the promotion of diversity and inclusion (D&I) is now one of the IKO Group's six material themes: "Contribute to a society where diverse people can thrive and be rewarded for their work." Specific action plans have been put together, and I have high expectations for their success. I believe that these two challenges are interrelated. By proactively showcasing our strengths, we can communicate the potential of our technologies and bearing products to a wider range of stakeholders. In addition, increasing opportunities for women to play more active roles can be another major selling point for the Company externally.

The Board of Directors as a platform for frank and open discussion

Under the excellent facilitation of President Miyachi as the Chair, the Company's Board of Directors holds frank and open discussions. The Board also works to ensure that outside officers can be better informed through visits to production sites inside and outside of Japan, as well as through participation in the Innovation Fair, where up-and-coming engineers showcase their R&D projects, for example. President Miyachi is a corporate manager of outstanding character, and at the Board of Directors meetings, we can see his strong will and strict approach to achieving the targets of the Medium-Term Business Plan. While sometimes the discussions can get heated, I believe that under the President's leadership we are able to have in-depth discussions, in the limited time that is available.

As an outside director, I strive to fulfill my responsibility of supervising the corporate management of the management team and to offer advice for ensuring the healthy progress of growth strategies and the medium-to long-term improvement of our corporate value. I will also not hesitate to ask even basic questions at Board meetings.

Promoting D&I at Nippon Thompson

Diverse human resources provide a strong foundation for innovation. I hope to contribute to business growth and sustainable management by promoting D&I (diversity and inclusion) as an outside director of the Company.

While we are making steady progress with our Medium-Term Business Plan, as I mentioned, in order for us to achieve more growth globally, it is essential that we secure a diverse range of employees regardless of gender, nationality, career history, and age, for example. As part of our initiatives to address material issues, we are seeing a steady rise in the percentage of women being hired, as well as the percentage of women in management and supervisory roles. Moving forward, I will continue to focus on fair assessments, effective promotions, and the selection of female employees for positions as officers. With equal wages and other systems in place for both male and female employees, I believe that Nippon Thompson is a company that has a comfortable environment for women to work in. Looking ahead, I will prioritize making a strong appeal to strengthen our corporate culture which includes encouraging participation by woman. I am also committed to further promoting D&I.

Officers and Skills Matrix

(as of June 27, 2023)

	Directors								Audit & Supervisory Board Members				
Name													
Position	President & CEO	Senior Managing Director	Managing Director	Managing Director	Managing Director	Managing Director	Outside Director	Outside Director	Outside Director	Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Career summary, positions, responsibilities, and significant concurrent positions	Apr. 1979 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Oct. 2008 Joined the Company Jan. 2009 General Manager of Corporate Planning Dept. June 2010 Managing Director and General Manager of Corporate Planning Dept. June 2012 President & CEO (current position)	Apr. 1978 Joined Yamaha Motor Co., Ltd. Mar. 2013 Director & Managing Executive Officer June 2017 Outside Director of Fujibo Holdings, Inc. June 2018 Outside Director of ShinMaywa Industries, Ltd. June 2019 Outside Director of the Company June 2022 Senior Managing Director of the Company, in charge of Production Dept. and Legal Dept. (current position)	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)	Apr. 1981 Joined the Company June 2012 Director and General Manager of Western Japan Regional Office Apr. 2018 Managing Director, in charge of Sales Dept. and Sales Engineering Dept. Apr. 2022 Managing Director, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., Logistics Operations Dept., and Secretary Dept., deputy in charge of Corporate Business Development Dept. and General Manager of Export Administration Dept. (current position)	Apr. 1984 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) June 2013 Joined the Company July 2013 General Manager of Corporate Planning Dept. June 2015 Director and Executive Officer, in charge of Accounting Dept., Logistics Operations Dept., and Secretary Dept., and General Manager of Corporate Planning Dept. Apr. 2018 Managing Director, in charge of Accounting Dept., Information System Dept., Logistics Operations Dept. and Secretary Dept. Apr. 2022 Managing Director, in charge of Information System Dept. and DX Promotion, deputy in charge of Production Dept., and General Manager of Gifu factory complex (current position)	Apr. 1984 Joined the Company June 2016 Director and Executive Officer, and General Manager of Technical Center Apr. 2022 Managing Director, in charge of Corporate Business Development Dept., Quality Assurance Dept., Products Development Center, Technical Center, UBC (Shanghai) Precision Bearing MFG. Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd., and General Manager of Technical Center (current position)	Apr. 1993 Registered as attorney (Dai-ichi Tokyo Bar Association) Apr. 2000 Partner of Meitetsu Law Offices (current position) June 2003 Outside Audit & Supervisory Board Member of the Company June 2006 Outside Audit & Supervisory Board Member of Yamakin (Japan) Co., Ltd. (current position) June 2013 Outside Director of the Company June 2020 Outside Director of Daio Paper Corporation (current position) Jan. 2022 Audit & Supervisory Board Member of Nippon Export and Investment Insurance (current position)	Apr. 1982 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Apr. 2005 Professor of School of Management (current position) June 2007 Outside Audit & Supervisory Board Member of the Company June 2016 Outside Director	Apr. 1983 Joined Japan Airlines Co., Ltd. Apr. 1991 Purser Sept. 1994 Established Henkel & Grosse Japan Representative Office, Japan Representative Dec. 2002 Representative Director & CEO of Grosse Japan Inc. June 2022 Outside Director of the Company	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. June 2019 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)	Apr. 1996 Registered as attorney (Dai-ichi Tokyo Bar Association) Jan. 2001 Attorney admitted to the New York State Bar, USA Apr. 2009 Partner, Blakemore & Mitsuki (current position) June 2013 Outside Audit & Supervisory Board Member of the Company	Apr. 1976 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Sept. 2004 Executive Officer of UFJ Bank Limited (currently MUFG Bank, Ltd.) Apr. 2012 Managing Executive Officer of 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)	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)
Period of service	13 years	4 years	13 years	11 years	8 years	7 years	10 years	7 years	1 year	New Appointment	10 years	6 years	4 years
Number of shares held	121,772 shares	3,525 shares	25,696 shares	60,540 shares	38,831 shares	20,562 shares	-	-	-	-	-	-	-
Rate of attendance at meetings													
Attendance at Board of Directors' meetings	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	18/18 times	13/13 times	-	18/18 times	18/18 times	18/18 times
Attendance at Audit & Supervisory Board Meetings										-	12/12 times	12/12 times	12/12 times
Affiliated committees													
Nomination and Compensation Advisory Committee	●						● (Chairperson)	●	●				
Expertise and experience													
Corporate management	●	●	●	●	●			●	●	■			
Manufacturing, technology, and development		●	●			●							■
Sales and marketing	●		●	●		●			●				
Finance and accounting	●				●			●		■		■	■
Compliance and risk management	●	●		●	●		●	●	●	■	■	■	■
Personnel and human resources development				●				●					
Global business		●	●						●	■	■		

Executive Officers

Senior Executive Officers Takahiro Nakano
Kenji Yokoyama
Tadayoshi Ariga
Shuichi Tezuka
Executive Officers Yasushi Nakajima
Hiroaki Tago

General Manager of Sales & Marketing Administration Dept.
General Manager of Linear Series Manufacturing Dept.
Chairman of UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd.
Overall Manager of Eastern Japan Regional Office
President of Nippon DIC Co., Ltd.
General Manager of Overseas Sales Dept. I

Executive Officers Satoshi Sato
Toyohisa Ishihara
Mikihito Hosono
Atsushi Tsuchimochi
Hiroyasu Fukumasu
Akihiko Hattori

General Manager of Needle Manufacturing Dept.
General Manager of Production Innovation Dept.
General Manager of Corporate Planning Dept.
President of IKO Thompson Vietnam Co., Ltd.
General Manager of Personnel and General Affairs Dept.
Overall Manager of Central Japan Regional Office and General Manager of Central Regional Office

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

Risk Management System

The Group has developed a risk management system in line with our risk management guidelines, as the occurrence of risks could impact corporate management. The Risk Management Committee chaired by Koji Shimomura, the Managing Director, consists of executive directors including the President and CEO, as well as the full-time Audit & Supervisory Board member. The Committee is responsible for creating risk management policies and ensuring that risk reduction measures are effectively implemented across the organization. Additionally each department carries out risk inspections and internal audits to enforce controls. In addition, the Company will quickly determine a policy for dealing with any risks identified through control activities as well as any new risks that appear.

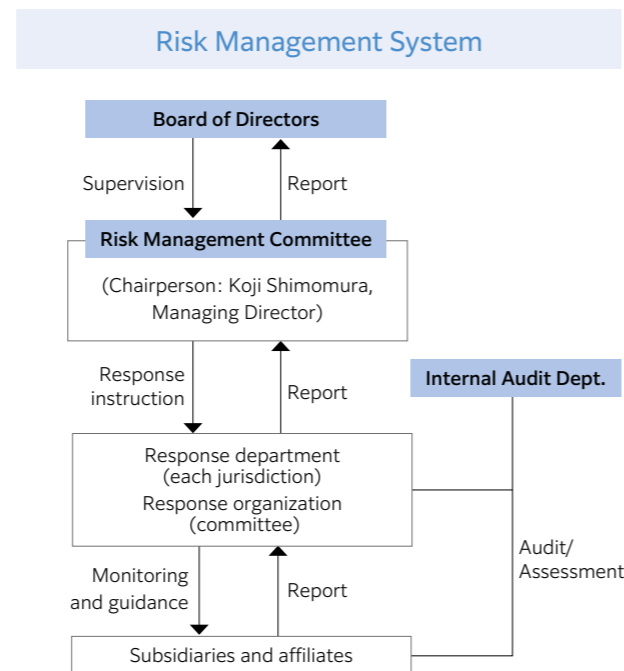
The Risk Management Committee meets twice a year typically, and receives reports on the risk items identified through annual risk assessments conducted by departments and organizations. The committee then makes critical decisions on the most effective ways to manage these risks. The contents of deliberations are reported to the Board of Directors for supervision and advice.

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 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

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



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.

Furthermore, in response to the global outbreak of COVID-19, we ensured uninterrupted production and maintained our product supply system by implementing strict measures to prevent the spread of infections at our domestic and overseas production sites. This included a COVID-19 response meeting with department managers, as well as the President and CEO, to formulate and discuss policies for addressing the pandemic. We will continue to consider other measures to quickly and effectively reduce risks.

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

Information Security Management System

The Group has developed a system to ensure that the Information Security Committee (Chief Information Security Officer: Koji Shimomura, Managing Director), which consists of executives directors including the President and CEO as well as the full-time Audit & Supervisory Board member, oversees the entire organization and effectively manages information

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

Compliance Promotion System

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

Antibribery and Anticorruption Initiatives

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

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

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.

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.

ensure compliance with laws, regulations, the articles of incorporation, social norms, and other requirements, and to fulfill our social responsibilities.

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.

and during other opportunities.

In the self-inspections conducted in FY2023, based on compliance management regulations, no violations were reported, and the same was true for the audits conducted by the Internal Audit Department.

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 FY2023, we received a total of 15 reports: 13 were submitted to the internal reporting desk and 2 were submitted to the external reporting desk. Both reports were handled in cooperation with the related departments fairly and faithfully.

Key Financial and Nonfinancial Data for the Past 11 Years

(Unit: millions of yen)

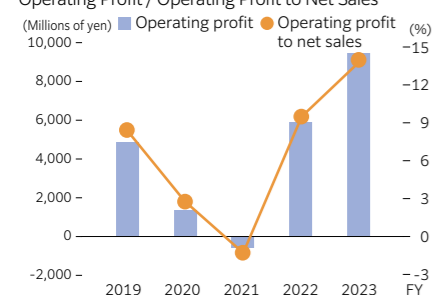
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Profit and Loss											
Net sales	35,962	39,259	44,972	43,664	44,130	55,228	57,570	47,457	44,342	62,284	68,260
Operating profit	1,185	(251)	3,877	3,018	1,145	2,649	4,883	1,341	(559)	5,898	9,459
EBITDA	4,726	3,654	7,504	5,144	3,625	5,657	8,748	5,202	4,211	11,534	14,002
Profit attributable to owners of parent	(124)	568	2,966	1,569	(291)	1,678	3,718	(185)	215	4,134	7,469
Financial Position											
Total assets* ¹	84,343	86,891	93,411	89,197	99,627	98,493	101,468	98,118	100,946	107,078	114,347
Net assets	53,167	56,121	61,099	58,056	58,605	59,666	60,195	57,439	59,425	63,974	71,662
Cash Flows											
Cash flows from operating activities	(352)	9,051	7,690	2,521	4,981	6,043	5,158	(2,497)	5,658	10,265	6,398
Cash flows from investing activities	(2,768)	(1,595)	(2,443)	(4,908)	(5,376)	(1,379)	(5,061)	(6,188)	(3,007)	(2,100)	(2,702)
Free cash flows	(3,121)	7,456	5,247	(2,386)	(394)	4,663	96	(8,686)	2,650	8,165	3,696
Cash flows from financing activities	(1,561)	(3,562)	(1,856)	(1,944)	7,126	(6,696)	(1,047)	4,618	(412)	(6,442)	(3,351)
Capital Expenditures, etc.											
Capital expenditures	2,028	2,127	2,427	6,150	2,627	2,535	5,248	5,455	2,752	2,019	2,504
Depreciation and amortization	3,048	2,636	2,584	2,272	2,596	3,094	3,297	3,800	3,833	3,885	3,423
Research and development expenses	683	785	778	903	990	1,036	1,148	1,305	1,266	1,324	1,526
Per Share Indicators											
Earnings per share (EPS) (yen)	(1.70)	7.82	40.71	21.64	(4.04)	23.35	51.95	(2.59)	3.02	58.27	104.92
Dividend per share (yen)	9.0	10.0	11.0	13.0	13.0	13.0	15.0	12.5	8.0	13.0	19.0
Financial Indicators											
Operating profit to net sales (%)	3.3	(0.6)	8.6	6.9	2.6	4.8	8.5	2.8	(1.3)	9.5	13.9
ROA (return on assets) (%)	(0.1)	0.7	3.2	1.8	(0.3)	1.7	3.7	(0.2)	0.2	3.9	6.5
ROE (return on equity) (%)	(0.2)	1.0	5.1	2.6	(0.5)	2.9	6.2	(0.3)	0.4	6.7	11.0
ROIC (return on invested capital) (%)	1.0	(0.2)	3.1	2.7	0.9	2.3	4.2	1.1	(0.4)	4.7	7.1
Equity ratio (%)	63.0	64.6	65.4	65.0	58.4	60.1	59.1	58.4	58.7	59.6	62.6
Dividend payout ratio (%)	-	127.9	27.0	60.1	-	55.7	28.9	-	264.9	22.3	18.1
Inventory turnover (Months)	11.6	9.8	7.7	7.7	7.4	5.6	5.8	8.0	8.8	6.3	6.3
Nonfinancial Data											
Number of employees (people)	1,275	1,451	1,750	1,750	1,919	2,232	2,448	2,232	2,456	2,688	2,613
Ratio of female employees (%) ^{*2}	6.8	7.0	7.8	8.6	9.7	11.7	11.3	11.5	11.9	12.3	12.8
Greenhouse gas emissions (t-CO ₂) ^{*3}	17,356	16,993	26,309	27,429	27,249	30,848	31,750	30,580	23,894	33,242	32,129
Electricity consumption (MWh) ^{*3}	30,086	33,382	41,746	44,071	44,023	50,374	57,995	54,297	44,458	64,365	61,731
Water consumption (1,000 m ³)	110	104	124	142	134	146	165	145	134	162	160
Waste emissions (tonnes)	2,578	3,067	3,437	2,952	2,972	3,114	3,507	3,015	2,135	2,995	3,147
Amount of PRTR substances emissions/transfers (kg)	130	91	113	94	27	26	216	206	12	32	33

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

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

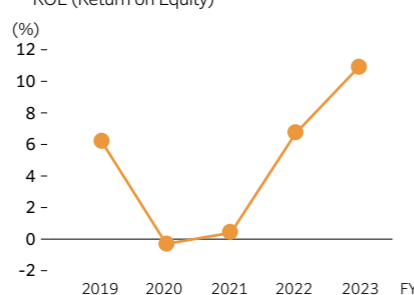
* 3 Data from FY2019 onward have been revised by reviewing calculation standards and expanding the scope of calculation.

Operating Profit / Operating Profit to Net Sales



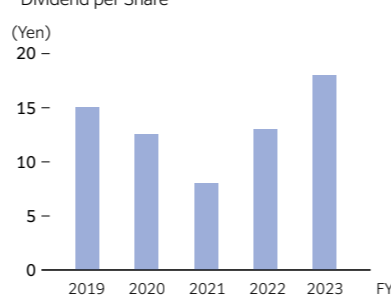
In FY2023, operating profit was 9,459 million yen, and the operating profit margin improved by 4.4 percentage points from the previous fiscal year to 13.9%, partly due to increased earnings, higher production, and the effect of the yen's depreciation on exchange rates.

ROE (Return on Equity)



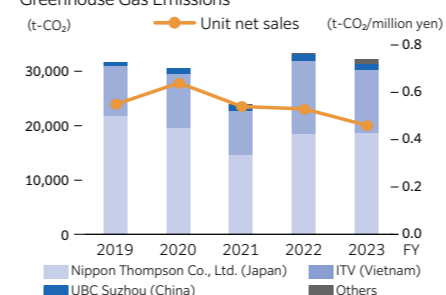
Profit attributable to owners of parent increased 80.7% over the previous fiscal year to a new record high. ROE improved 4.3 percentage points over the previous fiscal year to 11.0%.

Dividend per Share



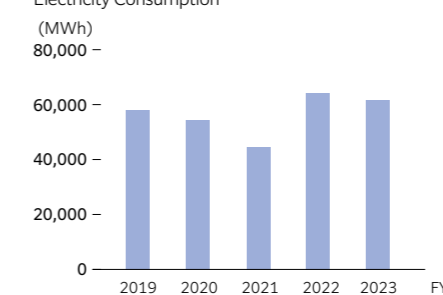
The Company's basic policy is to maintain stable dividends. In FY2023, we increased both earnings and profits, then issued a dividend of 19 yen per share, an increase of 6 yen over the previous fiscal year.

Greenhouse Gas Emissions



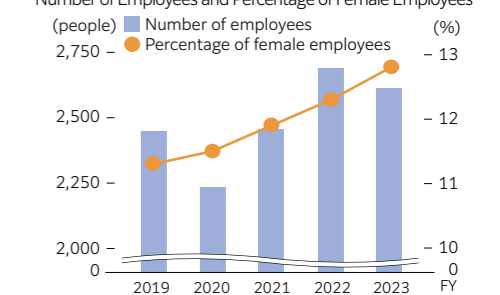
In FY2023, production increased over the previous fiscal year. As well, due to initiatives for boosting production efficiency and introducing energy conservation and renewable energy, both greenhouse gas emissions and emissions per unit of net sales decreased from the previous fiscal year to 32,129 t-CO₂ and 0.47 t-CO₂/million yen.

Electricity Consumption



As with greenhouse gas emissions, the implementation of production efficiency measures, energy conservation practices and renewable energy sources led to a 4.1% reduction in electricity consumption compared to the previous fiscal year to 61,731 MWh.

Number of Employees and Percentage of Female Employees



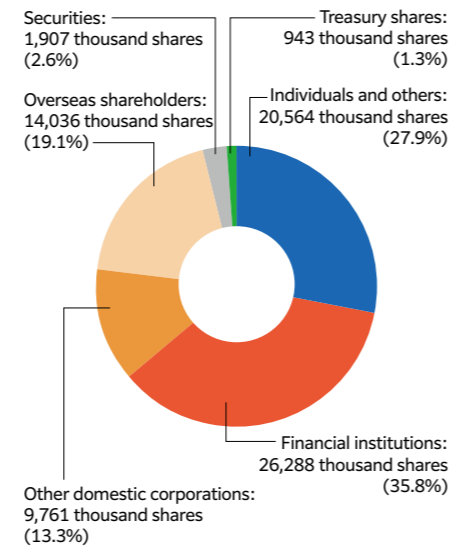
We have increased the number of female employees by implementing targeted recruitment initiatives, such as holding company information sessions exclusively for women. As a result, the percentage of female employees has increased by 0.5 point compared to the previous fiscal year.

Company Profile and Stock Information (as of March 31, 2023)

Total authorized shares	291,000,000 shares	Trade name	Nippon Thompson Co., Ltd.
Total outstanding shares (excluding 943,912 treasury shares)	72,557,513 shares	Trademark	IKO
Number of shareholders	13,547 shareholders	Established	February 10, 1950
Stock exchange listing	Prime Market, Tokyo Stock Exchange	Corporate headquarters	19-19 Takanawa 2-chome Minato-ku, Tokyo 108-8586, Japan
		Representative	Shigeki Miyachi, President and CEO
		Capital	9,533,170,390 (Yen)
		Number of employees	2,613 (Group total) 1,000 (Nonconsolidated)

Major Shareholders and Number of Shares Owned

Name of shareholder	Number of shares owned (thousand shares)	Holdings ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,939	9.56
Nippon Thompson Business Partners Shareholders' Association	5,460	7.52
Custody Bank of Japan, Ltd. (Trust Account)	5,222	7.19
Nippon Life Insurance Company	4,262	5.87
Nachi-Fujikoshi Corp.	2,008	2.76
Nippon Thompson Employees Shareholders' Association	1,827	2.51
MUFG Bank, Ltd.	1,612	2.22
DFA Intl Small Cap Value Portfolio	1,420	1.95
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd., Retirement Benefit Trust Account reentrusted by Custody Bank of Japan, Ltd.	1,305	1.79
HSBC Bank PLC A/C M and G (ACS)	1,088	1.49

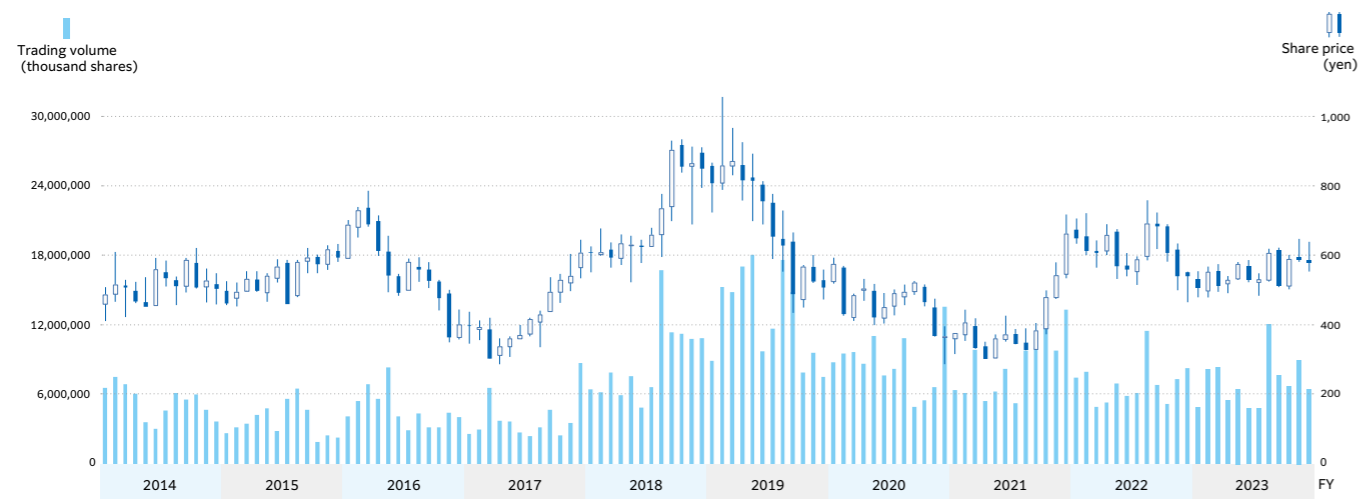


Notes: 1. The Company holds 943,912 shares (1.28%) of treasury shares.
 2. Holdings ratio is calculated after deducting treasury shares (943,912 shares).

Total Shareholder Return (TSR)

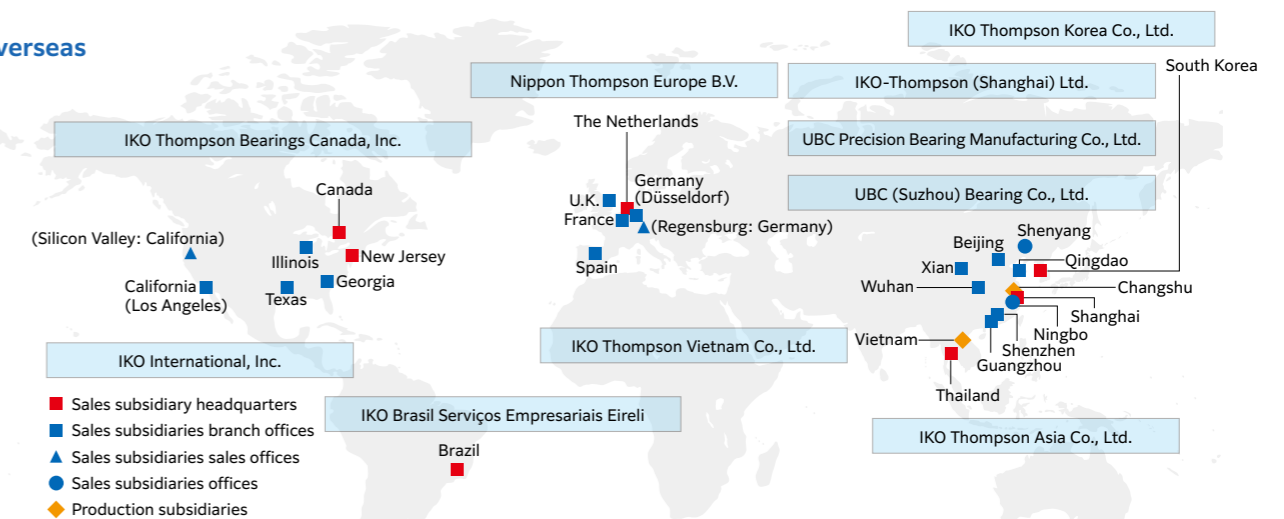
	FY2019	FY2020	FY2021	FY2022	FY2023
Nippon Thompson stock price	61.6%	46.6%	82.1%	69.4%	76.3%
Industry weighted stock price average (machinery)	83.5%	72.0%	113.3%	104.8%	108.6%

Stock Price and Trading Volume

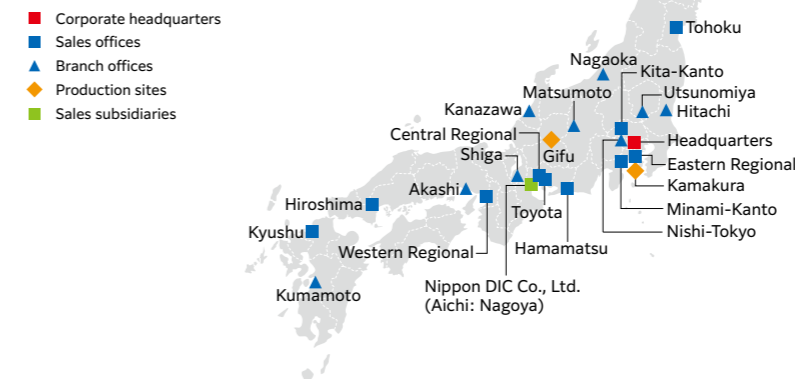


Group Network

Overseas



Japan



Participation in External Initiatives and Third-Party Evaluations and Certifications

The Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), joined the TCFD Consortium, 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.

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.



IKO

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Tokyo 108-8586, Japan
<https://www.ikont.co.jp/eg/>
December 2023

