

IKO



**Integrated
Report**

2025

April 1, 2024 - March 31, 2025

NIPPON THOMPSON CO., LTD.

Values and Vision

Management
Philosophy

A Company Centered on Technology Development That Contributes to Society

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

Contribution to society
and environment

Problem solving for
our customers

Highly efficient management,
high-value-added products

Innovation
Innovative thoughts
and actions

Know-how
Accumulation and utilization of
technology and information

Originality
Product development
with ingenious creativity

Nippon Thompson's **IKO** brand name is an acronym of the company's core beliefs —*Innovation, Know-how 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 –

IKO VISION 2030 Financial Targets

Operating Profit

15 billion yen
or above

ROE

10% or above

Net Sales

100 billion yen
or above

Market
Capitalization

100 billion yen
or above



Greetings

**IKO aims to become
a world-renowned
global company
achieving sustainable growth.**



Under the management philosophy of “A Company Centered on Technology Development that Contributes to Society,” the Nippon Thompson (IKO) Group offers high-quality, high-precision products worldwide that are innovative (innovation), based on advanced technology (knowhow), and rich in creativity (originality).

Amid the ongoing transformation of the socio-economic structure triggered by IoT, big data, AI, robots, and other technological advancements, we need to sincerely address the challenges confronting today’s global society, including environmental issues, and further reinforce initiatives to solve such problems in order to achieve sustainable corporate growth. We believe it is crucial for us to steadily implement the Medium-Term Business Plan step by step while firmly upholding the corporate culture the Group has nurtured over the years.

Bearings are mechanical components that reduce the environmental burden. Improving the functions of bearings can promote technological innovations in all types of devices and solve many social issues through energy-saving product design and development that give due consideration to the environment.

With our products and services, we aim to grow into a corporate group with an even greater presence that is trusted and sought after by the world. To this end, we will actively work to ensure compliance, enhance corporate governance, and promote environmental activities, contributing to the development of society.

Nippon Thompson transitioned to a company with an audit and supervisory committee in June 2025 and established a new management structure. Later, in October, we reorganized into a function-based organization to give shape to the global strategy aimed at achieving long-term growth. The management will continue making concerted efforts to improve our corporate value. We look forward to the continued support of our stakeholders in this endeavor.

Shigeki Miyachi, Chairman and CEO **Mikihito Hosono**, President and COO

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Editorial Policy

Since 2022, Nippon Thompson has published our Integrated Report once a year 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, 2024–March 31, 2025

*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

* The report includes some reports from Nippon Thompson on a non-consolidated basis.

Reference Guidelines

- International Integrated Reporting Framework by the International Financial Reporting Standards Foundation (IFRS)
- Guidance 2.0 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 as of October, 2025, 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.

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Message from the President

We will further hone our ability to respond meticulously to customers, which is the Group's strength, to solidify our position in high-value-added fields where performance and quality are prioritized.



President and COO Mikihiro Hosono

Career history

Nov. 1990 Joined the Company
 July 2011 General Manager of General Factory Administration Dept. of Gifu Factory Complex
 June 2013 General Manager of Eastern Regional and Minami-Kanto Branch Offices
 July 2017 General Manager of Personnel and General Affairs Dept.
 Apr. 2019 Executive Officer and General Manager of Personnel and General Affairs Dept.
 Apr. 2021 Executive Officer and General Manager of Corporate Planning Dept.
 Apr. 2024 Senior Executive Officer, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., and Secretary Dept.
 June 2024 Director in charge of Corporate Planning Department, Personnel and General Affairs Department, Accounting Department, and Secretary Department
 Apr. 2025 President and COO (current position)

The starting point and succession of our corporate culture

When I joined Nippon Thompson, we had a new hire training for about 3.5 months that included factory internship at the Gifu factory complex. We learned from many senior employees by visiting various business sites and departments. Since joining the Company, I have strongly felt that Nippon Thompson is a company that emphasizes honesty and sincerity in conducting business. This sincerity symbolizes the IKO Group's corporate culture that has been passed down over the generations till today.

We rarely catch people's eyes with flashy advertisements, but we have established a firm position as a manufacturer of important mechanical components with the mission of sincerely responding to customers' requests. We have been precisely responding to each and every high-level, complex, technological requests from our customers, and I believe that this business attitude has allowed us to build long-lasting trust with them, and has primarily differentiated us from our competitors.

This corporate culture is not just a tradition, but is the foundation that supports our sustainable growth. Sincerity will continue to be the core of our business and we will proactively incorporate flexible, next-generation ideas to improve our unique products

and services. Passing on this corporate culture across generations and further evolving it—this is the important mission entrusted to me.

Management philosophy and approach to challenges

Under its management philosophy of “A Company Centered on Technology Development that Contributes to Society” and its trademark of IKO (innovation, knowhow, and originality), the IKO Group, since its inception, has aimed to become a company that is indispensable for society and customers besides offering outstanding products. The products we have customized according to our customers' needs account for about a half of overall net sales. Our commitment to meeting diverse and sophisticated requirements is the source of our originality and competitiveness.

However, we cannot rest on our laurels. Enhancing our ability to customize and develop new products has always been a challenge. We need to further increase global competitiveness by reviewing development and sales strategies for each region to respond to the rapidly changing market. I worked in the frontline of the Sales Department through my early 40s and directly listened to many customers' voices. After that, I served in various positions at the Management Department, such as personnel affairs

and corporate planning, and nurtured a multifaceted outlook combined with the ability to make proposals and ensure coordination. These experiences, I believe, give me significant strength to fulfill the leadership role of the Group.

Working with greater speed remains a challenge for us. We experienced difficulties in addressing sudden surges in demand. With the establishment of the new R&D base in China in August of this year, we now have a structure to gather information and develop products locally and also to respond swiftly to changes in the market. During my most recent visit to a customer in China, our products were highly regarded after I explained their superiority to the officer in charge of technology who was dissatisfied with other companies' products. It once again reminded me of the importance of having direct dialogues with customers on the marketing frontlines to find out what are the challenges they face and what they would like to do in the future. I would like to visit our business partners as many times as possible to swiftly grasp their needs for our management in the future.

The IKO Group's vision for 2030, IKO VISION 2030, has set forth a goal of raising overseas net sales ratio to 60% or more. We believe it is essential for the Group to promote global expansion with greater speed. To this end, we will break free from excessive reliance on local entities to drive forward company-wide marketing and human resource deployment, and accelerate new product development from the customers' perspective. Through these efforts, we aim to always remain the company of choice for customers and achieve sustainable growth.

Management conscious of cost of capital and stock price

We consider "management conscious of cost of capital and stock price," which is sought by the Tokyo Stock Exchange, to be an important issue. To improve the P/B ratio, we need to improve ROE by boosting profitability and reduce cost of capital by stabilizing financial performance. We emphasize dialogue with shareholders and investors and enhance information disclosure for this reason. IKO VISION 2030 targets a 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, as we aim for a level that exceeds cost of equity (8 to 9%).

While the Group's performance is easily affected by the electronics-related demand, the transportation equipment field accounts for only a few percentage points, and any decline in demand for auto parts caused by electrification has only a very limited impact. Our products are being increasingly used in semiconductor manufacturing equipment, which is expected to grow significantly, and in medical equipment, for which demand is expected to be stable. We have successfully differentiated ourselves from rivals, particularly in the high-end market, with our high-precision, high-quality products. We aim to develop a stable profit model by expanding sales of high-value-added products to avoid price competition as much as possible. With this profit model, we hope to win the support of shareholders and investors. I will explain the strengths and growth strategy of the Group in detail to investors and customers through continued active dialogue and engagement and reflect their opinions in management.

Appreciation of employees, who are our biggest strength

Protecting the inherited sincere and honest corporate culture alone will not be enough to ensure sustainable growth. We must also actively incorporate flexible ideas and new approaches of the younger generation. Young employees are not bound by preconceived notions and have the strength to express their opinions freely. I was also able to grow because I was given assignments with responsibility and opportunities to speak up as a young employee. I would like to offer similar opportunities to the next-generation and reflect their ideas and ingenuity in management. The key to human resource utilization is development of a workplace environment that allows employees to demonstrate their individual abilities. Cross-department coordination and human resource development vitalize the entire organization, and the top management's visits to the field to listen directly to employees allow them to maximize their potential abilities.

Currently I am visiting business sites in Japan and abroad and exchanging views with employees regarding issues in the field and listening to their proposals for improvement. During this process, I learned of the need to improve delivery time and enhance new products from employees in the marketing field, and I truly feel that firsthand opinions can move management. I will continue to proactively visit business sites and widely leverage the opinions of employees in management. Employees are our biggest strength. I will further solidify the foundation by sincerely listening to the employees' opinions and make optimum decisions by pooling the wisdom of the entire organization.

Our competitive edge built on our responsiveness and technical capability

The IKO Group is small in sales compared with major bearing companies, but its strength lies in its ability to respond meticulously, leveraging its position. We have been flexibly responding to customization and small-lot orders corresponding to customer requests, and have been accepting orders for even a single unit in some cases. This approach has the issue of efficiency, but has built relationships of trust with customers, differentiating us from our rivals.

Simply put, the feature of our business model is our emphasis on ability to respond. Major manufacturers operate on the premise of efficient mass production. We, on the other hand, actively respond to difficult requests, which other companies hesitate to take on, and place importance on solving the problem. In this process, we spare no efforts even if we are viewed as unsophisticated, and this very attitude is what differentiates us from others. The ability to respond meticulously is not limited to the Sales Department. Sales Engineering, Technology Development, and Production Departments also strive as one unit to respond to orders with short delivery time or other highly complex problems. This company-wide response builds better trust, allowing us to demonstrate our strengths in areas where other companies cannot easily enter.

One feature that supports this business model is having an appropriate level of inventory. While we maintain a minimum level of inventory required to respond to customers' sudden requests, we avoid waste through market research and dialogues with customers. We also share the information gained from marketing with the Engineering Department to

promote product development based on true needs. Further, we work closely with partner companies in fields where we cannot respond alone and offer integrated solutions such as Mech-unit products. We are also pursuing joint research with universities and research institutes and building a structure for creating new products starting from basic research. This approach of enabling both efficiency and flexibility is a strength unique to the IKO Group, offering reliability to customers. We will continue to evolve this business model and offer high-value-added products and services without being dragged into simple price wars.

Revision of Medium-Term Business Plan 2026 and enhancement of shareholder returns

We are aiming for sustainable growth and improvement in corporate value based on the Medium-Term Business Plan 2026. Initially, our targets were operating profit of 9 billion yen or above and ROE of 8% or above on average for three years. However, the results for the first fiscal year of the Plan and the financial forecast for the second fiscal year are now expected to fall short of the initial targets due to the delay in demand recovery in the electronics-related market, including semiconductor manufacturing equipment, and the impact of the slowdown in the European market. This is despite the presence of favorable opportunities such as the expansion in semiconductor demand for generative AI and the demand stemming from automation and manpower saving.

Considering these environmental changes, we revised the targets through FY2027 to operating profit of 6.5 billion yen or above and ROE of 8% or above. We aim to ensure profitability and growth

while revising the numerical targets to achievable levels. At the same time, we are continuing with a total payout ratio of 50% or above and additionally set forth dividend on equity ratio (DOE) of 2.5% as a new standard for a minimum dividend. For FY2026, we expect to pay a record dividend of 26 yen per share, and we are on course to enhance both corporate value and shareholder returns. We also revised growth investment to 7 billion yen from the initial plan of 15 billion yen. We tweaked the investment timing considering the delay in demand recovery and postponed the construction of the new plant in Vietnam, thus maintaining the structure to respond flexibly to demand while reducing risks.

In this way, we will set forth realistic profit targets, emphasizing the balance between shareholder returns and growth investment in the Medium-Term Business Plan while responding swiftly to the changes in the external environment. We will strengthen our profitability through sales expansion of high-value-added products and by making forays into new fields as we flexibly respond to global demand fluctuations.

Challenges and strategies in growth markets

In the Medium-Term Business Plan 2026, we positioned semiconductor manufacturing equipment, industrial robots, and medical equipment as our key areas. We will focus on them as pillars for our growth. There is remarkable technological innovation going on in all these markets, where we expect to demonstrate true value of our high-precision, high-quality products.

In the semiconductor manufacturing equipment field, demand is surging on the back of rapid spread of generative AI. Companies are increasing capital investment, especially for server applications, and

our products have been adopted widely from wafer process to assembly and testing process. At the moment, there is more demand in the assembly and testing process, where miniature linear motion rolling guides, our strength, are effective. We have already received inquiries on next-generation models and more and more major equipment manufacturers in and outside Japan are adopting them. The medical equipment field is where we can expect steady growth. Surgical support robots as well as biochemical testing equipment and analyzers require high precision and our products are being increasingly used thanks to their high reliability. Major medical equipment manufacturers in the U.S. consider us an important supplier, and demand is expected to continue to grow in the future due in part to the aging society. In the robot field, development of humanoid robots has been accelerating in addition to robots for industrial applications. Amid growing interest, mainly in the U.S., we are supplying crossed roller bearings used in joints. Although they are currently at the prototype stage, their mass production may start in a few years, resulting in a demand surge. The IKO Group aims to establish its place in these markets by differentiating itself from rival companies with its ability to offer high-precision, high-quality products.

In addition to these three markets, we also see growth potential in renewable energy, information and communication technology, and logistics. In particular, our products are being increasingly used in the logistics field due to progress in automation, and we can expect growth in the future. In this market, we aim to further build on our presence by expanding the scope of products we supply, from single products to mechatronics series. Our key strategy is to enter growth markets ahead of others and establish a

firm footing there. We will choose high-value-added markets where performance and quality are prioritized as our main battleground market instead of being dragged into a simple price competition for general purpose products. This is how we aim to achieve sustainable growth.

Materiality and relationship of trust with stakeholders

The IKO Group has identified six material issues to continuously grow its corporate value through business activities, and has been addressing them as issues that directly affect medium- to long-term growth. I recognize that co-creation with stakeholders, in addition to producing profits, is a critical factor in today's corporate management.

In 2024, we established a target for greenhouse gas (GHG) emission reduction for the IKO Group and obtained SBTi certification. We aim to reduce GHG emissions 42% or more in Scope 1 and 2 compared with FY2023 and 25% or more in Category 1 of Scope 3 by FY2031 and achieve carbon neutrality by FY2051. We are driving forward group-wide awareness reform and reviewing business processes while working on innovations in product development and production. On the social front, we attach importance to various stakeholders such as customers, shareholders, business partners, employees, and local communities. We will build a strong supply chain with business partners to maintain stable supply, with the aim of remaining the company of first choice for our customers. To contribute to local communities or future generations, we continue engaging in community-based initiatives such as participating in cleaning activities and local events as well as making donations at overseas business sites. We consider

these initiatives as our mission along with ensuring corporate continuity. In terms of governance, we shifted from a company with an audit and supervisory board to a company with an audit and supervisory committee in June 2025 to increase the speed of decision making and strengthen supervisory function. Seven out of our 11 directors are outside directors, and we now have a diverse and transparent structure that also has personnel with ample management experience and female directors. This is also linked to one of our material issues, “continuously improve compliance and governance,” and we consider it as an important factor for improving corporate value.

As I have explained, till now, materiality-related initiatives and co-creation with stakeholders are directly linked to long-term improvement in corporate value of the IKO Group. We will achieve sustainable growth as a “A Company Centered on Technology Development that Contributes to Society” by engaging in both addressing environmental and social issues and reinforcing management foundation. I would like to ask our stakeholders for their continued understanding and support.



Outside Directors Roundtable

Strengthening corporate governance and improving shareholder value by transitioning to a company with an audit and supervisory committee

Nippon Thompson is strengthening its proactive governance approaches, in addition to defensive ones, to create medium- to long-term corporate value. We are pursuing measures to meet the capital markets' expectations by transitioning to a company with an audit and supervisory committee to enable the Board of Directors to concentrate on supervising the execution of duties. In this roundtable discussion, outside directors gave their views on the background and outlook of the measures and shared the outcomes and challenges of the governance reform.



Kazuhisa Hayashida
Outside Director
(Audit and Supervisory
Committee Member)

Nobuhiro Matsumoto
Outside Director
(Full-time Audit and Supervisory
Committee Member)

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

Changing organizational design and improving the Board of Directors' effectiveness

—What is the background of the decision to transition to a company with an audit and supervisory committee? Please tell us about the discussion process at the Board of Directors meetings. Also, what are your thoughts on the anticipated effects from the change to the organizational design?

Matsumoto: Taking into account the Guidelines for Corporate Takeovers announced by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange's request for management conscious of cost

of capital and stock price, the Company decided that it was necessary to evolve its Board of Directors' role from a conventional management board to a monitoring board. The organizational design review began following a proposal by Chairman Miyachi, the then president, and was finalized after careful and repeated discussions by the Board of Directors and the Audit & Supervisory Board.

Takei: Some companies transitioned to a company with an audit and supervisory committee in order just to increase the number of outside directors as a formality. As opposed to that, Nippon Thompson considered its transition into a company with an audit and supervisory committee from a strategic perspective

and recognized the need to further raise the Board of Directors' supervisory function by transferring some authorities to the executive side. It is only half-way through, but we are aiming for a new structure where the Board of Directors engages in discussions focused on the medium- to long-term direction and strategies, transferring details of job execution to the Management Committee, while maintaining their good practices, such as outside directors actively expressing their views.

Hayashida: As a member of the Audit & Supervisory Board, I have expressed my opinions at the Board of Directors meetings not only from the legal aspects but also from the perspective of appropriateness. Going forward, I hope to play the role of encouraging

the executive side to take appropriate risks from my position of outside director. Especially, under the new framework where outside directors make up a majority, I have great expectations that, in addition to defensive governance, the proactive approach to governance will also be strengthened further.

— What are the changes you have felt in the content and depth of deliberations at the Board of Directors meetings after the transition to a company with an audit and supervisory committee?

Matsumoto: At the Audit & Supervisory Committee meetings, we are consciously forming opinions as a committee, compared to the previous Audit & Supervisory Board that was based on individual members' opinions. I also attend the meetings of the executive side as a full-time Audit and Supervisory Committee member, and codify the viewpoints of the committee considering the background of the discussions at the Management Committee meetings and information gained in on-site audits. I also regularly exchange views with outside directors who are not members of the Audit and Supervisory Committee to reduce the information imbalance with the executive side. Going forward, we would like to contribute towards highly transparent decision-making as we, outside directors, actively get involved also in the process of submitting agenda proposals.

Takei: Securing means to access information related to the execution of duties is extremely important for enhancing supervisory functions. On that point, I feel the collaboration with full-time Audit and Supervisory Committee members is quite effective. In addition to sharing the Management Committee's meeting minutes, I hope to deepen the discussions at the Board of Directors' meetings by closely collaborating with the

Audit and Supervisory Committee members who gather wide-ranging information from the accounting auditors and the Internal Audit Department. I would like to take such multi-faceted information into consideration and get involved in both supervision of execution and discussions related to strategy.

— How have you specifically reflected the results of the evaluation of the effectiveness of the Board of Directors on improving operations and strengthening governance?

Takei: The issues that were identified in the effectiveness evaluation questionnaire were shared at the Board of Directors meetings and have led to the current changes to the organizational design and improvement in diversity of the Board of Directors. There are issues that are identified repeatedly every year. Even if issues cannot be solved in a single year, operations will improve as all directors continue to share the awareness of issues.

Matsumoto: After carrying out the questionnaire survey, we have individual meetings with the chairperson to deepen the concrete discussions for improving effectiveness. As a result, we have been steadily implementing reforms triggered by the effectiveness evaluation, such as increasing the number of female directors, introducing ESG evaluation in executive compensation system, and improving materials for the Board of Directors' meetings.

Hayashida: That is also my understanding. By continuously working on improving the matters pointed in the evaluation, I feel the quality of the discussions at the Board of Directors' meetings has improved with each passing year. The impact of these improvements is also seen on the rising evaluation scores, and I believe this has led to enhancement of effectiveness that does not

stop at mere formalities.

— Regarding the diversity sought in the Board of Directors, what are the issues you have recognized in terms of experience and expertise, regardless of gender or nationality?

Hayashida: This year, a female executive of an IT-related company was newly appointed as an Audit and Supervisory Board member, which raises the ratio of females on the Board of Directors. This, in my opinion, is a step forward for substantive diversity beyond perfunctory enhancements. We will require expertise and knowledge particularly in DX, production management, and global management, and in the sustainability field, such as addressing the global environment.

Matsumoto: Director Saeki, who was appointed as an Audit and Supervisory Committee member, has extensive experience in the IT field and we look forward to her insights and advices related that field. Around half of the Group's sales are from overseas markets, and insights regarding global management are indispensable. In particular, participation of human resources with



management experience in the bearing industry or our important customers' industries will bring in significant value to the Board of Directors. Management experience in the manufacturing industry is an indispensable factor even in supervising the performance evaluation of the management team or the strategic decision-making.

Takei: The viewpoints of the management are also very important in taking a proactive approach to governance. In fact, our two female directors are both active business executives, and offer practical advices leveraging their experience. If we are to go deeper, it would be desirable to invite human resources having CEO experience at a manufacturer with global presence. The Nomination and Compensation Advisory Committee, as well, has the issue of building a systematic selection process for outside directors.

Functions and roles of Nomination and Compensation Advisory Committee

— What perspectives and standards are you emphasizing in selecting the successors for top management and executive personnel?

Takei: Succession of top management has been recognized as an issue for the past few years. Against this backdrop, we began concrete discussions on the change of president at the proposal of former president Miyachi. After a series of discussions by the Advisory Committee and the Board of Directors regarding the new executive system, we eventually selected a new home-grown president.

For the future succession of executives, it is important to make the executive officers' evaluation framework more transparent and objective and develop a process in which outside directors can become actively involved. Through such initiatives, we hope to

establish an executive structure that contributes to continued improvement in corporate value.

— What philosophy or policy did you base the design of the executive officer compensation? In particular, please explain the ideas behind incentive design aimed at creating medium- to long-term corporate value.

Takei: Nippon Thompson has incorporated ROE and measures against climate change in the evaluation indicators for performance-linked compensation, making it a design that enables both improved capital efficiency and sustainable management. Moreover, the Company introduced stock-based compensation to share the stakes with shareholders, thereby raising the incentive for the management team to commit themselves to create medium- to long-term corporate value.

On the other hand, I disagree with the idea of simply increasing the performance-linked portion or stock-based compensation because our business is significantly affected by the market environment. The compensation system has to be designed with care so that it boosts sustainable growth while maintaining a



level corresponding to the weight of the responsibility of the management team and appropriate evaluation.

— As Audit & Supervisory Committee members, how do you rate the appropriateness of the operations of the Nomination and Compensation Advisory Committee?

Matsumoto: The Audit & Supervisory Committee engages in internal control and overall governance in addition to expressing its views regarding appointment and dismissal of directors and their compensation. As a full-time Audit and Supervisory Committee member and an observer, I attend the Nomination and Compensation Advisory Committee meetings, offering my views as necessary. The succession plan is already in place. What is important now is to appropriately create a pool of candidates for next-generation top management roles based on that plan. As for the compensation system, we are sincerely incorporating requests from the capital markets, but it is essential for the Company to stick to its own independent ideas reflecting its business characteristics.

Hayashida: When I was a part-time outside director, I used to receive reports on the discussions at the Advisory Committee from Director Matsumoto. Now that I am a member of the Audit & Supervisory Committee, I would like to deepen the discussions again regarding how the Nomination and Compensation Advisory Committee should function.

Management conscious of cost of capital and improved shareholder value

— How have the Board of Directors' awareness and deliberations of cost of capital and stock price changed over the last few years?

Hayashida: As for return on capital, the Company has

set an ROE goal in the Medium-Term Business Plan and the Board of Directors monitors the progress of the goal and the process towards achieving it. In particular, the Company is strongly conscious of the need for a stock price level for a P/B ratio of 1.0 and recognizes achievement of ROE of 8% as an important management task. Further, we have carried out workshops on ROIC, inviting external experts, and are making preparations to instill awareness of the indicator in the field.

Matsumoto: The contents of the dialogues with institutional investors are relayed to the Board of Directors through the IR Department, with even painful criticisms taken seriously. One matter raised during the dialogues is the review of the shareholder returns policy, including the introduction of DOE. The Board of Directors is working to instill the concept of ROIC. Also, we recognize that the essence of capital efficiency improvement lies in raising the profitability; therefore, we are accelerating implementation of cross-departmental initiatives for improving cost control and profitability.

Takei: We are a B-to-B components manufacturer and our unique business model of responding to high-mix low-volume production itself defines the existence of the Company. At the same time, it is susceptible to impacts from demand fluctuations caused by changes in the economic situation, making it difficult for us to systematically raise the return on capital. However, we have recently shifted policies from focusing on sales expansion to emphasizing profitability and have evolved our debates to include balance sheet management that directs capital to growth investment and shareholder returns. I think this is a good trend.

— In the discussions on capital policy, what should be the ideal supervision for improving capital efficiency in the medium to long term?

Matsumoto: As of now, we are sharing the ROIC for each key product with the executive side as a reference indicator. Instead of a single-year target, the Company has set three-year average targets and plans to instill them as an incentive indicator for those in charge of the business. To implement this, the Corporate Planning Department's leadership and continuous monitoring are indispensable.

Hayashida: It is difficult because some fields, such as semiconductors, are greatly affected by market volatility, but there is significant room for improving capital efficiency in areas including inventory management. I hope to ensure awareness of return on capital further by promoting progress management using ROIC.

Takei: The Company's lead time from materials procurement to product sales is long, making cost and inventory management difficult. Moreover, if we stick to short-term profitability, we risk losing important customers. Considering the situation, we need to discuss business model reforms from the long-term perspective, instead of focusing too much on short-term number-based management, and achieve a balance between improvement of capital efficiency and strengthening of competitiveness.

— What is the reason behind the thinking that the ongoing adoption of anti-takeover measures is consistent with long-term improvement of shareholder value, and what are your views on supervisory structure of the Board of Directors?

Matsumoto: Anti-takeover measures are not to preserve the management team's position. It is rather a mechanism for securing sufficient time for countering hostile takeover proposals and to protect the stakeholders' value. Nippon Thompson's business model is built on the foundation of long-term relationship of trust with

the customers. There is a high risk of damaging that relationship of trust if we become a target of any asset stripping acquisition. So, it is a rational measure also from the point of shareholder value.

Hayashida: I take it seriously that the approval rate at the General Meeting of Shareholders is remaining low. Upon discussing whether to continue or scrap the anti-takeover measures, the Board of Directors shares the awareness that, rather than self-preservation of the management team or directors, it is necessary to fairly judge whether the takeover proposal will contribute to improving corporate value.



Takei: When a financial buyer appears aiming for short-term gains, an independent committee strictly judges from the perspectives of shareholder equality whether the takeover will maintain and improve corporate value into the future. On the other hand, if a strategic buyer makes a proposal from which we can expect strategic synergies, we have the option of not using the anti-takeover measures. Either way, as outside directors, we will make rational judgments from the perspective of shareholders and not that of the management.

Value Creation Trajectory

History

1950— Founding and Early Days

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

Products and Value Creation | ! : Value Created

1956 Began R&D for needle roller bearings.



1960 Succeeded in developing needle roller cages for engines.

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



1970— Growth and Expansion

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

1978 Introduced ball-type linear motion rolling guides.

! Contributing to improving performance of machine tools



1982 Introduced a modular mechatronics product.

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



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

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



1990— Maturity and Transition

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

1996 Launched a linear motor-driven mechatronics product.

! Achieved compact and highly accurate positioning



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

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



2010— Change and Dynamism

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

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

! Overcame weak points of grease lubrication



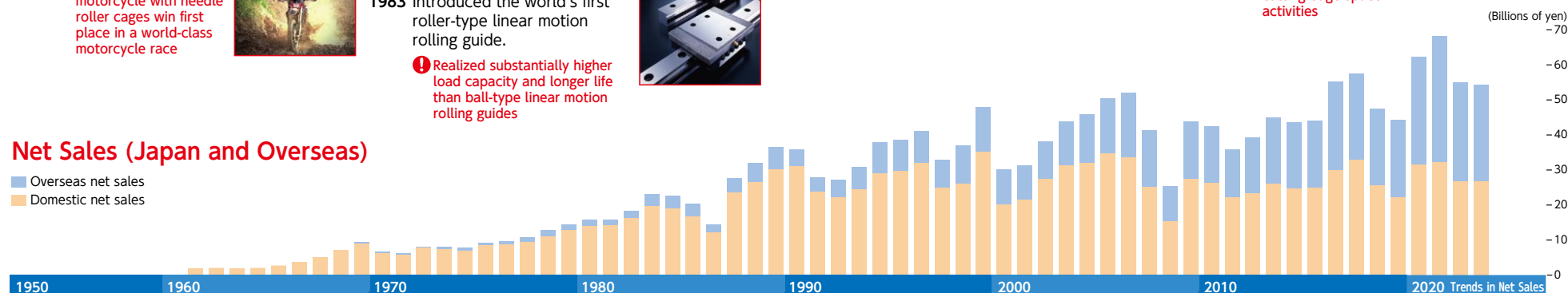
2020 Linear Way L, a compact linear motion rolling guide, is used for the camera focus system for NASA Mars rover.

! Contributed to cutting-edge space activities



Net Sales (Japan and Overseas)

Overseas net sales
Domestic net sales



History

1950 Daiichi-Kogyo Co., Ltd. was established.
1959 Established the Himeji Factory.
1963 Changed the company name to Nippon Thompson Co., Ltd. Registered and trademarked **IKO** as the corporate brand.
1964 Established the Kamakura Factory.
1968 Stock listed on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.
1969 Established the Gifu factory complex.

1971 Established a sales subsidiary in the U.S.
1972 Established Technological Laboratory.
1975 Established a sales subsidiary in the Netherlands.
1982 Entered into a capital alliance with Daruma Sangyo Co., Ltd. (currently Nippon DIC Co., Ltd.)
1985 Established the Technical Center.
1990 Established Mugegawa MFG. Co., Ltd. (currently the Mugegawa Factory).

1997 Acquired the ISO 9002 quality management system certification (later shifted to ISO 9001) for the Gifu factory complex sequentially.
2001 Acquired the ISO 14001 environmental management system certification for the Gifu District (also certified in the Kamakura District in 2003).
2006 Established a sales subsidiary in China. Established a production subsidiary in Vietnam.

2014 Established a sales subsidiary in Thailand.
2015 Established sales subsidiaries in Korea and Brazil.
2016 Established a sales subsidiary in Canada.
2017 Acquired two companies engaged in the manufacturing and sales of bearings in China; UBC (Shanghai) Precision Bearing Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd., and made them subsidiaries.
2022 Transferred shares to the Tokyo Stock Exchange Prime Market.
2025 Transitioned to a company with an Audit and Supervisory Committee.

History of Medium-Term Business Plan

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

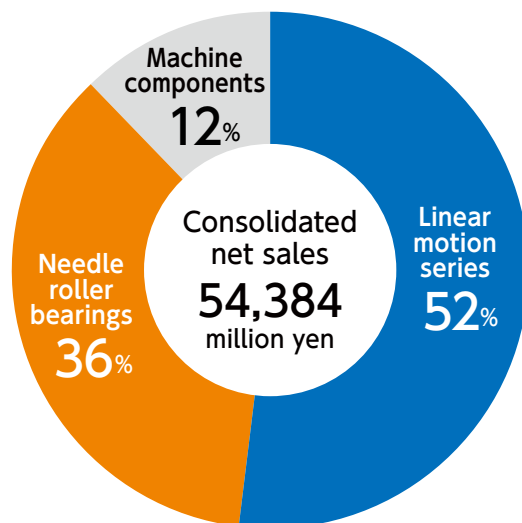
Operating Profit/ROE Trends



Main Products and Features

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

Net sales composition ratio by product (FY2025)



Needle roller bearings

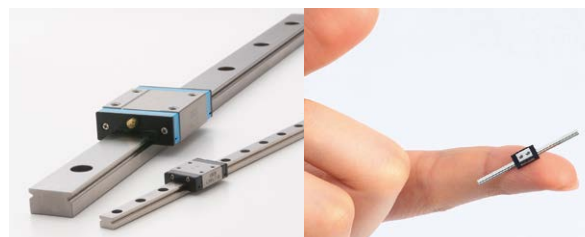
A rich lineup of world-class products



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. They contribute to saving space by making the whole machine compact.

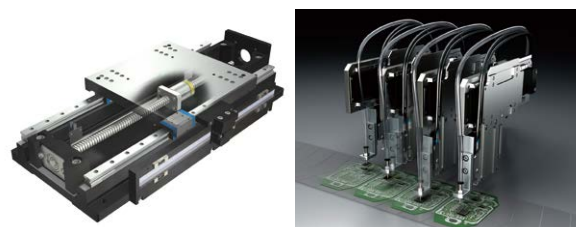
Linear motion series

[Linear Motion Rolling Guides] The world's smallest



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

[Mechatronics Series] High-precision and compactness



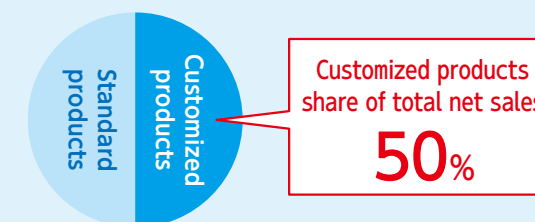
This precision positioning table combines linear motion rolling guides, ball screws, and motors. By using these products as equipment rather than individual components, we help customers reduce the design and labor hours for assembly, while achieving more precision for their machinery.

Nippon Thompson's Features

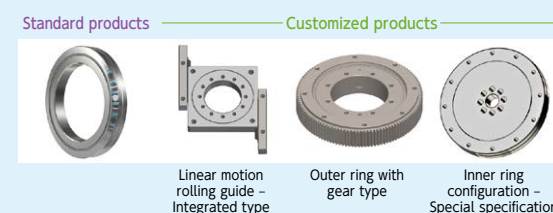
High Quality x Special Response Capability

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

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



Examples of Customized Crossed Roller Bearings (Main Product)

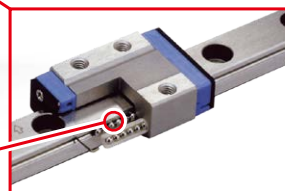
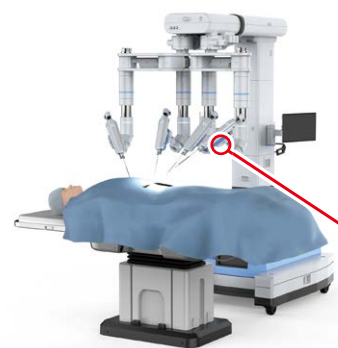


The Value IKO Delivers to Customers

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

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

Surgical support robot

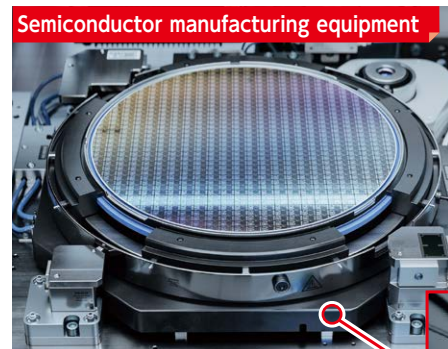


The C-Lube Maintenance-free Series that can reduce the customer's labor hours for regular greasing maintenance. The series, which helps to reduce the workload for customers, is used in a wide range of fields, including medical equipment fields such as surgical support robots and CT scans.

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

Helping to improve machine productivity!

Semiconductor manufacturing equipment



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



Nano Linear NT
(XY stage specification)

Helps make machines more compact and lighter!

Industrial robot (Humanoid robot)



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



Super Slim Type
Crossed Roller Bearing

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

Machine tool (Machining center)

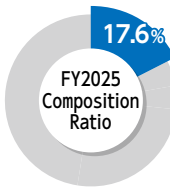
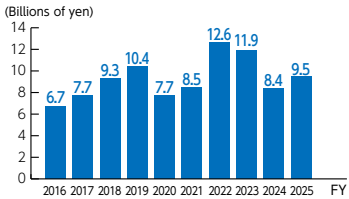
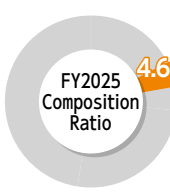
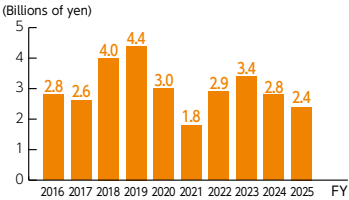
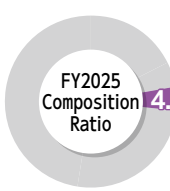
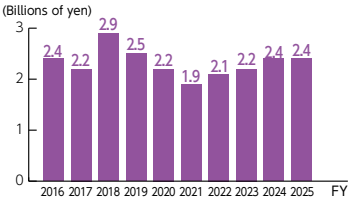
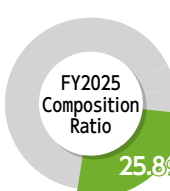
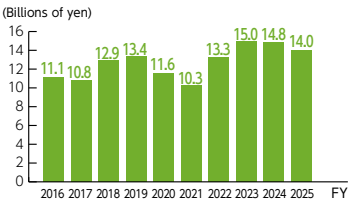
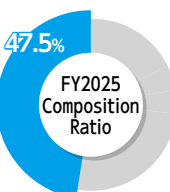
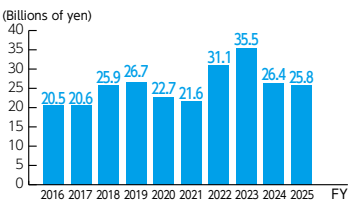


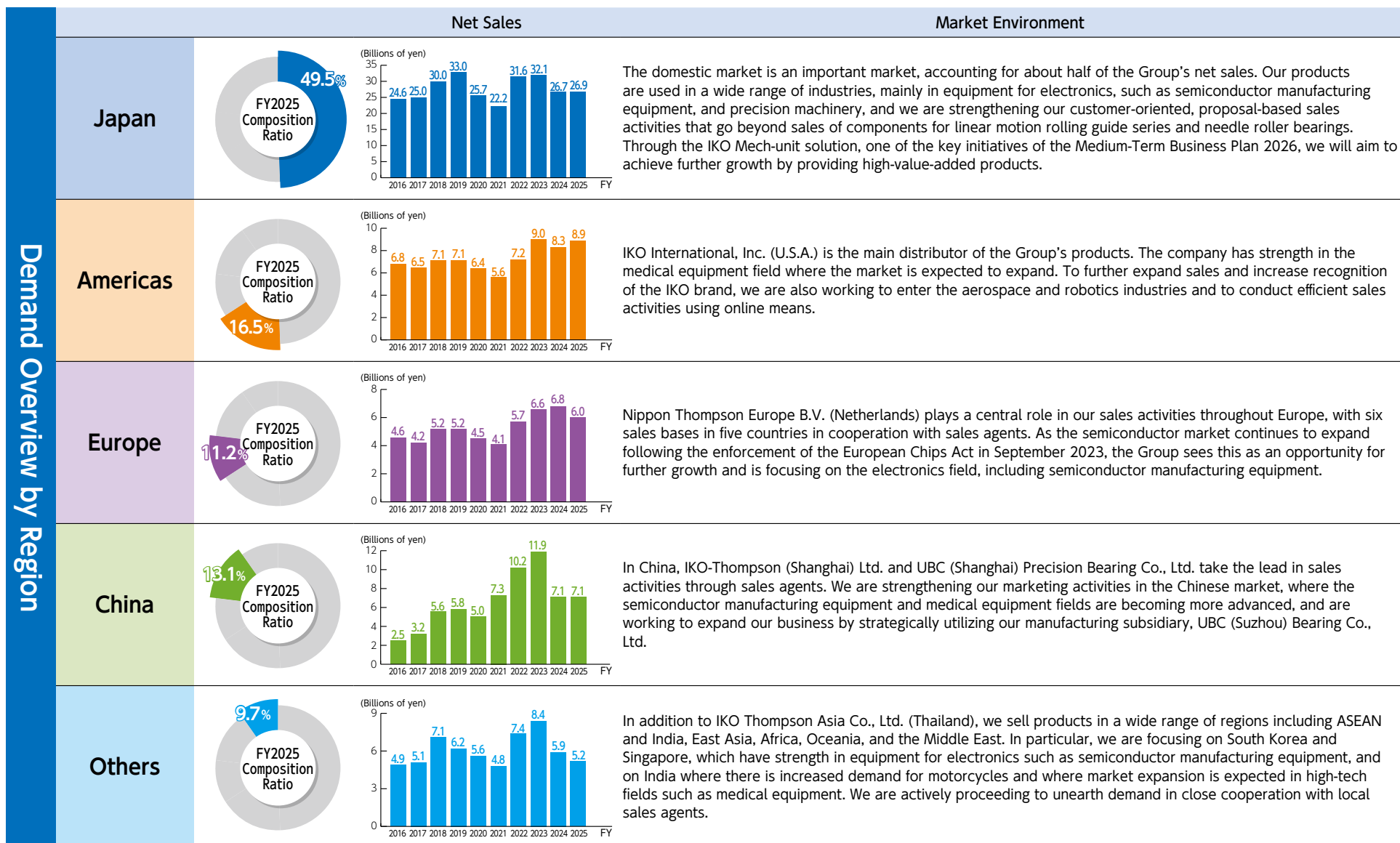
Roller-type linear motion rolling guide developed for the first time in the world by the Company. Having achieved significant enhancement in providing higher precision and rigidity, the product has contributed to the development of machine tools. We continue to take on the challenge of achieving the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



C-Lube Linear Roller
Way Super MX
Master Grade

Business Overview

Demand Overview by Industry		Net Sales	Major Applications	Market Environment
	Electronics 	 	- Semiconductor manufacturing equipment - Electronic component mounting machines - Electronic component inspection equipment - FPD manufacturing equipment	The market for electronics-related industries continues to grow, driven by the progress in IoT in home appliances on top of PCs and smartphones and technological innovation such as automated driving. In particular, the growing generative AI-related demand calls for further miniaturization, higher integration and power saving of semiconductors, and such needs are strongly expected to bring on increased earnings for the Group.
	Machine Tools 	 	- Machining centers - Multi-axis machining centers - Lathes - Grinding machines - Electrical discharge machine	Demand for machine tools that realize high-precision, efficient processing is growing as technology advances. In particular, machining centers and other facilities, which are capable of precise and complex machining, require high-speed, highly rigid, high-precision linear motion rolling guides and needle roller bearings. Hence, demand for our products is expected to increase going forward.
	Transportation Equipment 	 	- Automobiles - Motorcycles - Railway cars - Aircraft - Platform doors	Various functions are required for the development of transportation equipment, and continuous effort are made to create unique technologies and innovative products. Increasing opportunities for adoption mainly of linear motion rolling guides are expected, especially for manufacturing facilities of EVs in preparation for a carbon-neutral society and for the deployment of platform doors at railway stations.
	Other Machinery 	 	- Measuring instruments - Medical equipment - Industrial robots - Printing machines - Construction machines - Textile machines	It is important that production facilities have, in addition to basic capabilities such as high load capacity and high rigidity, the required technical strengths and reliability for responding to new initiatives and systemization. The medical equipment sector has also made significant technological advances in recent years, and its markets are growing worldwide. There are needs for various 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.
	Domestic/ Overseas Distributors 	 	All industries	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 group's net sales, and continues to grow steadily.



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.

Mega Trends



Industries and technologies

Growing demand for automation in the manufacturing industry
New technological innovation and demand creation with the spread of AI

Capital investment and structural changes to build a decarbonized society



Economic and social conditions

Population growth in emerging economies and declining working population in developed economies

Rising geopolitical risks
Global price increases



Sustainability

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

Inputs

Financial Capital

- Total equity: **75,972** million yen
- Interest-bearing liabilities: **33,605** million yen
- Growth investment: **1,744** million yen (R&D investment in FY2025)

Manufacturing Capital

- Global production and logistics centers that enable production in optimal locations (Gifu/Kamakura, Vietnam, and China)
- Capital expenditures: **3,900** million yen (FY2025)

Intellectual Capital

- Patent rights: Japan **171**, overseas **160**
- Processing technologies accumulated over many years (heat treatment technology, grinding technology, quality control)
- R&D centers that promote innovation: Technical Center/Product Development Center/ R&D Center in China
- Process design and management knowhow that enables optimal production

Human Capital

- **2,366** global employees with diverse skills and experience
- **1,528** employees with national certifications, etc.
- **102** R&D professionals

Social and Relational Capital

- Trust and results cultivated by the IKO/UBC brands
- Collaborative relationships with customers and business partners
- Favorable relationship of trust with local communities

Natural Capital

- Energy (fuel and electricity) and water use
- Mineral resources

Business activities

Medium-Term Business Plan 2026

Focused Enhancement in “Areas of Strength”
Rebuilding the “Global Business Structure”
Enhancement of Shareholder Returns

P.23



Innovation
Innovative thoughts and actions

Know-how
Accumulation and utilization of technology and information

Originality
Product development with ingenious creativity

Materiality

P.37



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

Outputs

Achieving the smallest size
in the world



Linear motion rolling guides

High-precision
and compactness



Mechatronics series

World-class line-up



Needle roller bearings

Outcomes

Customers

- Resolving technical issues
- Improving the value of customers' products
- Reducing customers' environmental impact

Business Partners

- Building win-win relationships
- Supporting quality improvement
- Realizing sustainable supply chains

Shareholders and Investors

- Improving corporate value
- Timely and appropriate information disclosure
- Shareholder returns
- Improving the quantity and quality of dialogue

Employees

- Providing opportunities for self-fulfillment and demonstration of abilities
- Environment where diverse human resources can work comfortably (DE&I)
- Appropriately evaluating individual employees' contribution and achievement to improve their sense of fulfillment

Local community

- Co-existence and co-prosperity
- Creating employment opportunities
- Enhancing social infrastructure and improving safety and performance through products

Natural Capital

- Reducing CO₂ emissions
- Realizing an energy conservation society
- Realizing a recycling-oriented society (recycling and waste reduction)

Management
Philosophy

A Company Centered on Technology
Development That Contributes to Society



Provide healthy, safe, and
secure environments for people



Contribute to a society where diverse
people can thrive and be rewarded for
their work

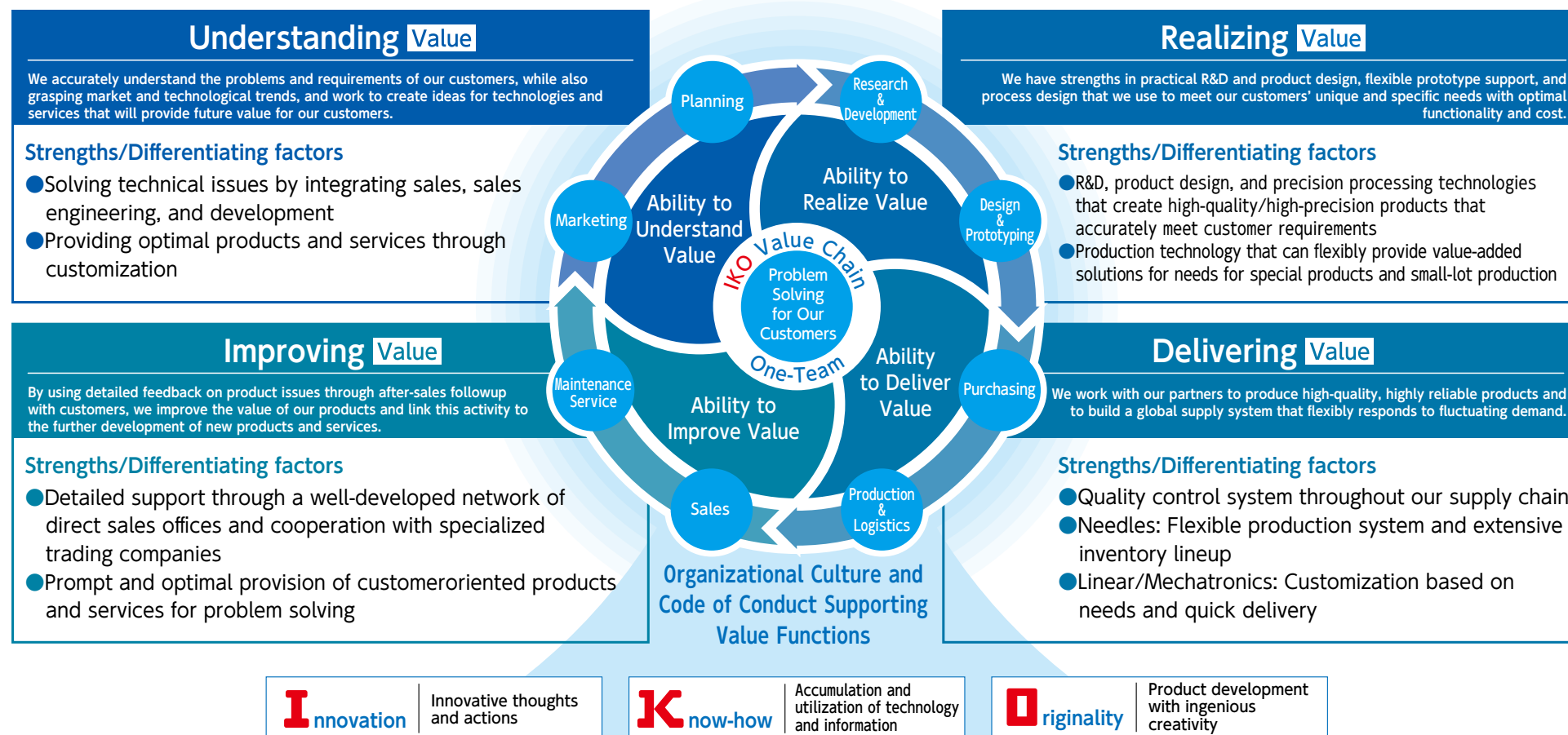


Continuously improve
compliance and governance

How the Value Creation Process Works

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 value chain, including partner companies, quickly and effectively.

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



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

Management Capital Relevant to Value Creation

	Financial Capital	Manufacturing Capital	Intellectual Capital	Human Capital	Social and Relational Capital	Natural Capital
Vision for 2030	- Operating profit to net sales ratio 15% or above - ROE 10% or above - Market capitalization 100 billion yen or above	Reconstruct the global production system to elaborate high-quality products (improve production capacity)	Create new value through development of new products for solving issues faced by society and customers	- Increase female managers 5 times or above (vs. end of March 2022) - Percentage of male employees taking childcare leave 85% or above	A company that perpetually co-exists and co-prospers with customers and business partners, and is needed and trusted by local communities	Greenhouse gas emission reduction Scope 1, 2 Target 42% or above, Scope 3 Category 1 Target 25% or above (both vs. FY2023)
Group's strengths	Strong financial base	- Global production and logistics centers that enable production in optimal locations (Gifu/Kamakura, Vietnam, and China) - Capital expenditures 3.9 billion yen (FY2025)	- Patent rights: Japan 171, overseas 160 - Processing technologies accumulated over many years (heat treatment technology, grinding technology, quality control) - R&D centers that promote innovation: Technical Center/Product Development Center/R&D Center in China - Process design and management knowhow that enables optimal production	2,366 global employees with diverse skills and experience 1,528 employees with national certifications, etc. - R&D professionals: 102	- Trust and results cultivated by the IKO/UBC brands - Collaborative relationships with customers and business partners - Favorable relationship of trust with local communities	- Production systems utilizing renewable energy, and production technologies contributing to energy conservation - Products with reduced environmental impact "Eco-Products" - Management systems based on the ISO 14001 environmental management system Future
Future initiatives and enhancement measures	- Strengthen ability to generate operating CF - Reduce crossshareholdings - Enhance the investor base	- Growth investments including consolidation of domestic production (7 billion yen, FY2025-FY2027) - Investment in renewal of existing facilities (6 billion yen, FY2025 - FY2027)	- Investment in R&D (5 billion yen, FY2025 - FY2027) - Actively embrace open innovation - Build a technical support system utilizing global offices	- Implement talent management - Enhance self-development support system, and establish various employee benefit programs - Support success of diverse human resources, including enhancement of childcare support	- Proactively collaborate with external parties with a strong awareness of open innovation - Strengthen alliances with partner companies - Implement stakeholder engagement	- Response to TNFD recommendations and disclosure - Introduce renewable energy that has additionality, and introduce energy conservation facilities
Relevant materiality	 Contributing to technological innovation  Offering products society needs  Enhancing corporate governance	 Flourishing natural environments across the globe  Offering products society needs	 Contributing to technological innovation  Offering products society needs	 Society where people find fulfillment in their work	 Contributing to technological innovation  Life where people feel healthy, safe, and supported	 Flourishing natural environments across the globe

Medium-Term Business Plan

Changes in Growth Strategies

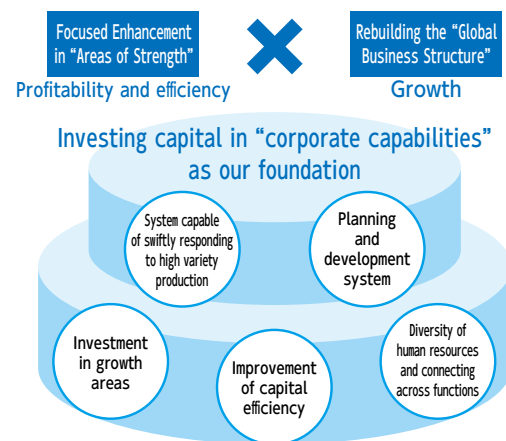
During the period of the Medium-Term Business Plan 2023, supply chains were affected by curbed private capital expenditures due to the COVID-19 pandemic, increased geopolitical risks, and other factors. Facing this external environment, the Group pursued various measures with the aim of building a stronger corporate structure that would be resilient to market fluctuations. The Medium-Term Business Plan 2026 took effect in April 2024, setting out the basic policies of “Focused Enhancement in Areas of Strength” and “Rebuilding the Global Business Structure,” and we have launched initiatives to achieve further growth. The external environment surrounding the Company, however, saw a slower demand recovery than we had expected at the time of developing the plan because of a delayed demand recovery in the electronics industry. At the end of the first fiscal year of the Plan’s period, we had to review the targets and add some measures.

3rd (April 2018 to March 2021) Medium-Term Business Plan 2020 Change & Challenge — Next Stage—ACCOMPLISH—					4th (April 2021 to March 2024) Medium-Term Business Plan 2023 — Deepening, Expanding, Embracing Change —					5th (April 2024 - March 2027) Medium-Term Business Plan 2026 Connect for Growth					IKO VISION 2030			
Positioning and Themes		Establishing a “Highly Profitable Organization”					“Value Enhancement, Value Co-Creation”					“Preemptive investment in the future foundation”					Collaborating with customers primarily and co-creating value as a technology development-based company – co-creating a sustainable future –	
Basic Policy		“Three Challenges of Growth Strategies” to Achieve Our Long-Term Vision			(1) Establishing a global business structure (2) Developing new products using core technologies (3) Strengthening collaboration with partner companies													
		●Heightening profit awareness ●Overall optimization /CFT for interdepartmental collaboration ●Focus/efficiency x global expansion			●Deepening : Explore existing businesses in greater depth ●Expanding : Develop new technologies and new segments ●Embracing Change : Behavioral change, organizational change, and digital transformation					●Focused Enhancement in “Areas of Strength” ●Rebuilding the “Global Business Structure”								
Financial Targets	(Billions of yen)	FY2019	FY2020	FY2021	Final year target	FY2022	FY2023	FY2024	Three-year average target	FY2025	FY2026 — FY2027							
	Net sales	57.5	47.4	44.3	70.0	62.2	68.2	55.0	None	54.3	Operating profit 6.5 billion yen or above ROE 8% or above Changed from a three-year average target to a single-year target, considering changes in the external environment							
	(three-year average)	49.8				61.8												
	Operating profit	4.8	1.3	-0.5	8.0	5.8	9.4	3.1	7.0 or above	1.5								
	(three-year average)	1.9				6.1												
	ROE	6.2%	-0.3%	0.4%	8% or above	6.7%	11.0%	3.6%	7% or above	1.3%								
	(three-year average)	2.1%				7.1%												
Achievements and Challenges		Outcomes ●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 ●Securing stable profits (resilience to market fluctuations) ●Sustainable growth from a long-term perspective (preemptive investment toward social change) ●Awareness and behavior transformation at the individual layer					Outcomes ●Formulation of the long-term demand forecast model “IKO Compass” ●Actively embrace open innovation ●Series-based reorganization of the Production Department Challenges ●Evolution into region- and market specific models ●Strengthening the global production system ●Active investment in growth					In the Midterm-Term Business Plan 2026, we aim to achieve significant growth as a global company while maintaining a strong corporate structure in order to ensure the realization of IKO VISION 2030. In achieving it, we recognize the reconstruction of our global business structure as the most important theme. “Connect,” the slogan of the Medium-Term Business Plan 2026, expresses our desire to further strengthen the “connection” among departments within the IKO Group and with alliance partners, and to grow together with them. By building such a partnership (connected) system on a global basis, we will achieve growth in the rapidly changing global economy.						
Governance		Thorough group governance based on compliance with laws and corporate philosophy																

Medium-Term Business Plan 2026 Basic Policy of Growth Strategies

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

Basic Policy of the Medium-Term Business Plan 2026



Connect for Growth – The Future of Innovation, Connected by IKO

Innovation, **K**now-how & **O**riginality

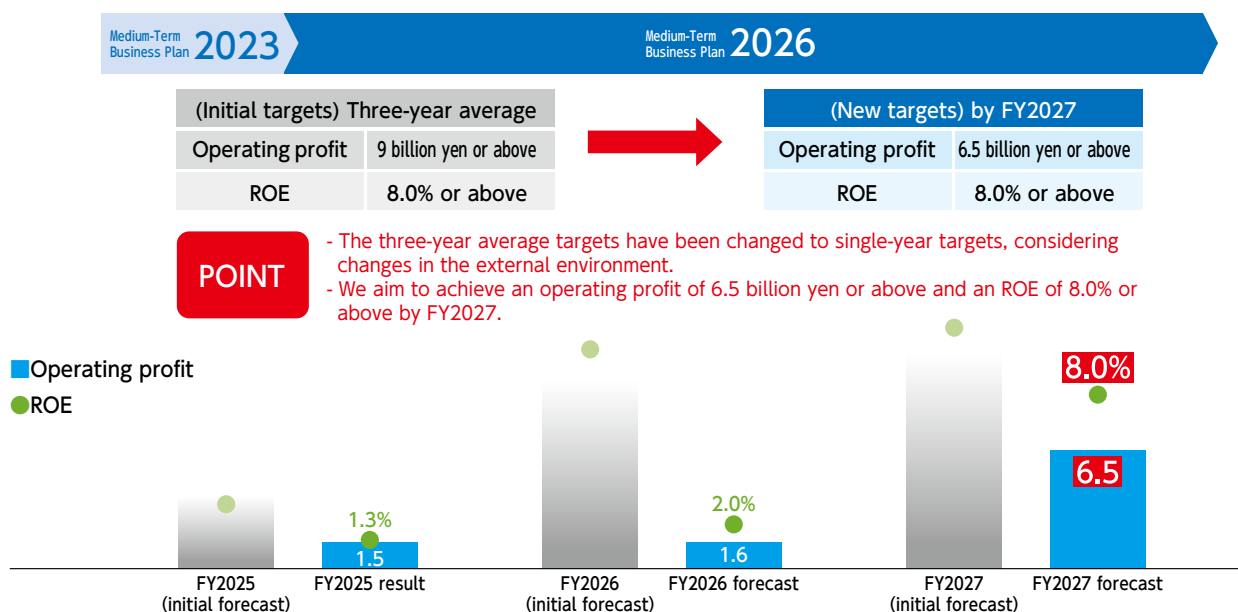
Manufacturing, Sales and Engineering Departments, and build a high profit model to ensure sustainable and stable profit. In the drastically changing business environment, we will further strengthen our competitiveness in the global market by accurately identifying business areas with high growth potential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

Medium-Term Business Plan 2026 Revenue Targets that Reflect the Business Environment

During FY2025, the external environment remained unpredictable because of the growing uncertainty about the world's economic outlook and increased geopolitical risks, among others. Furthermore, with delayed demand recovery in the electronics industry, sluggish demand in European and other markets,

and rising costs of materials and personnel, the business environment surrounding us turned out to be considerably different from the environment we had envisaged for the first year of the Plan's period at the time of working on the plan. As a result, the Group's revenue and profit for FY2025 dropped from the previous fiscal year, with net sales of 54.3 billion yen, an operating profit of 1.5 billion yen, and an ROE of 1.3%. This revenue record showed that the first year of the Plan's period left us with an enormous challenge.

For this reason, we reviewed the revenue targets so that we would be able to aim for feasible, realistic, and steady growth over the remaining two years. More specifically, the revenue targets we initially set were average values over three years. These targets were replaced with single-year targets to achieve during the remaining two years. Taking the recent situation into consideration, we also changed the



target operating profit from “9.0 billion yen or above” to “6.5 billion yen or above,” whereas we stuck to our initial plan to change the target ROE to 8.0% or above to improve our operational efficiency.

Medium-Term Business Plan 2026 Growth Strategies for Key Markets

The Group has three key product lines: needle roller

bearings, linear motion rolling guides, and mechatronics series. We pursue strategies that leverage the features of each product. We also select industries we will focus on to develop markets, accurately identify customer-specific needs, and propose solutions that leverage the Group’s strengths, thereby paving a path to our future growth.

As our growth strategy for product development, we aim to develop and launch at least 10 products over the three-year Medium-Term Business Plan’s

period, mostly for the priority industries we have selected. We are committed to expanding the range of proposals we make to our customers and enhancing our product lines to meet a variety of customers’ needs.

As our growth strategies in individual regions, we will be setting up R&D centers in China and the United States, among others, to enhance our product development structure to quickly and accurately meet regional needs. We aspire to achieve an

Product Strategies

Needle roller bearings

- Restructuring production systems to **dramatically reduce lead times for strategic model numbers**
- Expanding sales in **aftermarkets and other relevant markets**, mostly overseas



Linear motion rolling guides

- Further promoting the sales of **liquid crystal lubricant** to leading manufacturers of semiconductor manufacturing equipment
- Increasing production at the factory in Vietnam to **make our compact linear motion rolling guides more competitive**



Mechatronics series

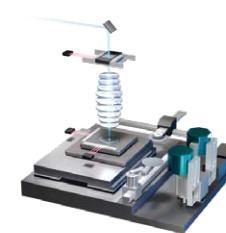
- Enhancing our partner company network and strengthening **the Mech-unit business**
- **Establishing overseas production systems**



Market Strategies

Semiconductor manufacturing equipment

Establishing closer collaboration between the production, marketing, and technology staffs to **quickly respond to high-precision and extremely challenging orders/projects**, including those for generative AI.



Medical equipment

Focusing on **orders/projects for surgical robots** in China where the market has growth potential as well as in the United States



Robots

Focusing on orders/projects for **humanoid robots** that have potential for dramatic growth in the United States



overseas sales ratio of 55% by correctly identifying diverse needs across the globe to propose solutions from customers' points of view.

Medium-Term Business Plan 2026 Shareholder Returns Policy Enhancement

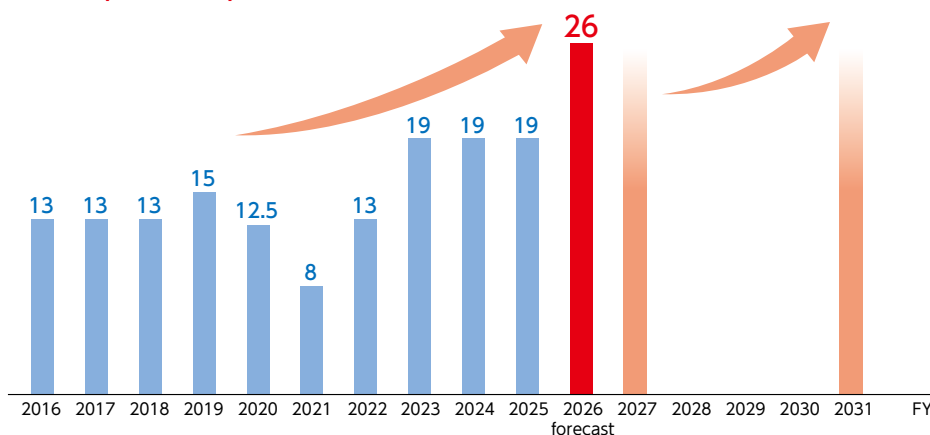
The Group prioritizes efficient capital allocation in order to achieve sustained growth. With our ability to generate solid cash flow, we plan to invest funds in growth areas, research and development (R&D), and renewal of existing facilities, among others, while

maintaining good financial health. We will also ensure the liquidity of our cash by flexibly repurchasing shares, actively selling cross-held shares, and procuring external funds as necessary. This way, we will maximize our corporate value and strengthen shareholder returns to establish a financial foundation for long-term growth.

The Group aims to maintain and boost its sustained competitiveness by flexibly responding to changes in the market environment through this capital strategy. Also, in revisiting the targets set in this Medium-Term Business Plan, we shifted our policy towards further boosting shareholder returns.

In addition to the total payout ratio of 50% or above, we have set a dividend on equity ratio (DOE) of 2.5% as a new standard for a minimum dividend in order to ensure steady and high dividends. Although we rescheduled some growth investments in view of the current business environment, we will continue our upfront investments in priority areas where we aim to achieve growth going forward, boosting the competitiveness of our management resources. We also aim to achieve a P/B ratio of over 1.0 as soon as possible by pursuing profitability and capital efficiency to maximize operating cash flow as part of our efforts to enhance our corporate value.

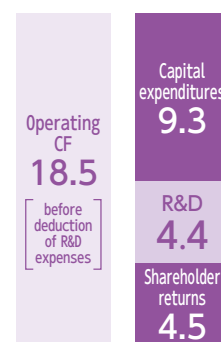
Dividend per share (yen)



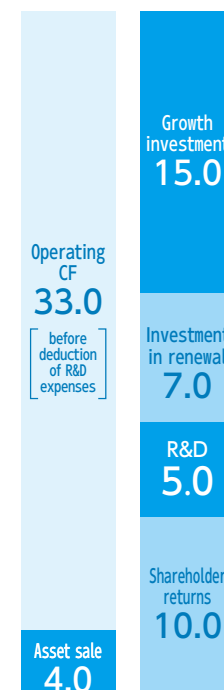
*The sum of dividends based on a DOE is calculated using the average of equity ratios at the ends of the previous and current periods, which means actual dividends may vary.

Account	Main initiatives
Asset sale	● Sale of cross-held shares (less than 10% of net assets) : Ongoing
Key Points	● Total payout ratio of 50% or above : DOE of 2.5% is set as a standard for a minimum dividend
Shareholder returns	● Expeditious share repurchases : Ongoing

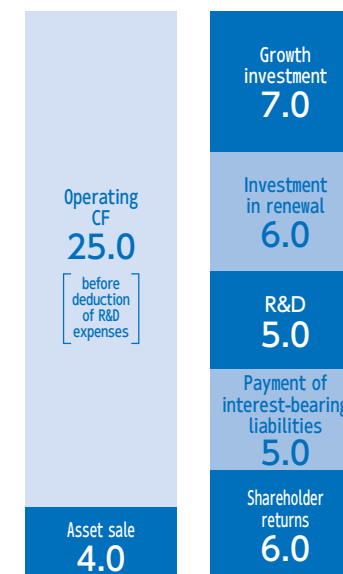
Medium-Term Business Plan 2023



Original Medium-Term Business Plan 2026



Updated Medium-Term Business Plan 2026



Unit: Billion yen

Message from the Director in Charge of Finance



I will contribute to maximizing corporate and shareholder value by capitalizing on my production site experience and by being fully committed to the Medium-Term Business Plan 2026.

Director in charge of Corporate Planning Department, Personnel and General Affairs Department, Accounting Department, and Secretary Department

Osamu Nishimura

Role of the director in charge of finance, and basic financial and capital policies

I joined Nippon Thompson as a mid-career hire in 2000. My career at the Company started in purchasing operations and then I served as manufacturing section manager of Factory 3, deputy general manager of Manufacturing Administration Department, and manager of Factory 3. Later on, I became an Executive Officer and General Manager of Corporate Planning Department. Then, I was appointed as director in June 2025. My role, I believe, is to take highly effective and practical measures for cost and inventory management, by leveraging the production site experience I gained in factory management, thereby contributing to the steady achievement of management goals.

As I have been involved in the planning of the ongoing Medium-Term Business Plan 2026 since

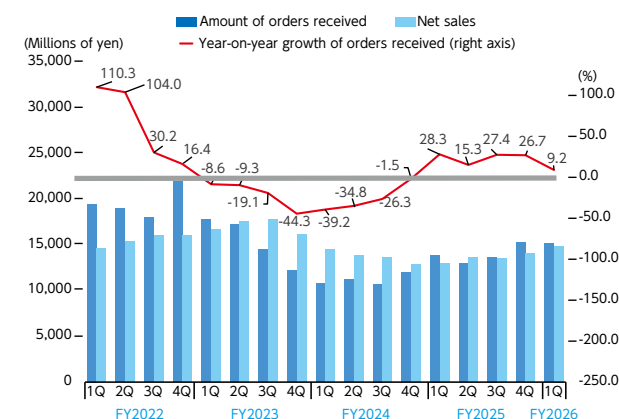
I began working at the production site, I am passionate and have a sense of responsibility for the growth strategy. We aim to achieve, without fail, management targets of 6.5 billion yen or above in operating profit and 8% or above in ROE by FY2027. We will accomplish these goals by implementing both proactive and defensive measures, such as growth investment, shareholder returns, and reduction of interest-bearing liabilities, while firmly maintaining financial discipline. We also aim to achieve a P/B ratio of 1.0 or higher early on to maximize shareholder value. First, I will be fully committed to achieving these targets and strive to achieve sustainable growth and improve corporate value.

Evaluation of financial performance for FY2025

—Enhanced cash-generating ability—

For FY2025, net sales declined 1.2% year on year to 54,384 million yen and operating profit fell 49.7%

YoY to 1,592 million yen (operating margin of 2.9%). Profit attributable to owners of parent decreased 63.4% to 978 million yen, resulting in significant profit decline. Operating profit was affected by a fall in the capacity utilization rate as well as by a decline in net sales, while the weaker yen had some positive impact. In addition, profit attributable to



owners of parent declined drastically as we recorded impairment loss, etc., even as we reduced cross-shareholdings.

In contrast, orders showed a clear recovery trend in the latter half of the fiscal year. Quarterly orders received bottomed in the second quarter of FY2025 (from July to September 2024). There was a strong recovery to a 27.4% increase year on year to 13.7 billion yen in the third quarter and a 26.7% increase to 15.2 billion yen in the fourth quarter. They remain steady, rising 9.2% to 15.2 billion yen in the first quarter of FY2026. In FY2025, operating cash flow improved 8.9 billion yen year on year to 6.4 billion yen, and we also secured a positive free cash flow of 3.0 billion yen. As a result, the ending balance of cash and cash equivalents increased 3.6 billion yen year on year to 22.6 billion yen, thus stabilizing the financial foundation and enhancing cash-generating ability.

Financial result forecast for FY2026

—Business performance plan accounting for uncertainties in external environment and various risks—

We expect demand in FY2026 to be steady in the fields of semiconductors and electronic component mounting machines led by generative AI. We have launched a project for developing humanoid robots, where explosive growth is anticipated in the medium to long term. We plan to continue to enhance and focus on product development for medical equipment. We revised the selling prices in the U.S. to counter the impact of tariffs and absorb their negative impact on profit. However, uncertainties such as the demand trend in the Chinese market and geopolitical risks remain, and we need to respond to them with due caution. Considering this external

environment, we forecast net sales to increase 7.6% year on year to 58.5 billion yen in FY2026, operating profit to rise 36.3% to 1.6 billion yen (operating margin of 2.7%), and profit attributable to owners of parent to soar 167.9% to 1.5 billion yen, based on exchange rates of \$1 = 140 yen, €1 = 160 yen, and 1 Chinese yuan = 19.5 yen. A decline in tax burden and the absence of a temporary loss like that recorded in the previous fiscal year are also factors underpinning this forecast of significant profit increases.

Capital allocation

—Promotion of optimum capital allocation for achieving target figures—

Under the revised Medium-Term Business Plan 2026, we expect a total cash inflow of 29.0 billion yen for three years through FY2027 (25.0 billion yen in operating cash flow before deduction of R&D expenses and 4.0 billion yen in asset sales). On the other hand, we are planning cash outflow of 7.0

billion yen for growth investment, 6.0 billion yen for investment in equipment upgrade, 5.0 billion yen for R&D expenses, 5.0 billion yen for reduction of interest-bearing liabilities, and 6.0 billion yen for shareholder returns.

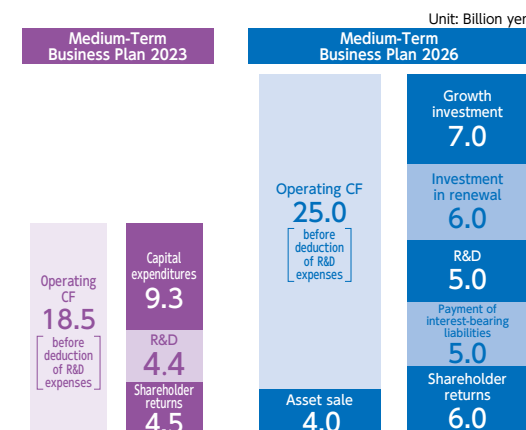
We reduced investment for growth from the originally planned 15.0 billion yen to 7.0 billion yen by postponing the construction of a new factory in Vietnam considering the demand trend. However, we have been promoting the introduction of facilities for automation and manpower saving to improve production efficiency. We are also steadily implementing focused investment aimed at optimizing needle roller bearings production, including closing down the Kamakura Factory and consolidating its functions into the Gifu factory complex.

We maintained R&D expenses at 5.0 billion yen according to the original plan. In addition to the establishment of R&D centers outside Japan, we will promote research and development that can directly lead to development of new products, which is a

Capital policy for improvement of capital efficiency and proactive shareholder returns

Key point 1 We aim to achieve a P/B ratio of 1.0 or higher as early as possible by increasing profitability for sustainable growth and higher capital efficiency and by enhancing shareholder returns.

Account	Main initiatives
Operating CF	● Emphasis on ensuring profitability and improving capital efficiency ● Optimization of inventory (inventory turnover of six months as a target)
Asset sale	● Sale of cross-shareholdings (less than 10% of net assets): Currently being promoted
Growth investment	● New factory in Vietnam: Delayed the investment period
R&D	● Continuous investment for medium- to long-term growth: Ongoing (2–3% of net sales)
Key point 2 Shareholder returns	● Total payout ratio of 50% or above: DOE of 2.5% is set as a standard for a minimum dividend ● Expedient share repurchases: Ongoing



pillar of our growth strategy. We also aim to restore the soundness of the balance sheet by adding a new 5.0 billion yen reduction target for interest-bearing liabilities to strengthen the financial position.

We revised shareholder returns from the original amount of 10.0 billion yen to 6.0 billion yen due to the delay in business performance recovery. Nevertheless, we expect to increase dividend significantly to 26 yen per share for FY2026 from the 19 yen per share for FY2025, and we will continue to strive to enhance shareholder returns.

Shareholder returns policy

—Achievement of both capital gain and income gain for maximized shareholder value—

As part of our shareholder returns policy, we have set 50% or above as the total payout ratio, including the acquisition of treasury shares in addition to a DOE of 2.5%, the standard for minimum dividend.

Looking back at FY2025, we maintained a dividend of 19 yen per share, which is the same amount as the previous fiscal year, while ROE slumped to 1.3%. As a result, the payout ratio came to 134% and DOE remained at 1.7%, down 0.1 percentage points (DOE of 1.7% = ROE of 1.3% x Dividend payout ratio of 134%). This was one factor behind the decline in our share price.

For FY2026, we expect to pay a record dividend of 26 yen per share, up 7 yen per share compared with the previous fiscal year. As a result, we expect a payout ratio of 120%. We need an ROE of 2.1% or higher to achieve 2.5% in DOE. I feel it is highly feasible considering the steady progress in the financial results for the first quarter of FY2026. Going forward, we will promote the management's strong awareness of total shareholder return (TSR), which

indicates share price return, including cumulative dividends, in addition to achieving our target P/B ratio of 1.0 or higher. We aim to maximize sustainable shareholder value for shareholders and investors as well as employees who own the shares through the employees shareholders' association by achieving these targets.

Equity story envisioned by Nippon Thompson

—Improvement of ROE through balance sheet management and early achievement of a P/B ratio of 1.0 or higher through PER improvement—

The IKO Group set forth operating profit of 6.5 billion yen or above and ROE of 8% or above by FY2027 as new numerical targets under the Medium-Term Business Plan 2026. In view of the current market environment, we revised the existing three-year average targets of operating profit of 9.0 billion yen or above and ROE of 8% or above to single year targets. We also revised the profit target but continue to aim for an ROE of 8% or above. In addition to improving profitability, we will implement appropriate balance sheet management, including flexible share repurchase with regards to total equity, which is the denominator of ROE.

We also aim to achieve a P/B ratio of 1.0 or higher to maximize our shareholder value. PBR is calculated by multiplying ROE by PER, but PER fluctuates depending on the phases of the financial results—it tends to rise when business performance is sluggish and declines during periods when the company is performing well. We are currently on our way to improve business performance and have a relatively high PER of around 30. To grasp the appropriate PER level, we calculate it on a weighted average basis based on the sales ratios of linear motion series and

needle roller bearings, which make up our business portfolio, and by referring to PER of companies comparable to us. We will improve ROE and optimize PER by strengthening profitability and enhancing shareholder returns to maximize corporate and shareholder values and further to achieve a P/B ratio of 1.0 or above.

Investor engagement

—Reflecting voices of capital markets in management and improving management quality—

We report the opinions and requests we receive from shareholders and investors in IR meetings to the Board of Directors and actively reflect them in management decision-making. The management team takes a serious view of the changes in the investor base, including share price movement and voices of capital markets, and is striving to reflect them in practice. In the review of the Medium-Term Business Plan 2026, we, in fact, introduced a DOE of 2.5% as a standard for a minimum dividend in addition to the existing target of total payout ratio of 50% or above as part of our shareholder returns policy. Moreover, we have been improving inventory levels, a longtime issue, and accelerating initiatives to optimize inventory. We plan to reduce cross-shareholdings to below 10% of net assets and have been continuously working on selling such holdings.

We will continue striving to improve sustainable growth of shareholder value by reflecting, in management, the opinions gained through constructive dialogue with capital markets and by improving capital efficiency and corporate value.

Financial Risks and Stock Valuation

Megatrends



Industries and technologies

Growing demand for automation in the manufacturing industry

New technological innovation and demand creation inspired by AI coming into common use

Capital investment and structural changes to build a decarbonized society



Economic and social conditions

Population growth in emerging economies and declining working populations in developed economies

Rising geopolitical risks

Global inflation



Sustainability

Greater efforts toward a decarbonized society

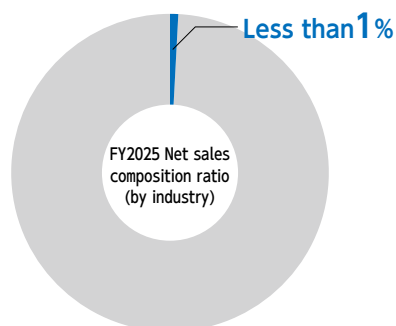
Efforts accelerated toward a sustainable society

Financial Risks and Countermeasures

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

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

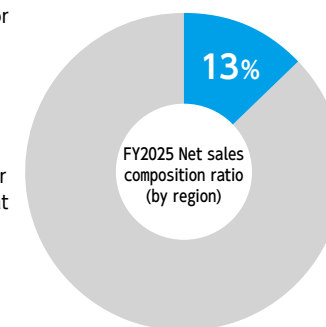
Going forward, new capital investments by EV-related manufacturers (of car bodies, batteries, motors, in-vehicle electronic components, charging systems, etc.) will likely expand demand mostly for the linear motion rolling guide series, which we consider as a great business opportunity.



Risk of sluggish demand in the Chinese market

There is a risk of a slowdown in demand for capital investment in the Chinese market due to sluggish economic growth coupled with tightened regulations imposed by the United States across the semiconductor industry. However, given that the Group's net sales of products for China account for only 13% of total net sales, we believe that the impact on our business performance will be limited.

Meanwhile, the Chinese government backs the semiconductor industry, and demand for high-function equipment is growing as the manufacturing industry makes advances. We are also receiving more inquiries than before for our high-quality, high-precision products.

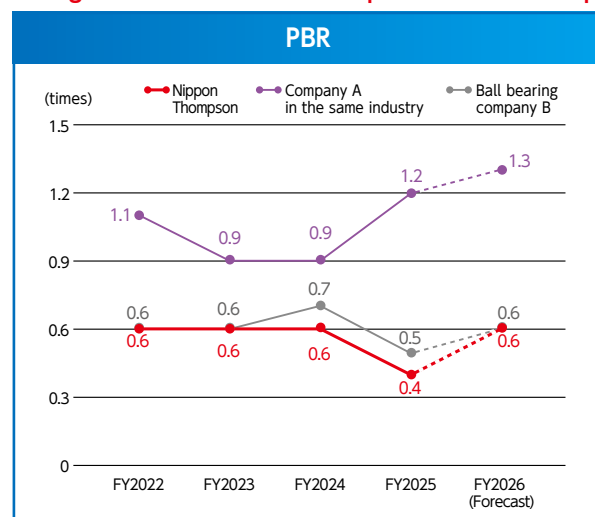


Classification	Impact	FY2025 result	Strategies and Policies
Risk of weakening demand for needle roller bearings due to the shift to EVs	Small	Consolidated net sales of products for automobiles (internal combustion engines): Less than 1%	- Respond to new capital investments by EV-related manufacturers (of car bodies, batteries, motors, in-vehicle electronic components, charging systems, etc.) - Expand production capacity to meet growing demand for the linear motion rolling guide series - Focus more on proposal-based sales to relevant manufacturers whose demand is expected to increase due to the shift to EVs
Risk of sluggish demand in the Chinese market	Medium	Net sales of products to China: 7.1 billion yen (net sales composition ratio of 13%)	- Promote local production for local consumption by expanding the production capacity of local subsidiaries - Expand sales to high-functional equipment designed for priority fields in line with advances in manufacturing - Differentiate us from competitors by offering high-quality, high-precision products with competitive advantages - Secure revenue through the pursuit of sales strategies targeted at high-end markets
Foreign exchange risk	Small	A positive effect that generated an increase of 1.3 billion yen in operating profit compared to the previous fiscal year	- Operating profit's foreign exchange sensitivity (an annual impact of an increase/decrease of 1 yen) is minimal - US dollar: approx. 35 million yen; Euro: approx. 20 million yen; Chinese Yuan: approx. 200 million yen (based on FY2025 transaction volume)
Risk of a deteriorating balance sheet	Medium	Inventories decreased by 3.0 billion yen year on year, inventory turnover lengthened to 8.9 months	- Improve the inventory turnover ratio through inventory optimization - Make efforts to maximize revenue when demand picks up again
Risk of inflation and higher personnel costs	Small	The impact of higher costs of personnel, raw materials, and energy remained limited as we adjusted our prices.	- Adjust product prices to optimize the value of our offerings - Improve profitability by accepting only profitable orders

Our View on Stock Valuation and Measures We Take

Our stock valuation has reflected the long-term risks described in the previous page (e.g., the shift to EVs in the automotive industry and a slowdown in the growth of the Chinese market). While our P/E ratio has been following a trend similar to that of Competitor A, our ROE has remained low over the last two to three years because of a delayed demand recovery, and our P/B ratio has been under 1.0. To improve the P/E ratio, we will continue working to boost shareholder returns, in addition to disclosing more information of higher quality (e.g., a story of our growth) and actively engaging in IR activities. To improve ROE, meanwhile, we plan to focus more on proposal-based sales and product application development in the fields with excellent medium- to long-term growth potential (e.g., semiconductor manufacturing equipment, industrial robots including humanoid robots, and medical equipment). We will also implement a variety of measures to increase profitability. Moreover, we are committed to working toward an 8% ROE and beyond through the right balance sheet management and expeditious share repurchases, thereby attaining a P/B ratio of over 1.0 as soon as possible and actualizing a market capitalization of 100.0 billion yen in 2030.

Changes in stock valuation compared to other companies

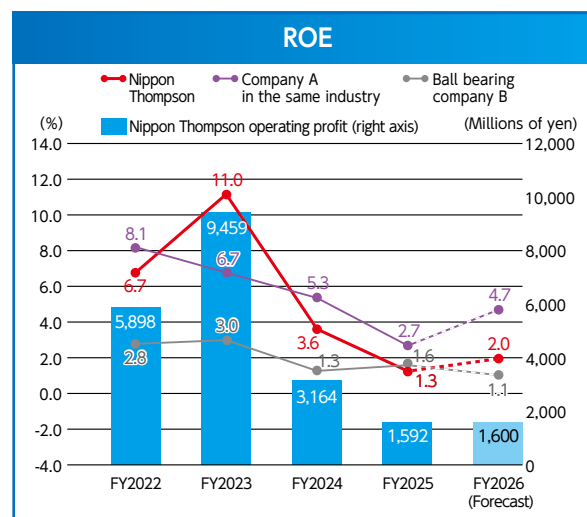


*The book value per share (BPS) at the end of FY2025 and the stock price at the end of September 2025 were used to calculate each of the forecast P/B ratios.

Targets and Timeline

- Attain a P/B ratio of over 1.0 as soon as possible
- A market capitalization of 100.0 billion yen or above in 2030 (the P/B ratio was 0.63 and the market capitalization was 47.4 billion yen at the end of September 2025)

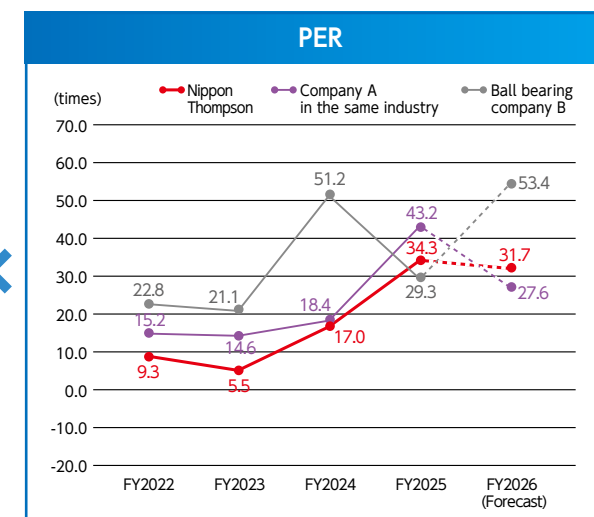
*The BPS at the end of FY2025 was used as the base to calculate the P/B ratio. The market capitalization was calculated based on the total number of shares outstanding less treasury shares.



*The forecast ROEs were calculated backward from forecast P/B and P/E ratios.

Targets and Measures

- Achieve an 8% ROE or higher by FY2027
- Achieve profit growth through growth strategies and concentrated investments
- Improve capital efficiency, including share repurchases



*The stock prices at the end of September 2025 were used to calculate the forecast P/E ratios.

Targets and Measures

- Disclose more information of higher quality (e.g., a story of our growth) and enhance IR activities
- Focus more on sustainability activities to enhance corporate value
- Boost shareholder returns (A total payout ratio of 50% or above and a DOE of 2.5% are set as a new standard for a minimum dividend)
- Flexibly repurchase shares (In FY2024, the total payout ratio was 110.4% due to the repurchase of 2.17 million shares (3.0% of the total shares issued) worth 1.3 billion yen, among other reasons)

Executive Managers' Roundtable Discussion on Growth Strategy

Becoming an organization that responds swiftly to diversifying global needs and keeps creating new values



To realize IKO VISION 2030 and Medium-Term Business Plan pursued by Nippon Thompson, the executive managers of production, sales, and technology departments gathered to discuss their respective departments' growth strategies and how they are related to the plan.

Q What does your division aspire to be under the Medium-Term Business Plan?

KeyPoint : Global expansion from the customer perspective

Ishihara (technology): The Engineering Department wants to create new demand by enhancing product development capability and making research and development into the driving force of growth. We had originally operated based on a business model centered on the Japanese market. Now, however, we are attaching importance also to overseas markets and are further accelerating the acquisition of new projects and development of markets and applications. To achieve these, we must switch to a structure in

which we work with local customers to finalize the specifications and carry out the process from design to development locally rather than the existing structure, where development is driven by Japanese bases. In production technology also, we are developing a mechanism for creating production structures that suit respective local specifications by going beyond the production line led by the Japanese team. This is how we are currently developing an organization that can globally achieve local production and local consumption from both development and production technology aspects. Specifically, we opened a development center in China in August 2025 and plan to establish bases with development functions

in Europe and the U.S. in FY2027. These moves will further accelerate development and enable product lineups reflecting unique local needs.

Tezuka (Sales): In the Sales Department, we aim to accelerate global expansion by strengthening sales capabilities. We will strengthen proposal-based sales, in which we deeply understand and analyze issues and requests. We will participate in development from early on to offer solutions to customers in Japan and overseas. Based on this, we aim to increase added value and win orders. To this end, it is important to build a relationship of trust as our customers' partner by constantly making proposals based on analyzing customer needs and maintaining close communication.

Our business is significantly affected by capital investment cycles. Our aim, therefore, is to evolve into a company with stable growth that is not easily affected by economic fluctuations. We will achieve this by focusing on development of new fields and acquisition of new customers.

Sato (production): The Production Department used to be a factory-driven operation. In April 2023, we reorganized it into a function-based management department system linked to customers to establish a global production system with responsiveness aimed at strengthening on-site capability. This ability to respond swiftly includes mass production and quick response to prototype projects, as well as organizational collaboration that can respond in a swift, appropriate, and flexible manner to requirements ranging from prototyping to mass production. We have set six commitments to realize this ideal. The first commitment is safety; we aim to achieve zero accidents under the slogan of “no safety, no production.” The second one is quality. We are pursuing exceptional quality unmatched by other companies and have set zero customer complaints as a KPI. The third commitment is colleagues. We are developing a workplace where about 1,800 diverse human resources in the Gifu region can work as a team with smiles on their faces. The fourth is effective utilization of production facilities. We set overall equipment effectiveness, which indicates effective, efficient utilization of production facilities as a KPI, and are implementing measures to improve it. The fifth commitment is cost. We are encouraging reform of on-site awareness by thoroughly implementing activities to ensure that employees are committed all the way to one yen, one second, 1 mm, and 1 gram. The sixth one is the thorough implementation of 5S—sort, set in order, shine, standardize, and sustain, which is the foundation. We

aim to raise the entire Production Department's ability to respond swiftly and realize what we aspire to be through these initiatives.



What are the strengths and issues of your respective departments?

KeyPoint: Organizational strength for responding to diverse needs with high quality

Sato: The Production Department's strength is the ability to stably offer high-quality products while maintaining multi-product manufacturing. This is a feature of IKO's unique manufacturing, and the high processing precision, stability, and superiority of measuring technology form the bases of high-quality supply. Moreover, we strive to prevent defects by pursuing the root causes of issues and taking actions to maintain and improve quality. At the same time, there are also challenges. These include grasping product quality information in real time and tracking facility operation status in processing operations. In the future, we can establish a more efficient, safe, and reliable production structure that can enable the exceptional quality that IKO is aiming for, by shifting from manual to digital prevention of outflow of defective products. To improve our capability to respond to customers' various needs, we must raise the consistency between demand prediction and production plan by strengthening collaboration between the Sales and Production Divisions. If its accuracy improves, we can solidify our strengths even further.

Tezuka: The strength of the Sales Department is flexible sales capabilities, leveraging the wide range of products, including mainstay needle roller bearings and linear motion rolling guides as well as mechatronics series and unit products. It means, for example, to offer values by understanding social trends, customer

products, and their expectations, besides having product knowledge. However, there are also issues. Further strengthening of the sales structure for capturing overseas markets is one of them. Direct sales ratio of overseas subsidiaries is low compared with that in Japan, and sales via distributors are the main sales route, particularly in China. Therefore, we now need to maximize the promotion and marketing functions by grasping customer trends in collaboration with distributors. Going forward, we must carry out prioritized sales activities focused on customers with whom our strengths will strongly resonate. We must develop a structure which allows us to showcase our products' superiority directly to the customers while reinforcing the relationship with our distributors, who support our business. It takes time to acquire stable orders, but we will produce consistent results by building relationships of trust with customers through steady accumulation of proposal-based sales that capture their needs.



Ishihara: The Technology Development Department's strength is its high capability to respond to specialized products. We have the ability to offer high-value-added products based on original design, which differentiates us considerably. However, our challenge

is to fully capture the new demand and develop new products in response. We are sometimes at a disadvantage in price competition with rivals having mass production strengths, due to the high price and limited sales volume of specialized products. To overcome this issue, we are currently enhancing our capabilities to develop new products leveraging our own strengths, such as raising the precision of products and miniaturization. In overseas markets, we have observed imitations of our new products. So, we are strengthening our patent strategy to prevent counterfeit.



What business opportunities do you see for your respective departments for future growth?

KeyPoint : New needs emerging from efforts to solve social issues

Ishihara: Nippon Thompson has been developing environment-friendly products called Eco-Products with the aim of creating flourishing natural environments across the globe through manufacturing. Eco-Products are a group of small, lightweight products that help reduce CO₂ emissions through their entire lifecycle, and are environmentally friendly with superior sliding characteristics. We have till now introduced many first-in-the-world technologies in the market. We launched Interchangeable, a compatible system allowing freedom in assembly of slide unit and track rail of linear motion rolling guides and developed a maintenance-free linear motion rolling guide with a built-in lubricating component, C-Lube. Further, we have established our position as a pioneer in environmentally friendly technologies. We introduced a linear motion rolling guide using PFAS-free liquid crystal lubricant and other such products for the first time in the world. R&D of environmentally friendly products is a major business opportunity for Nippon Thompson. Our policy is to continue to accurately grasp customers' requirements

and develop new products that help mitigate environmental impact.



Tezuka: In the case of Sales Department, we see great business opportunities in new applications and market development as well as overseas expansion. In particular, overseas markets are of massive scale, and future market development prospects are high. Even as we develop new overseas markets, it is extremely important to steadily increase the number of important customers with whom we will deepen the relationships as future partners. We also see room for developing new areas in the domestic market. Especially, there are still areas we can develop, such as automation equipment and manufacturing equipment that customers manufacture in-house. In fact, we have started seeing cases where we won bulk orders in these new areas. Nippon Thompson will take on the challenge of creating new demand and expanding business opportunities by carefully analyzing the customers' requirements, formulating hypotheses for potential issues, and actively carrying out proposal-based sales activities from the initial phases of development.

Sato: The Production Department considers that a key point for capturing business opportunities is reducing lead time, which is directly linked to cost reduction

and productivity improvement. As we manufacture a wide variety of customized products, we now have the issue of reducing lead time from procurement to shipment. Shorter lead times will enable us to shrink in-process inventory and improve the cash flow. It will also help us to swiftly respond to prototype projects. As specific measures, we are solving the issues of bottleneck processes as well as placing personnel appropriately and improving utilization rate of production facilities. We are also pursuing actions to improve on-time delivery rate across the supply chain through cooperation with suppliers so as to meet deadlines without failure.



What is your department's proactive growth strategy for achieving the Medium-Term Business Plan?

KeyPoint : Evolution into a new organization that promptly responds to global requirements

Tezuka: As a components manufacturer dealing with wide-ranging customers, we are aware of the rising technological capabilities of Chinese manufacturers and the declining competitiveness of Japanese manufacturers. For that very reason, we are emphasizing sales strategy and market analysis to strengthen the relationship with customers, who are highly competitive on a global scale. In addition to sharing information and building partnerships, we will strive to offer differentiated added values by promoting proactive initiatives including grasping customer requirements and participating from the initial stages of development. In order to achieve this, in October 2025, we set up the Solution Business Department, an organization that combines manufacturing, sales, and technology, a first for the company. We will pursue business expansion to peripheral areas of our products, aiming to be a company centered on technology development that is the first choice for

customers and responds to further diversified needs.

Sato: The key point in boosting sales lies in production lead time. Though we are shortening it, the reality is that we hold a reasonable amount of in-process inventory to meet the delivery deadlines. Going forward, we will aim to establish “true lead time” to reduce inventory, which has been pointed out as an issue also by investors, and expand sales at the same time. Also, our profitability tends to fluctuate greatly with the fluctuations in the utilization rate of our factories. Therefore, we will build an optimal production and utilization structure corresponding to the demand and inventory level, achieving the numerical targets of the Medium-Term Business Plan. The key to that would be how fast we can produce prototypes and customized products and introduce them in the market. We will raise our ability to respond by further enhancing the lateral collaboration with the Development Department.

Ishihara: During the Medium-Term Business Plan period, we will develop 10 or more new products and introduce them into the market. We will also establish overseas R&D bases to meet the expanding demand from various overseas locations and work to ensure that overseas sales account for 55% of our total sales. We will not merely increase the number of products being developed but promote product development that would directly result in sales. So, our first aim is secure sales ratio of 5% for new products. As for the wide-ranging, customized products that account for about half of our sales, we will streamline the process, including lead times starting from production to sales by speeding up the blueprint preparation. Regarding overseas bases, we opened a development center in China in August 2025 and plan to establish technology development functions in Europe and the U.S. in FY2027. We aim to enhance the speed of development

for realizing commercialization of products suiting the local needs. Moreover, as KPIs linked to the Medium-Term Business Plan, we will set the number of development projects, speed of blueprint development, etc. and clarify the contribution levels from the financial aspect to lead to guaranteed results.

Q | What are the activities you are undertaking to address material issues?

KeyPoint : Globalization, strengthening on-site capabilities, industry-academia-government collaboration

Tezuka: The Sales Department has taken on the challenge of new technologies and new business domains as an issue it should address. As a long-term KPI, our aim is to achieve overseas sales ratio of 60% or above by FY2031. We realize that the Chinese market is the key in overseas market strategy. We will leverage the newly established development center in China to introduce products customized for each customer, expand sales, and address barriers to entry. As there is a growing trend of global manufacturers having R&D bases in Europe and/or the U.S. and manufacturing bases in Asia, we will take this trend into account to strengthen our strategy. We will further expand overseas sales by deepening the collaboration of Europe and U.S. with Asia as we accurately grasp the local needs.

Sato: The Production Department has set forth environmental consideration in business activities, promoting supply chain management, providing flexible and stable products, and pursuing product quality and safety as required tasks. With labor shortage becoming a social issue, we are pursuing automation of the production process and breaking free from person-dependent operations. However, we are also concerned with nurturing human resources. We established the IKO Mono-Zukuri Promotion Department

in April 2025. It will bear the responsibility of nurturing employees to take on supervisory positions in the future. We launched the IKO-GP Meeting as a forum for those in on-site supervisory positions to make self-improvements among other measures to strengthen on-site capabilities in particular. Through these, we aim to build a sustainable production structure.



Ishihara: The Technology Department’s tasks are promoting open innovation, such as industry-academia-government collaboration, taking on the challenge of new technologies and new business domains, and providing products leading to healthy, safe, and secure lifestyles. In particular, we are prioritizing new technologies and new business domains, as we recognize that there are limits if we rely solely on existing in-house technologies and wisdom. For that reason, we are actively promoting industry-academia-government collaboration to drive development forward with a sense of speed. Till now our targets had primarily been machine tools, etc. in the industrial field. We are further accelerating our initiatives by broadening the scope to the consumer goods and other areas.

Message from the General Manager of Personnel and General Affairs Department



We aim to create an environment where all employees can take on challenges with the three pillars of human resource strategy: human resource development, appropriate placement of personnel, and diversity.

Executive Officer and General Manager of Personnel and General Affairs Department

Hiroyasu Fukumasu

Since its founding, Nippon Thompson has, based on the conviction that a company depends on its people, emphasized creating an environment that encourages each and every one to take on challenges confidently. With utmost priority on the health and safety of employees, nurture a well-ventilated working environment and create new values beyond the expectations of the society and customers—this is our people-centered management.

In IKO VISION 2030, which we formulated in 2023 aiming for growth that is one step ahead, we positioned human resource development, appropriate placement of personnel, and diversity as the three pillars of our human resource strategy. In this report, I will introduce the initiatives started last year and future steps toward FY2026.

Human resource development —forum for learning and deepening of dialog

Even in an era of rapid changes, each employee must keep brushing up his or her knowledge and skills. We will review the current training by level and opportunities to participate in external seminars. We also utilize e-learning materials and have frequent

internal workshops to offer more diverse learning forums. We will also strengthen OJT and education by senior employees and pursue the creation of a mechanism that allows employees to note things and gain feedback in their daily operations.

Appropriate placement of personnel —grasping the situation using data and dialog

In order to accurately grasp employee strengths and aspirations, we collect information regarding their various qualifications and history of trainings and their roles in past projects in the human resources system. The data are used in periodic interviews and career counseling. In FY2026, we may introduce a tool to measure the level of efficiency of the management method to strengthen information sharing between departments. We will ensure that assignment decisions and follow-up measures are based on objective data and not reliant on instinct.

Diversity—developing an environment of acceptance and respect

The foundation than can truly leverage diversity in an environment where employees from differing

backgrounds with different values learn from each other and demonstrate their strengths. We carry out new hire training at the manufacturing floor from April through mid-July. The employees who joined the same year strengthen their bonds while deepening the understanding of the field. As human resources-related measures, we reviewed the qualifications system and clarified the career paths corresponding to the employees' growth stage. Also, as part of the measures to develop a workplace where women can play active roles, we held social gatherings to offer opportunities for interaction from diverse perspectives. We also revised the senior employee system as a way to leverage the experiences and insights of a wide range of generations. In hiring, we changed the briefing material content for new hires to make it more attractive and introduced an employee referral system for mid-career hiring. We will aim to become an organization where all employees can demonstrate their individualities and capabilities as we accept more diverse human resources through multifaceted hiring channels. The Personnel and General Affairs Department will firmly implement these three pillars. They will refine the systems and measures while listening closely to employees' voices.

To Successfully Address Material Issues and Actualize Our Vision

Basic Sustainability Policy

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

Sustainability Promotion System

In January 2022, our Group established a “Sustainability Committee” composed of inside director and chairperson being the President and COO. The committee, which has the Corporate Planning Department and the Personnel and General Affairs Department as its secretariat, meets at least once every six months. The committee formulates

basic policies on sustainability including climate-related issues, develops a system to promote them, identifies medium to long-term risks and opportunities, formulates and reviews materiality and issues to be addressed, and regularly reviews the status of implementation. The details of these efforts are reported to the Board of Directors at least once every six months. The Board of Directors oversee and advise on the progress of initiatives related to risks and opportunities in sustainability issues and

medium to long-term goals for the entire Group. The Group considers environmental initiatives, such as climate change countermeasures, to be a key issue in sustainable management. Under this promotion structure, we are working to strengthen efforts in each division.

Governance structure for sustainability issues



Positioning of Materiality

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

List of Material Issues P.39



Materiality Identification Process

STEP1

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

STEP2

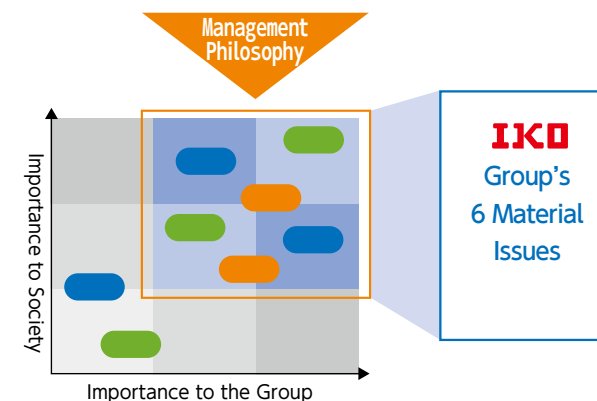
Identify highly important issues by mapping the issues listed on the two axes: importance to society and importance to the Group

STEP3

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

STEP4

Discussion and approval by the Board of Directors of the identified material issues and processes



Identified Material Issues

Materiality	Specific SDGs
 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	

For the identified material issues, we have categorized them into 16 issues that need to be addressed from the perspectives of investors and our group's medium- to long-term management strategy. We have taken into consideration the opinions of external consultants. We are also implementing specific initiatives to address these issues.

Additionally, we will continually review the identified materiality and issues to be addressed in light of changes in social conditions and the business environment.

List of Material Issues P.39

List of Material Issues

IKO Group Materiality : 6 Themes		Long-Term Targets for FY2051(Vision)	
		16 Issues to Be Addressed	
	Implement corporate activities for realizing a prosperous global environment	Environmental considerations in business activities	Carbon neutrality throughout the entire Group
		Promoting supply chain management	Carbon neutrality throughout the entire supply chain
		Adapting to climate change and conserving biodiversity	More advanced sustainable management linked to measures against climate change and measures for conservation of biodiversity
	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
		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
	Contribute to social development by providing products society needs	Pursuing product quality and safety	No. 1 product quality in the industry
		Providing flexible and stable products	100% customer delivery satisfaction
	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
		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
		Respecting human rights	Realization of corporate activities as well as co-existence and co-prosperity ensuring full social safety in the global supply chain
	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
		Building a rewarding work environment	Work environment that realizes an optimal work-life balance
		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.
	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
		Continuously improving corporate governance	Highly fair and transparent management through the Group's strong governance system
		Enhancing information disclosure and communication with stakeholders	Maintaining good relationships with stakeholders by ensuring transparent disclosure of information

Medium-Term Targets for FY2031	Action Plan	FY2025 result	Refer to:	
● Reduce greenhouse gas (Scope 1 and 2) emissions by 42% or above from the base 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	● 29.5% reduction compared to the base year ● Agrivoltaics introduced	P.41-42	P.69-70
● Reduce greenhouse gas (Scope 3 Category 1) emissions by 25% or above from the base year ● Strengthen and help deepen global CSR procurement initiatives	● Improve accuracy of calculating supply chain greenhouse gas emissions ● Efforts for reducing greenhouse gas emissions in partnership with suppliers ● Formulate CSR procurement guidelines ● Coordinate CSR procurement policies with partner companies	● 37.3% reduction compared to the base year ● Acquisition of SBT Certification (for the FY2031 target reductions in GHG emissions, including those in Scopes 1 and 2)	P.46	
● Realize improvement of corporate value centered on sustainability issues	● Respond to and disclose achievement of TCFD recommendations ● Respond to and disclose achievement of TNFD recommendations ● Establish a carbon footprint calculation framework	● Information disclosure established by the TCFD continued ● A status report made as a TNFD Early Adopter	P.43-45	
● 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	● Joint development launched with partner companies	P.48	
● 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	● Overseas net sales ratio of 50.5% ● Three new products announced	P.47	
● 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	● Internal quality audits (regular/special) continued	P.49	
● 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	● The global business structure rebuilt	P.50	
● 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	● Various activities to serve local communities continued	P.52	
● 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	● Eco-products developed	P.48	
● 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	● Human rights education provided as part of training programs for new employees and other staff at each rank.	P.51	
● 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	● 15 more national qualification holders than the previous fiscal year	P.53	P.69-70
● Develop a high degree of employee engagement improving various systems, etc.	● Develop systems related to diversified work styles ● Implement measures to improve employee engagement	● Percentage of annual paid leave taken: 76.8%	P.54	P.69-70
● Expand diversity by increasing the ratio of women in management and supervisory positions, etc.	● Promote diverse talent's activities, including better childcare support ● Actively assign foreign nationals and mid-career hires to core human resources	● Number of female managers quadrupled (compared to the end of March 2022)	P.55	P.69-70
● 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	● All committees continued to meet (biannually each) ● Compliance training provided to employees	P.56-58	
● 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	● Board composition at the end June 2025 Outside Directors: 63.6%; Female Directors: 18.1%	P.59-64	P.69-70
● 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)	● Number of IR interview conducted: 96	P.65	

* The base year for greenhouse gas (GHG) emissions is FY2023.

* ● indicates a completed action plan.



Implement Corporate Activities for Realizing a Prosperous
Global Environment

Long-term vision Carbon neutrality across the Group
Medium-term targets for FY2031 Reduce Scope 1 and 2 GHG emissions by at least 42% compared to FY2023

Environmental Considerations in Business Activities

FY2025 Environmental Plan and Progress

The Group takes measures to fight global warming and climate change, preserve biodiversity, and develop a recycling-oriented society, among others, in accordance with its Environmental Policy. In FY2025, we achieved all targets for the fiscal year that had been set in our environmental plan.

In June 2025, the Group disclosed its TCFD report for FY2025 as part of its “adapting to climate change,” one of the challenges we are committed to meeting. In October 2024, with the acquisition of the SBTi Certification, we recalculated our Scope 3 emissions, including those during past fiscal years, using the calculation method that conforms to the standards of the GHG Protocol.

As part of its “conserving biodiversity,” the Group works on the assessment and analysis of its businesses’ dependencies and impacts on natural capital to be disclosed as the FY2026 outcomes. We reported the

progress of this effort together with our TCFD report.

Our energy efficiency and GHG emissions were affected by production adjustments for optimized inventory. Nevertheless, we improved our emissions intensity per unit of net sales by effectively using our inventory for sales in addition to actively taking energy-saving actions and procuring renewable energy sources. As for water resource conservation, we have set a new target to reduce water use in order to facilitate the effective use of limited resources. We will remain committed to putting greater effort into our initiatives in view of medium- to long-term changes in the business environment in order to achieve our targets. During FY2025, we incurred no fines or penalties in relation to the environment, nor did we have any cases of legal or regulatory accidents, violations, or non-conformity, and thus we incurred no costs in connection with these types of incidents.

Webpage: IKO Group Environmental Policy
<https://www.ikont.co.jp/eg/sustainability/policy.html>

What We Do

The Group engages in various initiatives to reduce the impact society as a whole has on the environment. In the area of energy conservation, we developed and launched the linear motor-driven mechatronics series, NT30V and LT170H2, which are more compact and offer greater thrusts than conventional products, as ecological offerings designed to help reduce environmental impacts. In the area of renewable energy, we have started projects under off-site physical power purchase agreements (PPAs) that leverage agrivoltaics power plants where agricultural crops are grown under elevated solar panels in order to help support farming, in addition to procuring renewable energy. As for financing, the Group issued its first sustainability-linked bonds, and actively used sustainability finance for other loan agreements. We have also adopted internal carbon pricing (ICP) to facilitate green investing.

In an effort to ensure third-party assessments, we obtained third-party assurance about Scope 1 and 2 emissions, in addition to the SBTi Certification. Our efforts also include participation in external initiatives, such as submitting our GX Acceleration Declaration for GX market creation, and a pledge of voluntary action for the White Logistics Movement. We have engaged in not only the initiatives to reduce our environmental impacts, but also activities ranging from contributing to overall value chains to ensuring disclosure of substantial information.

Challenges	FY2025 target	FY2025 result	Achievement
Environmental considerations in business activities	Reduce energy consumption per unit by at least 1.0% annually (non-consolidated)	1.0% reduction achieved compared to the previous fiscal year (0.35 kL/million yen)	○
	Reduce final disposal volume by 91.8% compared to FY2001	Final disposal volume reduced by 97.8%	○
	Recycling rate of 96% or higher	Recycling rate reached 96.6%	○
	Reduce water use per unit by at least 1.0% annually (non-consolidated)	7.7% reduction achieved compared to the previous fiscal year (3.9 m3/million yen)	○
Adapting to climate change	Reduce Scope 1 and 2 emissions by at least 10.5% compared to FY2023	Scope 1 and 2 emissions reduced by 29.5%	○
	Reduce Scope 3 emissions in Category 1 by at least 6.3% compared to FY2023	Scope 3 emissions in Category 1 reduced by 37.3%	○
	Act and disclose information in line with the TCFD recommendations	FY2025 TCFD report disclosed	○
Conserving biodiversity	Complete the stage of “Evaluate our dependencies and impacts on nature” in the LEAP approach.	The progress has been reported together with the above report.	○

*Assessment: ○ Achieved; ○ At least 80% achieved; △ Less than 80% achieved; × Worse than the previous fiscal year

Reference: Participation in External Initiatives and Third-Party Assessments and Certifications (P. 66)

Efforts toward the Creation of a Recycling-Oriented Society

In order to create a recycling-oriented society, the Group works to reduce waste and improve recycling rates. Our medium- to long-term goals to reduce waste are a “recycling rate of at least 96% in FY2031, and at least a 92% reduction in final disposal volume by FY2026 compared to FY2001.” Our primary efforts to reach these targets include compressing scrap metal (grinding sludge), which is industrial waste, reusing packing materials by using special boxes for transportation, and cutting the use of cushioning materials by replacing packing materials. We have also cut the use of plastic containers at our factory cafeterias and advanced the conversion of documents into digital files to go paperless, among others, in order to actively pursue waste reduction.

Efforts to Conserve Water Resource

The Gifu area, the Group’s main domestic production base, is located by the Nagara River, one of Japan’s three cleanest rivers. As such, we believe that managing water resources is a key issue in terms of environmental conservation. The primary sources of water supply for our business activities are tap water and well water, which are used mostly as cooling water or to make grinding fluid needed in the production process. Yet, essentially, we use a circular system for these applications of water. That is, we use equipment designed to minimize water use by adding only the amount of water that has been naturally evaporated. We have also replaced

hot-water boilers and water-cooled cooling towers with air-cooled equipment as part of the systematic course of action we take to cut water use.

Efforts to Ensure Proper Chemicals Management

With the reduction of environmentally hazardous substances set out in its Environmental Policy, the Group works to cut chemicals discharged from manufacturing processes and properly manage chemicals contained in its products.

We have a systematic process in place for managing chemicals contained in our products in accordance with the Guide to the Management of Chemicals Contained in Products. In 2003, we established the IKO Green Procurement Standard. Since then, we have conducted inspections of chemicals contained in products to pursue green procurement with our business partners’ understanding and help. We also continue our action to discontinue the use of designated hazardous

substances specified in regulatory laws on hazardous substances around the world, including the Directive on the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS), the Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the Toxic Substances Control Act (TSCA).

In regard to chemicals discharged from manufacturing processes in Japan, we strictly manage the quantities of the substances subject to the Law concerning Pollutant Release and Transfer Register (PRTR Law), and report how much of these substances we have handled, discharged, and transported each year to the municipalities. Methyl naphthalene, a chemical that we must include in our report, is contained in heavy oil used to fuel our air-conditioning units. To reduce the emissions and transported quantities of this chemical to zero, we plan to replace all air-conditioning units fueled by heavy oil to electric ones by FY2031. We will also advance electrification to help cut CO₂ emissions.

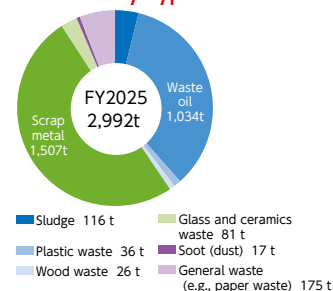
Changes in emissions into the atmosphere and transported volumes of chemicals reported according to the PRTR Law

Unit: kg

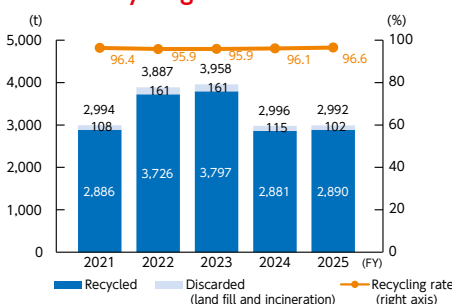
Substance	Primary use	FY2021	FY2022	FY2023	FY2024	FY2025
Methylnaphthalene	Fuel	12	27	27	15	17
Methylenebis (4,1-phenylene) diisocyanate	Cushioning material for packing	0	5	6	6	0
Trimethylbenzene	Fuel	0	0	0	5	0

These numbers are aggregates at our production centers in Japan (the Gifu and Kamakura areas).

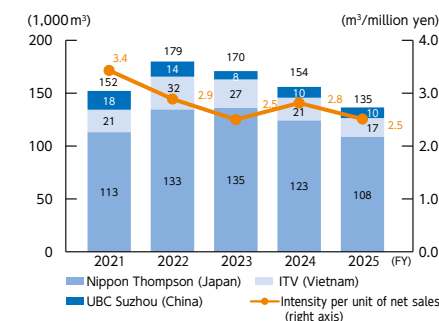
Breakdown by Type of Waste



Waste recycling rate



Water use





Implement Corporate Activities for Realizing a Prosperous Global Environment

Adapting to Climate Change

Long-term vision	More advanced sustainable management aligned with climate action
Medium-term targets for FY2031	Enhance corporate value centered on sustainability issues

Governance

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

For details on “Information Disclosure based on TCFD Recommendations,” please refer to our website below.

Webpage: “Information Disclosure based on TCFD Recommendations” (in Japanese)
<https://www.ikont.co.jp/pdf/tcdfreport20250627.pdf>

Governance structure for sustainability issues P.37



Strategy

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

Analysis Process



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

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

Risk Management

Process for identifying and assessing climate-related risks

The Sustainability Committee holds discussions to identify and assess the risks and their impact on the company's sustainable activities in relation to climate change. These discussions are based on "IKO Group Materiality," and the Committee provides a report to the Board of Directors at least once every six months. Also, we have established a Risk Management Committee consisting of Executive Directors, including President and COO, as well as the full-time audit and supervisory committee member. The Committee is responsible for establishing a

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

Process for managing climate-related risks

"The Risk Management Committee," in accordance with "the Risk Management Regulations," responds to risks by determining the relevant departments or organizations (committees, meetings, etc.) for each risk item identified in the risk assessment conducted each fiscal year. The identified risks related to climate change are assessed on a three-level scale based on their "urgency" and "financial impact" on the Group. They are then mapped on two axes and

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

Process for integrating climate-related risks into corporate risk management

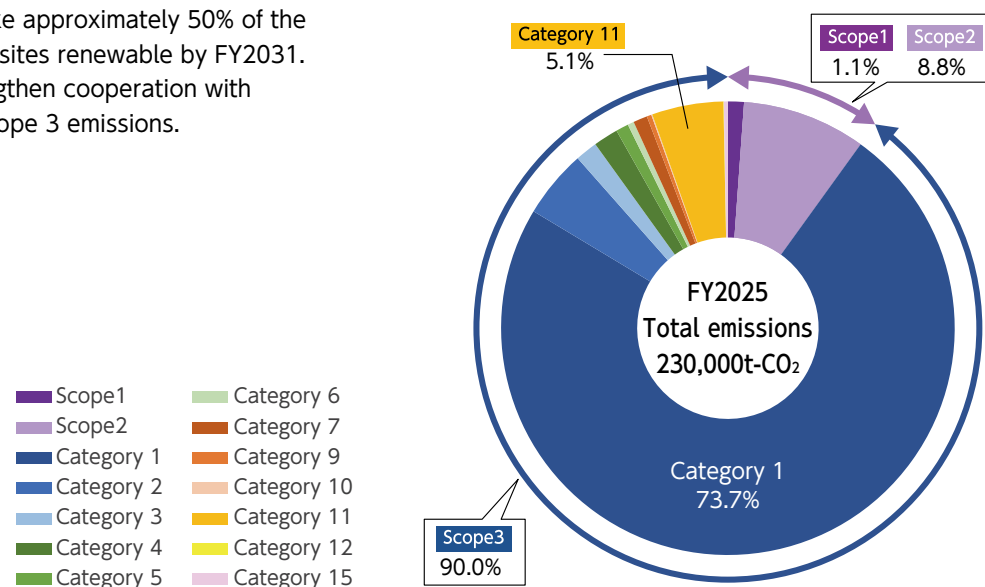
Principally, the "Risk Management Committee" holds meetings every six months, report contents on the response status for each risk item are assessed, important decisions are made on organization-wide risk management including climate change risks, and discussion contents are reported to the Board of Directors.

Metrics and Targets

The Group recognizes climate change as a key management issue, and has set quantitative targets for reducing greenhouse gas emissions and working towards it. Our Group's emission reduction targets were set as ambitious goals in line with the level required under the Paris Agreement, and obtained SBT certification in October 2024. Specifically, the targets cover the scope of financial consolidation. For Scope 1 and Scope 2 emissions, our goal is to achieve a reduction of 42% or more by FY2031 compared with FY2023, and to realize carbon neutrality by FY2051. For Scope 3 (Category 1), we aim to reduce emissions by 25% or more by FY2031 compared with FY2023, and to achieve carbon neutrality across all categories by FY2051. Going

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

Greenhouse Gas Emissions in FY2025





Implement Corporate Activities for Realizing a Prosperous
Global Environment

Conserving Biodiversity

Actions and Disclosure in line with the TNFD recommendations

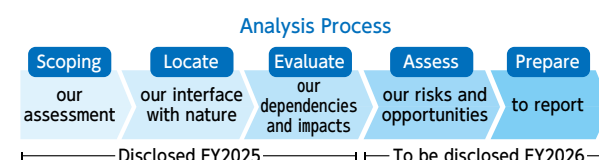
The Group has registered as a TNFD Early Adopter committed to information disclosure aligned with the TNFD recommendations. We are preparing to disclose information on the results for FY2026 accordingly. In FY2025, the Group assessed its businesses'

dependencies and impacts on natural capital in line with the LEAP approach, and submitted its status report coupled with its TCFD report.

We will carry out assessment of risks and opportunities and preparation of reports, which are the steps of the LEAP approach we have not yet taken, thereby pursuing advanced sustainable management, which includes resolving nature-related issues.

Long-term vision	More advanced sustainable management aligned with measures to preserve biodiversity
Medium-term targets for FY2031	Enhance corporate value centered on sustainability issues

Webpage: "Information Disclosure based on TCFD Recommendations"(in Japanese)
<https://www.ikont.co.jp/pdf/tcfdreport20250627.pdf>



Scoping our assessment

The linear motion series and needle roller bearings make up about 90% of the Group's net sales. We used ENCORE* to assess the whole of each value chain (consisting of upstream, direct operations, downstream) connected to the business activities for these products, and identified the industries that likely have great dependencies and impacts on nature (please see the tables on the right). The upstream value chains, where raw materials are extracted/mined, show considerable dependencies. The downstream value chains (i.e., businesses that buy our products) in automobile manufacturing have also been rated high in impacts on nature.

Locate our interface with nature

In regard to direct operations, along with upstream mines that were assessed as being highly impactful and dependent on nature, we studied the TNFD's definitions of "sensitive locations" to identify five assessment locations. The assessment results showed that the Group's production sites in Gifu and Mie Prefectures and Vietnam are closely related to the natural environment and located in sensitive regions as the places for direct operations. So are the mines in Brazil and China as the upstream value chains.

*ENCORE is an analysis tool developed by the United Nations Environment Program. It is designed to look into nature-related risks and understand dependencies and impacts on nature.

Heat map of dependency and impact assessment (excerpt)

Dependencies							
Sector	Industry	Water purification		Precipitation pattern adjustment		Mental, artistic, and symbolic services	
Upstream VC	Iron ore, stone, sand, and clay mining	VH		VH		—	
	Other mining and stone-quarrying industries	VH		VH		—	
	Manufacturing of other nonmetallic mineral products	M		L		VH	

Impacts							
Sector	Industry	Disturbance (noise, light, etc.)	GHG emissions	Non-GHG air pollutant emissions	Other non-productive resource extractions	Hazardous soil and water pollutant discharge	Production and release of solid waste
Upstream VC	Iron ore mining	H	M	M	H	H	VH
	Stone, sand, and clay mining	H	H	H	VH	H	L
	Manufacturing of other nonmetallic mineral products	M	H	H	—	VH	M
	Iron and steel manufacturing	VH	H	H	—	VH	M
	Energy production from fossil fuels	VH	VH	VH	—	VH	H
Downstream VC	Automobile manufacturing	VH	VL	L	—	M	L

Assessments **VH** : Very High; **H** : High; **M** : Medium; **L** : Low; **VL** : Very Low



Implement Corporate Activities for Realizing a Prosperous Global Environment

Promoting Supply Chain Management

Long-term vision	Carbon neutrality throughout supply chains
Medium-term targets for FY2031	Reduce GHG emissions in Category 1 of Scope 3 by at least 25% compared to FY2023; Put greater effort into CSR procurement across the globe

Basic Approach

As the Group operates globally, we believe that we should ensure responsible actions to meet public demand throughout our supply chains in order to earn the trust of the international community.

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 Promotion System

To achieve continuous growth, it is essential for a company to responsibly comply with the law and fulfill its social responsibilities as a member of society through its corporate activities. In FY1999, we set out the guiding principles “Engage in environmentally conscious corporate activities and reduce any adverse environmental impact we may have on the environment as our corporate social responsibility, thereby helping create flourishing natural environments across the globe.” In 2003, we established the IKO Green Procurement Implementation Standards and have pursued green procurement since. In July 2022, we formulated the IKO Group Supplier CSR Procurement Guidelines to fulfill our social responsibilities, including a consideration of human rights and labor issues as well as environmental issues. We

also conducted a survey on suppliers’ intention to support and comply with these guidelines and the procurement policy, and received responses from 273 companies. We will continue to work closely with our suppliers to promote the use of the guidelines and put greater effort into ensuring CSR procurement in order to keep improving the effectiveness of the guidelines.

CSR Procurement Promotion System



What We Do

The Group has been taking a variety of actions in order to create supply chains that continue to develop and fulfill social responsibilities. Specifically, to comply with regulations on conflict minerals, we conducted a survey of 220 suppliers to see if they use any conflict minerals, applying the industry’s common format. With the results, we have confirmed that our procured products are safe.

We also worked to partner with other businesses from a completely new point of view and submitted our Declaration of Partnership Building with the aim of creating high added-value and enhancing

resilience across our supply chains. Moreover, we hold a workshop on subcontract-related laws led by a guest instructor as part of our efforts to observe the promotion standards.

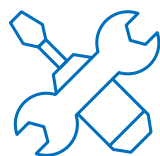
We endorse the aim of the White Logistics Movement promoted by the Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of Economy, Trade and Industry; and the Ministry of Agriculture, Forestry and Fisheries. To actualize sustainable logistics, we submitted our Declaration of Voluntary Action. We worked collaboratively with contractors in the logistics business to produce stackable boxes for truck transportation as part of our efforts toward greater loading efficiency.

We aspire to encourage all stakeholders involved in our business activities to act for CSR through these activities in collaboration with our business partners and other various stakeholders.

Webpage: Declaration of Partnership Building (in Japanese)
<https://www.biz-partnership.jp/declaration/94757-05-24-tokyo.pdf>

Webpage: Declaration of Voluntary Action for the “White Logistics” Promotion Movement (in Japanese)
<https://white-logistics-movement.jp/wp-content/themes/white-logistics/docs/declarations/04492.pdf>





Contribute to Technological Innovation by Leveraging Core Technologies

Taking on the Challenge of New Technologies and Business Domains

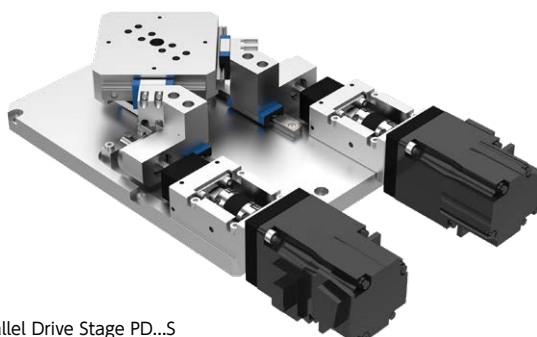
Basic Approach

The Group focuses more on developing new products that suit customers' diversifying needs. The Medium-Term Business Plan 2026 sets out the goal of developing and launching at least 10 products. We also aspire to enhance our presence as a "company centered on technology development that contributes to society" by successfully entering growth areas and refining our core technologies in order to achieve continuous growth.

What We Do

New technology: Unique technology that meets customer needs

In December 2024, we launched the new product named Parallel Drive Stage PD...S. This product enables an unprecedented XY stage with motors



Parallel Drive Stage PD...S

arranged in parallel.

With this motor arrangement, we successfully created the stage with a cross section that is extremely low in height compared to conventional stages. The wiring and cableveyors required for moving parts in conventional stages needed are no longer necessary, which gives the product a simple appearance and makes it lightweight and space-saving.

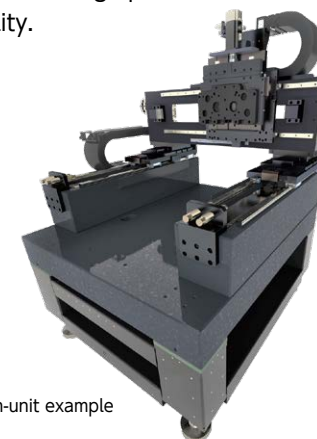
We will remain committed to developing products that use our unique technologies to meet customer needs, going beyond established concepts.

New area: Alliances for new technological fields

Labor shortages are a social issue facing countries around the world. The Group has helped resolve the issue by offering machine components that support production factory automation (FA). While labor shortages are increasingly serious, recent years have seen an increase in the number of requests for the design and manufacturing of pieces of equipment that each contain a mount (installation base) and transport mechanism, instead of a rise in the number of purchases of our single products (components). To meet these customer needs, we have brought together all resources in our value chains, including the technologies and know-how and the business networks we have cultivated over many years, to propose the new technological field "Mech-unit." The Group has established a systematic process for

Long-term vision	Accelerating our contribution to technological innovation by developing new markets and domains and launching new businesses across the globe
Medium-term targets for FY2031	Develop products that consider regional characteristics and expand sales across the globe; product development geared to help achieve carbon neutrality and resolve other social issues

meeting a wide range of customer needs by working even more closely with its alliance partners who offer considerable expertise. Through these activities, we will continue to propose technologies geared to help resolve social issues, along with solutions designed to contribute to high precision and advanced functionality.



Mech-unit example

Topic

We published a manga that clearly illustrates what the Mech-unit is. Please visit our Instagram to view the piece. (This comic is available in Japanese only.)





Contribute to Technological Innovation by Leveraging Core Technologies Promoting Open Innovation, Such as Industry-Academia-Government Collaboration

Long-term vision A company that thoroughly refines all technologies related to machine elements and receives requests for technological collaboration from around the world

Medium-term targets for FY2031 Continue and strengthen technological collaboration with industry, academia, and government agencies

Basic Approach

With the management philosophy of serving as “a company centered on technology development that contributes to society,” the Group offers high-quality products designed to meet diverse needs in international markets. With the aim of developing more high value-added products, we actively seek and form alliances with external partners for open innovation.

Open Innovation



Combining technologies and ideas from inside and outside the company to create ideas that we could not produce on our own

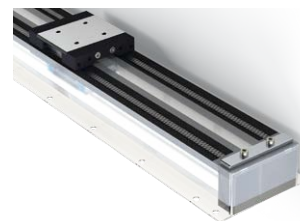
What We Do

Product development combining technologies based on a new idea

In May 2025, we successfully developed the

Advanced Fastener-type Dustproof Cover for linear motion rolling guides in a joint project with YKK Corporation (“YKK”) and launched the product in September. Our products are used for a variety of purposes, and dustproof bellows are conventionally used for products that are placed in rough environments where powdery dust and fine chips float in the air. However, folds of bellows limit strokes, and some extraneous material enter through gaps, which had to be addressed. In this joint project with YKK, we developed a highly durable fastener that can be continuously opened and closed in an environment full of dust floating in the air, and created a unique, full dustproof cover designed to waste no strokes. This product can also be easily attached and removed, which considerably boosts maintainability.

The product can give the transport mechanism part a longer life, helping cut the costs of maintenance and replacement and reduce CO₂ emissions. We also hope that its usability in environments that are tough for its conventional counterparts will



Advanced Fastener-type Dustproof Cover (jointly developed with YKK)



Provide Healthy, Safe, and Secure Environments for People Providing Products Leading to Healthy, Safe, and Secure Lifestyles

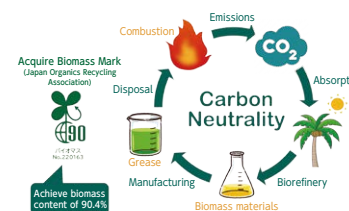
Long-term vision Manufacturer of key components that create the future for all industries, helping realize life where people feel healthy, safe, and supported

Medium-term targets for FY2031 Create and offer high value-added products; Develop products as joint creations with customers, going beyond established concepts

create new demand.

Evolution towards products geared to carbon neutrality

With the societal opportunity to move towards carbon neutrality greater than ever, there is a growing demand for machine components designed to curb CO₂ emissions. To meet the demand, the Group actively develops products geared to help reduce adverse impacts on the global environment (eco-products). As one of these products, we launched a new linear motion rolling guide injected with BIOLUB®, the biomass grease manufactured by Nippeco Ltd. BIOLUB® uses plant-derived biomass oil, making it possible to cut more than 70% of CO₂ emissions from the product life cycle. We have also verified that the product's shelf life is equal to that of other greases on the market under our assessment conditions, which we believe will shatter the conventional idea of linear motion rolling guides with biomass grease. We will continue to speed up our new product development to achieve carbon neutrality and resolve other social issues, while actively collaborating with external businesses that boast outstanding technologies.





Contribute to Social Development by Providing Products Society Needs

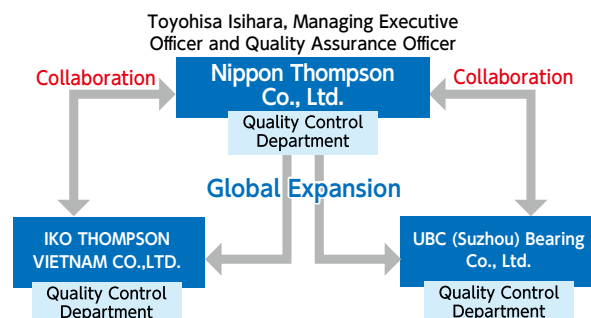
Pursuing Product Quality and Safety

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.

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.

Global Quality Control System

The Group built its quality assurance system for its departments in Japan over the years. This system is applied to our overseas production sites in order to maintain high product quality and continue to enhance it across the Group.



To ensure efficient quality assurance activities and improve customer satisfaction, all our production sites, in Japan or overseas, have acquired the ISO 9001 certification, an international standard for quality management system (QMS). We also conduct regular and special internal quality audits to examine whether our QMS conforms to the standard and works effectively, and to make changes if necessary, thereby improving the practicality and effectiveness.

Quality Management System Certificate



- ISO 9001: Gifu factory complex, IKO Thompson Vietnam Co., Ltd., UBC (Suzhou) Bearing Co., Ltd.
- IATF 16949: UBC (Suzhou) Bearing Co., Ltd.

Efforts to Improve Customer Satisfaction

Quality is the vital element of our products and at the core of the IKO brand. We make various efforts to reduce complaints received for product quality to zero.

Efforts in procurement activities: Partner company evaluation

We conduct annual partner company evaluations using criteria for quality, deliveries, and costs. We provide the evaluation results to the partner companies as

Long-term vision	No. 1 product quality in the industry
Medium-term targets for FY2031	Maintain and enhance our global quality control system and product quality

our feedback so that they will work on improvements if necessary, thereby actively developing a stronger quality control system across the supply chains.

Efforts in production activities: Inspector training

As part of our quality control in production processes, we have an inspector system in place. Under this inspector system, employees in production departments who have been trained to acquire knowledge and skills related to quality inspection are certified as "Inspectors" by the Quality Control Department. The certified Inspectors are then assigned to production processes, which are subdivided, to ensure greater quality assurance.

Efforts in after-sales service

When we receive any complaint, our sales and production departments work together to take prompt action to prevent any recurrence. We also fully examine feedback received on the product while we follow up our after-sales service for the customer, and take a committed course of action to address any issues, which serves as a series of efforts to make improvements that will prevent complaints going forward.

Topic

Our product has been selected as a component of NASA's Mars rover.

Our compact linear motion rolling guide has been selected for use in the zoom and focus mechanism of the high-performance camera on NASA's Mars rover. It was picked for its durability in a harsh environment and its stable performance and quality over a long period. It was once selected for Curiosity, the Mars rover in 2012, and chosen again for the second consecutive time.



Mars Perseverance rover



Contribute to Social Development by Providing Products Society Needs

Providing Flexible and Stable Products

Basic Approach

Our mainstay products are needle roller bearings and linear motion rolling guides, which are crucial machine components that contribute to energy conservation and high precision. The Group is keenly aware of its responsibility to ensure stable and on-time deliveries of high-quality critical components that support industries around the world, and makes various efforts accordingly.

What We Do

Rebuilding its global production system

The Group has been rebuilding its global production system as part of its efforts to manage geopolitical risks that have been surfacing across the world. We have standardized the levels of quality at three sites, namely Japan, Vietnam, and China, to ensure stable deliveries of high-quality products in any of these regions. In terms of parts and materials procurement, we increasingly diversified suppliers to avoid depending on particular countries, thereby reducing risks involved in material procurement.

Although we had to postpone the construction of a new factory in Vietnam as a result of the review of the Medium-Term Business Plan 2026, we plan to continue to boost our existing sites' production capacity. We will also keep working on the automation of production processes, along with the visualization of production

status through DX, in order to establish a flexible global production system capable of keeping up with changing market conditions.

Global supply and procurement



Restructuring our needle roller bearing production system

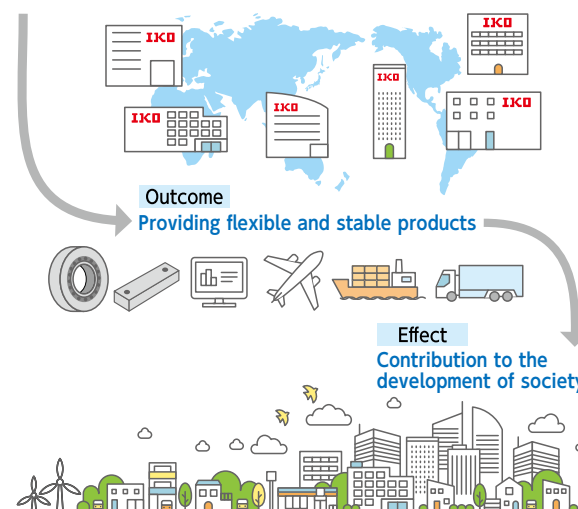
In the Medium-Term Business Plan 2026, the Group sets out the basic policy of “Focused Enhancement in Areas of Strength” and “Rebuilding the Global Business Structure.” To establish a responsive global production system capable of responding quickly to diverse requests from customers, we have been working on the development and optimization of production functions at our production sites in Japan and overseas. In July 2025, as part of this effort, we decided to reallocate the production functions of the Kamakura Factory, one of our needle roller bearing production sites, to the Gifu factory complex to integrate them into their counterpart of the complex.

Long-term vision	100% satisfaction with timely deliveries
Medium-term targets for FY2031	Ensure flexible timely deliveries by reducing production lead times; advance automation; Improve productivity through DX and IoT

The Kamakura Factory opened in 1964 and has continued to operate as a key production site that supports the Group to date. After all these years of operation, its building and equipment aged considerably, and we had to consider investment efficiency as well. Thus, we decided that it would be best to integrate the production sites. We also revisited our manufacturing methods and production lines to boost production efficiency, and to develop a stronger product supply system.

The Group's mission is to remain committed to contributing to the sustained growth of society by establishing a systematic process for quickly and stably meeting customers' diverse needs.

Means **Rebuilding its global production system**





Provide Healthy, Safe, and Secure Environments for People

Respecting Human Rights

Basic Approach

The Group recognizes respect for human rights as an important responsibility and supports international standards such as the United Nations “Universal Declaration of Human Rights” and the “Guiding Principles on Business and Human Rights,” in addition to complying with the laws and regulations of each country. Through the “Code of Conduct,” which serves as a fundamental standard for employees, and the “IKO Group Human Rights Policy,” we are committed to respecting human rights and fostering a sound and healthy workplace environment. The Group respects the human rights of all people and prohibits forced labor, child labor, and discriminatory practices based on gender, age, ideology, creed, nationality, etc. We also strive to prevent power harassment and sexual harassment in the workplace.

Webpage: “IKO Group Human Rights Policy”(in Japanese)
https://www.ikont.co.jp/pdf/human_rights20230213.pdf

Education for Human Rights

We believe that fostering the awareness of each and every employee is essential for the Company to permanently fulfill its respect for human rights. In light of this, we have incorporated the Code of Conduct and IKO Group Human Rights Policy as a theme in the education of new employees and in some level-specific training programs so that we

can share the norms and mindset that we must observe and encourage employees to be aware and conscious of respect for human rights. Through these activities, we strive to foster awareness of respect for human rights and to establish a framework that enables the Group to continuously fulfill its responsibility to respect human rights.

What We Do to Protect Human Rights

We have internal and external points of contact for whistleblowers that our employees can consult about human rights. We not only provide a system to help employees through these points of contact, but hold harassment prevention training as an education program in order to augment the viability of our efforts. Moreover, through the contact page on our website, we collect information about inquiries from outside the Group so that we take the proper actions as necessary to prevent any human rights risks.

Human Rights Due Diligence

We are working to identify and assess the negative human rights impacts associated with our business activities. Specifically, we not only communicate the “IKO Group Supplier CSR Procurement Guidelines,” which incorporate our Human Rights Policy, to our business partners, but also conduct questionnaires to confirm their compliance status, focusing on understanding the current situation. In addition, we

Long-term vision	Realization of corporate activities as well as peaceful and prosperous coexistence that ensure full safety for society throughout global supply chains
Medium-term targets for FY2031	Ensure close adherence to the Human Rights Policy and establish a human rights due diligence system applied throughout global supply chains

have joined the Global Compact Network Japan (GCNJ) to collect relevant information. Going forward, based on the information obtained, we will formulate human rights-related initiatives and work to reduce human rights risks within the Group.

Human Rights Due Diligence Process

- 1 Incorporate responsible corporate behavior into corporate policies and management systems (implemented)
- 2 Identify potential human rights risks in the company’s operations, supply chain and business relationships (partially implemented)
- 3 Identify and assess the status of potential human rights risks (partially implemented)
- 4 Stop, prevent and mitigate negative impacts
*Not implemented
- 5 Track implementation status and results
- 6 Communicate how the impact was addressed
- 7 If inappropriate, take corrective action or cooperate to correct the situation



Provide Healthy, Safe, and Secure Environments for People

Co-Existence with Local Communities

Long-term vision

A company that is needed and trusted through its contributions to society and local communities

Medium-term targets for FY2031

Maintain good relations with local communities and engage in local revitalization

Basic Approach

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

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

Webpage: “Promotion of Sustainable Management”
<https://www.ikont.co.jp/eg/sustainability/management-promo.html>

What We Do

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

Picture contest “Protect the Environment” held in Vietnam



50th year-end fundraising activity in Mino, Gifu Prefecture



Participation in a human and humanoid robot marathon in China



Donations to a hunger relief organization in the United States





Contribute to a Society Where Diverse People Can Thrive and
Be Rewarded for Their Work

Strengthening Recruitment and Employee Training

Basic Policy for and Present Situation of Recruitment

We place importance on strategies to acquire new talent in anticipation of declining birthrates, aging population, and shrinking labor force. Our hiring policy is based on the awareness that diversity is a key word for our talent portfolio in terms of types of employment, skills, age, and gender, among others. We focus particularly on hiring new graduates with a view to training them over the medium to long term by leveraging our high retention rate, which is our strength. In our recruitment activities, we are keen to find applicants who meet the requirements for employment at the Company and who identify themselves with our management philosophy. What we especially look for is an emotional connection that inspires us and the applicant to work together. We also create opportunities to communicate with job seekers through a variety of media, and motivate them to join us by developing a full mutual understanding through our selection process, so that applicants will not decline our job offers, or that new employees will not resign soon after they join us. In making these efforts, we stably acquire talent while companies fiercely compete for human resources. We will continue

Indicator	FY2023	FY2024	FY2025
Voluntary resignation [%]	2.4	2.0	1.7
Turnover within the first 3 years of employment	4.9	3.8	11.5
Rank-specific training attendance [%]	13.6	12.6	9.5

to work to acquire talent who will create and lead the Group's future.

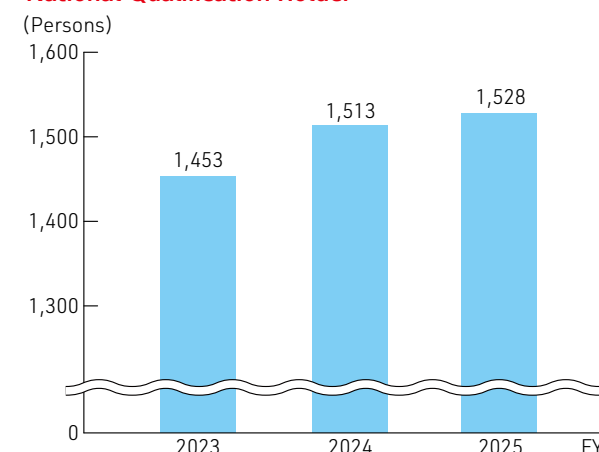
Current state of human resource development

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

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

Long-term vision	A group of talent that creates high added value by taking up challenges
Medium-term targets for FY2031	Acquire and train talented employees who will create and lead the Group's future; provide meaningful educational opportunities in line with each employee's aptitude and career

National Qualification Holder



Global Talent Training

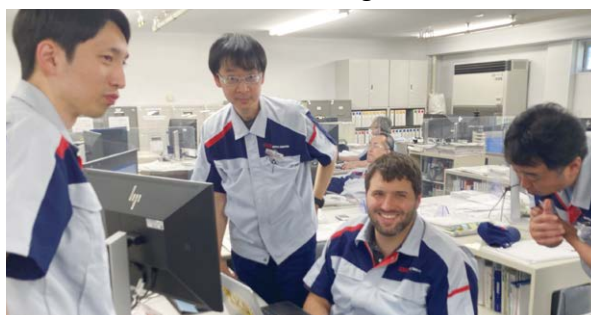
We organically connect these separate talent training measures in order to create a whole of our talent management. In doing so, we aspire to train our employees as global human resources to lead the next generation over the medium to long term. To this end, we are working to enhance our talent development functions. More specifically, we strive to develop strategic personnel rotation based on the definition of “employees we look for,” and to train our employees to become talent for DX capable of making fundamental changes to our operations to create new value. In addition, in FY2026, we launched the Global Talent Exchange Program as a measure for global talent development. The program provides short-term

international training in Japan and overseas for eligible employees. It offers opportunities for participants to not only receive training through various experiences but learn about diverse values, which we hope will create the culture of collaboration across the Group.

Talent Management

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

Employees in the global talent training program (short-term international training)



Contribute to a Society Where Diverse People Can Thrive and Be Rewarded for Their Work

Building a Rewarding Work Environment

Long-term vision Work environments that enable optimal work-life balance

Medium-term targets for FY2031 Achieve a high degree of employee engagement by providing various well-developed systems and programs

The Group defines its goal related to talent diversity as becoming “a group of talent where a corporate culture of mutual respect for different values is fostered, regardless of nationality, gender, or age, and where all employees feel rewarded for their work and look for change.” We are moving ahead with our efforts to establish a collaborative structure that transcends departments and nationalities as well as to improve employee engagement.

We consider engagement to be particularly important for the Group, as we aspire to train our talent from a medium- to long-term point of view. To this end, we believe that it is essential to provide work environments where each employee feels supported. We prioritize employee benefits to foster a sense of security among our employees. In cooperation with the labor union we have a good relationship with, we put effort into offering various systems and programs to increase employee satisfaction, including financial assistance with housing and meals. In addition, we conduct interviews as part of self-reporting and goal management systems to inspire employees to achieve personal growth and make their career plans a reality in an effort to improve employee engagement. In addition to these efforts, we plan to measure engagement to gain a clear picture of reality and further enhance the value of our talent and organizational strength.

At the Women's Group Discussion



Gold award winning team in a small-group improvement activity (IKO Quality Control)



Indicator	FY2023	FY2024	FY2025
Annual paid leave taken [%]	68.0	73.4	76.8
Monthly average overtime hours [H:M]	13:15	9:31	8:25
Occupational accident frequency [%]	1.195	0.413	0.400
Occupational accident severity [%]	0.001	0.001	0.001

*The occupational accident frequency and severity rates do not include accidents involving external onsite employees (temporary employees).



Contribute to a Society Where Diverse People Can Thrive and Be Rewarded for Their Work

Promoting Diversity and Inclusion (D&I)

In order to respond to the diversifying needs of society, the Group considers it a key issue to secure diversity in our human resources. We are working to develop human resources by providing fair opportunities for skill development to all human resources regardless of gender, age, nationality, work experience, etc., and to support their individual work styles. In particular, we focus on preventing career discontinuation due to childcare, and support the balance between childcare and work. We work closely with the departments that have employees taking childcare leave and the HR Department to address individual concerns as much as possible.

In FY2026, we held the workshop “Women’s Group Discussion” open to all female employees. The workshop aimed to create opportunities for participants to develop an environment where employees with different attributes feel comfortable working, and to interact with the other employees, thereby laying a foundation of leadership training for diverse talent. Through these activities, we will make further efforts to achieve the goals of increasing the number of female managers by fivefold (compared to the end of March 2022) and increasing the percentage of male employees who have taken childcare leave to 85% by FY2031.

Long-term vision	Contributing to the development of a sustainable society by ensuring diversity of our talent in terms of gender, nationality, career, etc.
Medium-term targets for FY2031	Expand diversity by increasing the ratio of women managers and supervisors and taking other relevant measures

Interview with a female manager —Our diversity management—



General Manager of the Sales Management Department

I have always reminded myself to enjoy a challenge when I think about my career development. When we work as a team on the ground where we need to deliver successful outcomes, we proactively translate ideas into something tangible to achieve our goals. I learned from experience that incorporating diverse points of view in this process leads to organizational strength. As a manager, I also focus on my personal growth while working to train my team members and create an environment in which they feel comfortable working. The culture that allows us to take up challenges regardless of gender, age, nationality, and work experience brings out the strengths we each have as individuals, so that we will be able to contribute to the Company’s growth. I hope to get involved in more efforts to create environments and frameworks that will enable all our employees to be themselves as they work, expanding the foundation for the next-generation leadership.

Data related to female employees’ positions
(Nippon Thompson, non-consolidated)

Indicator	March 31, 2023	March 31, 2024	March 31, 2025
Percentage of female employees [%]	12.8	13.3	14.5
Percentage of female supervisory positions [%]	11.9	13.1	13.2
Percentage of female managers [%]	1.5	1.9	2.8
Percentage of new female graduates hired [%]	25.8	30.8	28.6
Number of female managers (compared to the end of March 2022)	Doubled	Tripled	Quadrupled

*On a consolidated basis, the ratio of female employees is 39.1%, the ratio of female supervisors is 18.8%, and the ratio of female managers is 11.0% (as of March 31, 2025).

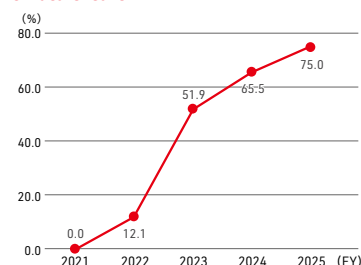
How He Did It: —Interviews with an employee who took childcare leave and his supervisor—



Assistant Manager of the Sales Engineering Department

I took one-month childcare leave last year when my son was born. While I was on leave, my job was to bathe him and put him to bed every night. He is my first baby, so I was never sure I did everything right. But I felt the joy of being a father every time I touched my son’s tiny hands and feet, and his natural curly hair. I sometimes had to rock him in my arms and walk around the room at night when he didn’t stop crying, which is now a distant memory. As his face became expressive day by day, he once met my gaze and held it. I can’t forget the emotion I felt that moment. That brought home to me the deep bond I’d created with my family through this experience. In the office, the team divided up my work to share it among the members. When I returned, they told me that all the work had been going well. I felt so grateful for their help. I hope to continue making time for my family, balancing work and parenting.

Percentage of male employees taking childcare leave



Deputy General Manager of the Sales Engineering Department

Supervisor’s comment: Before he went on childcare leave, he prepared written descriptions of what must be done for his work, and he gave well-thought-out instructions during the handover. Thanks to these efforts, we managed all the tasks without a hitch while he was on leave. The members of our department fully understood the importance of taking childcare leave, as they knew the Personnel and General Affairs Department promoted the use of the leave and worked to raise company-wide awareness. I believe it is the team members’ active support that successfully carried us through. This experience has renewed my awareness that it is essential to be prepared for a time one of us urgently needs to be on leave, not just for childcare but also for caregiving, and that establishing a stronger framework for cooperation between employees is the key. I also came away with a renewed appreciation for my family. I hope to keep working to create a greater workplace environment with help from the members of my department, with the gratitude to my family in mind.



Continuously Improve Compliance and Governance

Improving Internal Controls and Ensuring Compliance

Risk Management

Basic Approach

The Group provides effective responses to risks that could impede business as an important management issue. We also secure the trust of society as we promote risk management in order to fulfill our social responsibility to our customers, business partners, shareholders, local communities, employees, and all other stakeholders.

Risk Management System

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

The Risk Management Committee meets twice a year typically, and receives reports on the risk items identified through annual risk assessments conducted by departments and organizations. The committee

then makes critical decisions on the most effective ways to manage these risks. In addition, a large-scale risk assessment is conducted every three years, and a major review is conducted to prioritize risk responses and identify risks for which countermeasures should be implemented. More specifically, we clearly identify the risks we should remain aware of, along with newly acknowledged risks, based on the present state of our risk management. Then we assess these risks using three criteria, namely the likelihood of occurrence (probability), severity, and how much has been done to manage them, to determine priority risks and act. The contents of deliberations are reported to the Board of Directors for supervision and advice.

Disaster Risk Response: BCP Initiatives

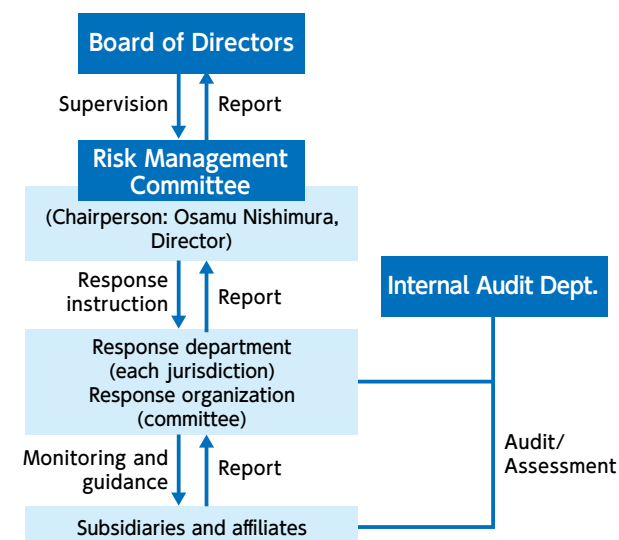
We have formulated business continuity basic regulations for the safety of our employees, etc., as well as to protect assets and to maintain and quickly resume important business operations. We have also formulated a business continuity plan (BCP) to ensure preparedness for potential damage and facilitate recovery in the event of a disaster. Additionally we are enhancing our systems to better handle such situations.

In addition to periodic disaster drills, a safety confirmation system has been introduced to quickly and efficiently gauge the safety and circumstances of employees in the event of a disaster or emergency, such as a major earthquake. The safety information

Long-term vision	A system conducive to ensuring that all employees have a deep understanding of the purposes of risk management, compliance, and information security, and act accordingly
Medium-term targets for FY2031	Develop a system that enables all employees to understand the purposes of risk management, compliance, information security, etc., and act accordingly

obtained through this system can be used to implement our BCP in emergency situations. To improve the effectiveness of the safety confirmation system for employees, etc., the Company is building a system to prepare for disasters, for example, by conducting periodic safety response drills. In the Production Department, the Safety and Health Committee meets monthly and is working to establish a system that will prevent secondary disasters and enable early restoration of operations. The Committee identifies hazardous operations and dangerous areas in production activities and discusses measures to mitigate or avoid damage in the event of a disaster.

Risk Management System



Information Security

Basic Approach

While advances in information processing and network technology are progressing quickly, the ease of managing information, both internally and externally, also brings increasing risks. These risks include information leaks, falsifications, and destruction caused by increasingly sophisticated cyberattacks.

Given this digital environment, we consider it an important management issue in fulfilling our social responsibility to accurately identify and address risks related to information management and to effectively manage the security of the Group's information assets (information and the systems, equipment, media, and facilities that handle this information). Accordingly, the Company has established information security management regulations, and we are developing and operating an information security management system.

Information Security Management System

The Group has developed a system to ensure that the Information Security Committee (Chief Information Security Officer: Osamu Nishimura, Director), which consists of internal directors (including the President and COO) and the full-time Audit & Supervisory Committee member, oversees the entire organization and effectively manages information security.

The Chief Information Security Officer has established the Basic Policy on Information Security, for establishing information security management, and we thoroughly educate and inform directors, employees,

and others about the need for continuous improvement and the importance of meeting legal and regulatory requirements.

Compliance

Basic Approach

Recognizing the importance of compliance, the Group has established and is operating a code of conduct and compliance management regulations as the standards of conduct for directors and employees, etc., to ensure compliance with laws, regulations, the articles of incorporation, social norms, and other requirements, and to fulfill our social responsibilities.

Compliance Promotion System

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

Antibribery and Anticorruption Initiatives

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

based training, and during other opportunities.

In the self-inspections conducted in FY2025, based on compliance management regulations, no violations were reported, and the same was true for the audits conducted by the Internal Audit Department.

Internal Reporting System

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

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

In FY2025, we received a total of five reports: three were submitted to the internal reporting desk and two was submitted to the external reporting desk. Both reports were handled in cooperation with the related departments fairly and faithfully.

Number of reports received through the whistleblowing hotline

	FY2023	FY2024	FY2025
Internal	13	5	3
External	2	1	2
Total (cases)	15	6	5

Business Opportunities and Risks

Classification	Details of Risks (-) and Opportunities (+)	Likelihood of occurrence	Degree of influence	Strategies and Policies
Management & Strategy	- Dependence on sales in specific industrial sectors, such as for equipment for electronics, and rapid shrinkage in demand	High	Large	- Development and sales of products for growing industries such as medical equipment and robotics - Providing new added value through delivery of IKO Mech-unit and other equipment
	+ Expanding demand in high-growth areas such as semiconductor manufacturing equipment	High	Large	Strengthen global production system and increase capacity
	- Rise of low-cost, low-quality competitors in emerging countries	High	Large	- Reduce costs and enhance technological competitiveness - Differentiation through introduction of high-quality, high-value-added products
	+ Growth of global markets including emerging countries	High	Large	- Strengthen global production system (increase capacity at overseas production bases, particularly in Vietnam and China) - Actively promote foreign national employees to core personnel
	+ Increased demand for resource- and energy-saving, low-carbon products	Medium	Large	- Promote development of products with reduced environmental impact - Promote sales of eco-products
	- Loss of demand and competitiveness due to product and technology obsolescence	Medium	Large	- Strengthen intellectual property strategy - Expanding to new fields and new businesses through open innovation (industry-academia-government collaboration)
Finance & Economics	- Intellectual property disputes (infringement lawsuits, flood of counterfeit products)	Medium	Large	- Thorough investigation of intellectual property during development and design - Proactive acquisition of intellectual property rights for new products and technologies
	- Shutdown of production sites or reduced capacity utilization due to social turmoil in a particular region	Medium	Medium	- Expand local procurement at overseas production sites - Facilitate multi-company purchasing
	- Supply chain disruptions, including geo-political risks	Medium	Small	Conduct periodic supplier evaluations
	- Default by a business partner	Medium	Small	- Hedging risks through forward exchange contracts and ensuring fund liquidity - Promotion of local production for local consumption - Product price optimization (promote pricing strategies that appropriately reflect foreign exchange fluctuations)
Business process	- Deterioration in business performance and financial impact due to rapid financial market fluctuations	Medium	Medium	
	- Supply delays and excess inventory due to changes in demand in a short period of time	High	Medium	- Reduced production lead time - Development and deepening of inventory strategy
	- Increased production costs due to soaring raw material prices	Medium	Medium	- Facilitate multi-company purchasing - Product price optimization (promote pricing strategies that appropriately reflect fluctuations in raw material prices)
Environment & Disaster	- Liability due to quality problems, loss of public trust	Medium	Small	- Maintain and strengthen the quality management system ISO 9001 - Strengthen quality control system throughout our supply chain
	- Losses due to environmental pollution	Low	Small	- Maintain and strengthen the environmental management system ISO 14001 - Promote green procurement throughout the supply chain
	- Decline in production functions due to natural disasters, spread of infectious diseases, etc.	Low	Large	- Continuous review and improvement of business continuity plan (BCP) - Conduct emergency drills, utilize employee safety confirmation system, and conduct drills
Human Capital	- Difficulty in securing human resources due to a declining workforce	High	Medium	- Promoting automation and manpower saving in factories and improving operational efficiency through DX promotion - Secure diverse human resources through active recruitment - Support for the activities of the elderly, the disabled, etc.
	+ Expanding needs for automation and labor savings in manufacturing	High	Large	- Expand provision of high-value-added products and offer total solutions - Strengthen global production system and increase capacity
	- Suspension of business activities due to deterioration of labor relations	Low	Large	- Formulate and promote personnel systems that accommodate diverse work styles - Improve workplace environments to achieve both productivity and employee well-being
	+ Enhancing competitiveness by improving work comfort	High	Medium	- Formulate and promote personnel systems that accommodate diverse work styles - Strengthening initiatives to improve employee engagement
	- Loss of social credibility due to human rights violations, suspension of transactions due to lack of human rights response	Low	Medium	- Compliance with human rights policies and education - Establishment of a human rights due diligence mechanism
Compliance & Legal Affairs	- Business stoppages and information leaks due to computer viruses, cyber-attacks, etc.	Low	Medium	- Strengthen information security measures across the entire supply chain and conduct internal training - Development and operation of personal information protection policy
	- Loss of public trust due to noncompliance	Low	Small	- Strengthening Corporate Governance - Stable operation of the whistleblower system - Strengthen compliance and risk management systems

* ● indicates items revised in the current fiscal year.



Continuously Improve Compliance and Governance

Continuously Improving 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.

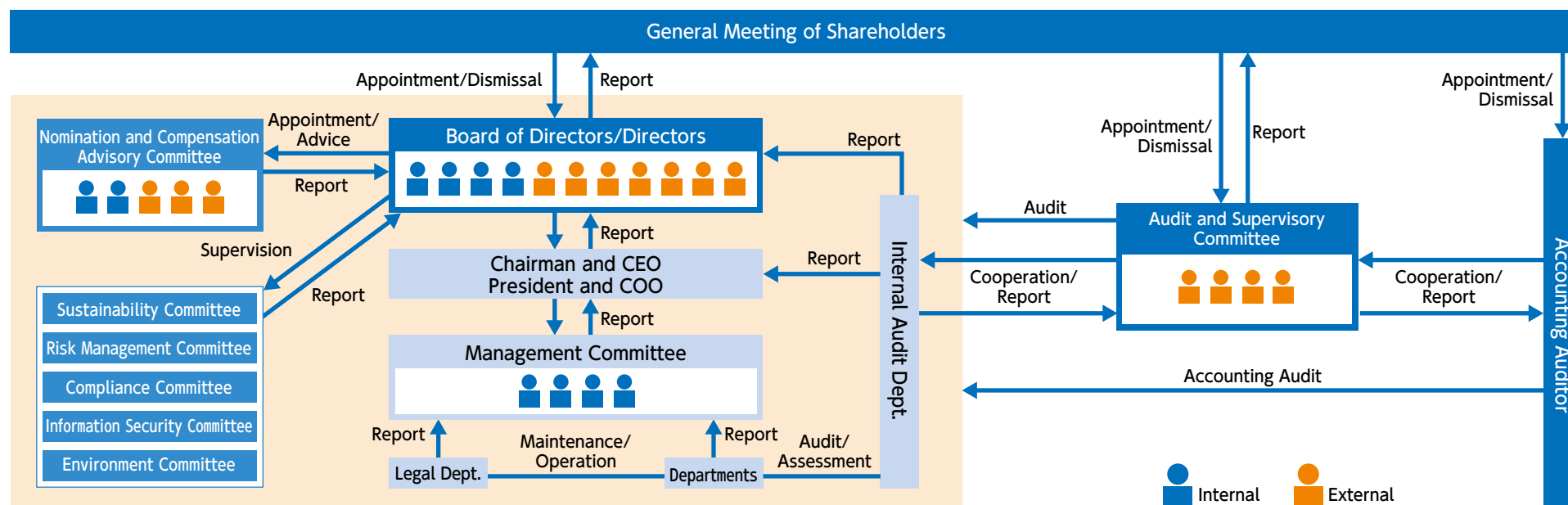
Webpage: "the Basic Policy on Corporate Governance" (in Japanese)
<https://www.ikont.co.jp/ir/business/pdf/governancepolicy20250627.pdf>

Corporate Governance Structure

After the 76th Ordinary General Meeting of Shareholders on June 27, 2025, Nippon Thompson transitioned from a company with an audit &

Long-term vision	Fair and transparent management through the Group's strong governance system
Medium-term targets for FY2031	Establish the Group's stronger governance

supervisory board to a company with an audit and supervisory committee. We decided to make this transition to the new structure as a means of making our management decision-making process and execution of business faster and more efficient. We also believe that having audit and supervisory committee members, whose responsibilities include auditing the execution of duties by directors, as board members with voting rights will boost the supervisory functions of the Board of Directors, further strengthening and enhancing our corporate governance system, which should add to our corporate value.



Corporate Governance Structure

Organization	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Advisory Committee	Management Committee
Composition	11 members (4 internal + 7 external) * Chaired by the chairman and CEO	4 members (4 external) * Chaired by a full-time Audit and Supervisory Committee member.	5 members (2 internal + 3 external) * Chaired by outside director	4 members (4 internal) * Chaired by the president and COO
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 financial audit and 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 (FY2025)	18 times	17 times (Audit & Supervisory Board)	3 times	40 times

- In June 2025, the Company transitioned to a Company with an Audit and Supervisory Committee, with outside directors accounting for a majority (63.6%) of the Board. Two female outside directors were also appointed, further improving board diversity.
- In the Nomination and Compensation Advisory Committee, it is necessary the majority of five committee members and the committee chairperson is to be outside director. This requirement ensures the committee's independence and objectivity.

Improving Corporate Governance

	2015	2025
Policy Formulation	- Established Basic Policy on Corporate Governance - Formulated handling and management standards for cross-shareholdings	- Formulated policy for determining the details of directors' compensation, etc. - Formulated Basic Sustainability Policy - Formulated the IKO Group Human Rights Policy - Established a Disclosure Policy - Developed a succession plan - Implement all the principles of the Corporate Governance Code
Improving the Objectivity of Management Decisions	- Increased number of outside directors (appointment of several independent outside directors) - Assessed effectiveness of the Board of Directors	- Established Nomination and Compensation Advisory Committee - Increased the number of outside directors (more than 1/3 independent non-executive directors) - Established Sustainability Committee - Transition to a Company with an Audit and Supervisory Committee (Outside directors: 63.6%)
Increasing Diversity of the Board of Directors		- Appointment of a female Director - Increased the number of female directors (ratio of female officers: 18.1%)

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	- Conducted evaluation questionnaires for all directors and Audit & Supervisory Board members - Individual interviews with each officer by the president and COO, who chairs the Board of Directors
Summary of Evaluation Results for FY2025	- 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	- Sustainability initiatives - Enhance training opportunities for directors
Future Challenges	- Improving the way meetings are conducted to revitalize the deliberations of the Board of Directors - Ensuring greater diversity among members of the Board of Directors

Approach to 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 63–64.

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

To appoint directors, Chairman and CEO proposes

candidates, and the Nomination and Compensation Advisory Committee, which is an auxiliary advisory body of the Board of Directors, deliberates on the proposal. Then the Board of Directors gives approval so that the candidates are appointed at a General Meeting of Shareholders. The selection of executive directors is resolved on by the Board of Directors. To appoint directors who are audit and supervisory committee members, we work to include a person with proper knowledge about finance and accounting. After consent is given from the Audit and Supervisory Committee, the Board of Directors give approval, so that the candidates are appointed at a General Meeting of Shareholders.

Succession Plan

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

The CEO shall formulate a proposal for the “ideal CEO,” including the qualities and abilities required

of a CEO. The Nomination and Compensation Advisory Committee shall deliberate on the proposal and report back to the Board of Directors before it is finalized. The “ideal CEO” shall be reviewed from time to time so that it can flexibly respond to changes in the external environment.

(2) Appointment criteria and procedures

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

(3) Dismissal criteria and procedures

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

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).

Webpage: “Corporate Governance Report” (in Japanese)
<https://www.ikont.co.jp/ir/business/pdf/cgreport20250627.pdf>

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



Continuously Improve Compliance and Governance

Officers and Skills Matrix (as of June 27, 2025)

	Name Position	Career summary, positions, responsibilities, and significant concurrent positions	Period of service	Number of shares held	Rate of attendance at meetings	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board Meetings	Affiliated committees	Nomination and Compensation Advisory Committee	Expertise and experience	Corporate management	Manufacturing, technology, and development	Sales and marketing	Finance and accounting	Compliance and risk management	Personnel and human resources development	Global business
Directors	 Shigeki Miyachi Chairman & CEO	Apr. 1979 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Oct. 2008 Joined the Company Jan. 2009 General Manager of Corporate Planning Dept. June 2010 Managing Director and General Manager of Corporate Planning Dept. June 2012 President & CEO April 2025 Chairman & CEO (current position)	15 years	126,082 shares		18/18 times	—		●		●		●	●	●		
	 Nobuya Hideshima Vice Chairman	Apr. 1978 Joined Yamaha Motor Co., Ltd. March 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 April 2025 Vice Chairman, in charge of Production Department, Sales Department, Sales Engineering Department, and Legal Department (current position)	6 years	12,419 shares		18/18 times	—				●	●			●		●
	 Mikihiro Hosono President & COO	Nov. 1990 Joined the Company Apr. 2019 Executive Officer and General Manager of Personnel and General Affairs Dept. Apr. 2021 Executive Officer and General Manager of Corporate Planning Dept. Apr. 2024 Senior Executive Officer, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., and Secretary Dept. June 2024 Director, in charge of Corporate Planning Department, Personnel and General Affairs Department, Accounting Department, and Secretary Department April 2025 President & COO (current position)	1 year	10,710 shares		13/13 times	—		●		●		●	●	●	●	
	 Osamu Nishimura Director	Nov. 2000 Joined the Company Apr. 2019 Factory 3 Manager of Gifu factory complex Apr. 2024 Executive Officer and General Manager of Corporate Planning Dept. Apr. 2025 Executive Officer, in charge of Corporate Planning Dept., Personnel and General Affairs Dept., Accounting Dept., and Secretary Dept. June 2025 Director, in charge of Corporate Planning Department, Personnel and General Affairs Department, Accounting Department, and Secretary Department (current position)	New Appointment	7,481 shares		—	—					●		●	●		

Executive Officer (as of October 1, 2025)	Managing Executive Officer Shin Kasahara	Deputy Executive Manager of Sales & Marketing Headquarters, in charge of Sales Engineering	Executive Officer Tadayoshi Ariga	General Manager of Production Headquarters. Mechatronics Unit Business Promotion Dept.
	Managing Executive Officer Tooru Okajima	In charge of Information Systems Department, Logistics Operations Department, DX promotion	Executive Officer Hiroaki Tago	Deputy Executive Manager of Sales & Marketing Headquarters, in charge of Overseas and General Manager of Overseas Sales Division, Overseas Sales Dept. 1
	Managing Executive Officer Shuichi Tezuka	Executive Manager of Sales & Marketing Headquarters and General Manager of Sales Operations Management Division	Executive Officer Atsushi Tsuchimochi	Deputy Chair of UBC (Shanghai) Precision Bearing Co., Ltd. and Director of UBC (Suzhou) Bearing Co., Ltd.
	Managing Executive Officer Satoshi Sato	Executive Manager of Production Headquarters	Executive Officer Hiroyasu Fukumasu	General Manager of Personnel and General Affairs Dept.
	Managing Executive Officer Toyohisa Ishihara	Executive Manager of Technology Development Headquarters, in charge of Quality Assurance Dept., Director of UBC (Suzhou) Bearing Co., Ltd.	Executive Officer Akihiko Hattori	Deputy Executive Manager of Sales & Marketing Headquarters, in charge of Central Japan Sales Division
	Senior Executive Officer Kenji Yokoyama	General Manager of Production Headquarters, in charge of IKO Mono-Zukuri Human Resource Development and Cost Control Enhancement	Executive Officer Tsutomu Togashi	General Manager of Overseas Sales Dept. and Overseas Sales Dept. 2 Chair of IKO-Thompson (Shanghai) Ltd.

	Name Position	Career summary, positions, responsibilities, and significant concurrent positions	Period of service	Number of shares held	Rate of attendance at meetings	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board Meetings	Affiliated committees	Expertise and experience	Global business	Personnel and human resources development	Compliance and risk management	Finance and accounting	Sales and marketing	Manufacturing, technology, and development	Corporate management
Directors	 Youichi Takei Outside Director	Apr. 1993 Registered as attorney (Dai-Ichi Tokyo Bar Association) Apr. 2000 Partner of Meitetsu Law Offices (current position) June 2003 Outside Audit & Supervisory Board Member of the Company June 2006 Outside Audit & Supervisory Board Member of Yamakin (Japan) Co., Ltd. (current position) June 2013 Outside Director (current position) June 2020 Outside Director of Daio Paper Corporation (current position) Jan. 2022 Audit & Supervisory Board Member of Nippon Export and Investment Insurance (current position)	12 years	—	18/18 times	—	—	● (Chairperson)				●				
	 Satoshi Saito Outside Director	Apr. 1982 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) Apr. 2005 Professor of School of Management (current position) June 2007 Outside Audit & Supervisory Board Member of the Company June 2016 Outside Director (current position)	9 years	—	18/18 times	—	—	●		●		●	●			
	 Atsuko Noda Outside Director	Apr. 1983 Joined Japan Airlines Co., Ltd. Apr. 1991 Purser Sept. 1994 Established Henkel & Grosse Japan Representative Office, Japan Representative Dec. 2002 Representative Director & CEO of Grosse Japan Inc. (current position) June 2022 Outside Director of the Company (current position)	3 years	—	18/18 times	—	—	●		●		●	●			●
	 Nobuhiro Matsumoto Outside Director (Full-time Audit and Supervisory Committee Member)	Apr. 1987 Joined The Tokai Bank, Limited (currently MUFG Bank, Ltd.) June 2013 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) June 2017 Director (Member of the Audit & Supervisory Committee) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. June 2019 Corporate Auditor of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Member of the Board of Directors (Member of the Audit & Supervisory Committee) of Mitsubishi UFJ Securities Holdings Co., Ltd. June 2023 Full-time Audit & Supervisory Board Member of the Company June 2025 Outside Director (Full-time Audit and Supervisory Committee Member) (current position)	2 years	7,205 shares	18/18 times	17/17 times	—			●		●	●			●
	 Taketo Nasu Outside Director (Audit and Supervisory Committee Member)	Apr. 1996 Registered as attorney (Dai-Ichi Tokyo Bar Association) Jan. 2001 Attorney admitted to the New York State Bar, USA Apr. 2009 Partner, Blakemore & Mitsuki (current position) June 2013 Outside Audit & Supervisory Board Member of the Company June 2025 Outside Director (Audit and Supervisory Committee Member) (current position)	12 years	—	18/18 times	16/17 times	—						●			●
	 Kazuhisa Hayashida Outside Director (Audit and Supervisory Committee Member)	Apr. 1997 Joined Tokyo Electron Ltd. Feb. 2014 Opened Kazuhisa Hayashida CPA Office as President (current position) June 2017 Outside Audit & Supervisory Board Member of Blue-Meme Inc. (current position) 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) June 2025 Outside Director (Audit and Supervisory Committee Member) (current position)	6 years	—	18/18 times	17/17 times	—				●		●	●		
	 Rika Saeki Outside Director (Audit and Supervisory Committee Member)	Apr. 2002 Established Usystem LLC. (currently Usystem co., Ltd.), Representative Director (current position) June 2021 Outside Director of Nikko Co., Ltd. (current position) June 2022 Director of Kobe Commerce, Industry and Trade Center (current position) June 2025 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)	New Appointment	—	—	—	—			●			●	●		●

*The rates of attendance at meetings shown above are the status when we were a company with an audit & supervisory board in FY2025.



Continuously Improve Compliance and Governance

Enhancing Information Disclosure and Communication With Stakeholders

Basic Approach

Given that collaborative value creation with diverse stakeholders is key to corporate management, we work on proper multistakeholder collaborations. These stakeholders are not only our shareholders, but our customers, business partners, employees, creditors, and local communities, among others.

Webpage:

Multistakeholder Policy (in Japanese)

https://www.ikont.co.jp/pdf/multistakeholder_policy20250319.pdf

Summary of Stakeholder Engagement

We believe that, to maintain and strengthen good relationships, it is vital to fully understand and meet stakeholders' expectations and interests, and thus we actively create opportunities for stakeholder engagement.

Major Stakeholders	Main interaction methods
Customers	•Daily sales activities (throughout the year) •Factory tours (as needed) •Technical workshops and social events (as needed) •Various exhibitions and private shows (irregular) •General meeting of agents (once a year) •Website (year-round)
Shareholders and Investors	•General Meeting of Shareholders (once a year) •IR meetings (96 meetings in FY2025) •Various publications (annual securities reports, Integrated reports, business reports, etc.) •Financial results briefing (twice a year) •Website (year-round)
Business Partners	•Purchasing policy briefing (once a year) •Green Procurement Survey (as needed) •Personnel evaluation and MBO interviews (4 times a year) •Stress check organizational diagnosis (once a year) •In-house magazine (as needed) •Quality and environmental audits of suppliers (as needed) •CSR Procurement Guideline Compliance Survey (as needed) •Self-assessment interview (once a year) •Labor-management consultations (as needed) •Various consultation services (as needed)
Employees	
Local community	•Neighborhood cleanup activities (about twice a year at multiple locations in Japan and overseas) •Donation activities to nearby welfare facilities (multiple locations in Japan and overseas, as needed) •Acceptance of student company visits and business introduction events (as needed) •Acceptance of factory tours for neighborhood residents (as needed)

Dialogues with shareholders

Held by	•President & COO, Director in charge of the Corporate Planning Dept., General Manager of Corporate Planning Dept., investor relations (IR) staff
Summary of dialogues with shareholders/investors	•IR interviews with domestic/international investors (e.g., fund managers, analysts) (96 interviews, 3 more than the last year) •Financial results briefing (twice; total view count of archived videos: 965 (as of the end of July 2025))
Main topics and shareholders' concerns	•Business performance at the moment and the outlook for it; progress on the medium-term business plan; growth strategies; shareholder returns policy; our ESG practices, etc.
How shareholders' feedback is communicated to the management	•Details of dialogues are reported quarterly to the Board of Directors, and also reported to President & COO and the management team as needed, for discussion.
Action based on dialogues	•As part of our shareholder returns policy, we have set a dividend on equity ratio (DOE) of 2.5% as a new standard for a minimum dividend, in addition to the conventional total payout ratio of 50% or above (May 2025). We aspire to earn the trust of our shareholders through a stable and foreseeable dividend policy.

Customers



Private show



Exhibition (USA)

Shareholders and Investors



General meeting of shareholders

Business Partners



Purchasing policy briefing

Participation in External Initiatives and Third-Party Evaluations and Certifications

Participation in External Initiatives

WE SUPPORT



News release

■ We joined the United Nations Global Compact (UNGC).

In July 2023, we endorsed the Ten Principles that the UNGC sets out in the four areas of human rights, labor, the environment, and anti-corruption, and joined the Compact. We also joined the Global Compact Network Japan (GCNJ), which consists of Japanese enterprises and organizations in the UNGC, and participate in various subcommittee meetings.



News release

■ We endorse the TCFD recommendations.

In January 2023, we endorsed the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). We are also a member of the TCFD Consortium in which companies and organizations that have endorsed the TCFD recommendations work together as a team to promote actions.



News release

■ We endorse the TNFD recommendations.

In September 2023, we endorsed the recommendations by the Taskforce on Nature-related Financial Disclosures (TNFD). We have also registered as a TNFD Early Adopter committed to information disclosure aligned with the TNFD recommendations and are preparing for disclosure accordingly.



News release

■ We are SBTi-certified.

In October 2024, we acquired an SBTi certification for the “near-term science-based targets” we had set to reduce GHG emissions.

Third-Party Evaluations and Certifications



■ We earned B scores from Carbon Disclosure Project (CDP) in 2024.

We earned a B score in the areas of climate change and water each as a company that understands its environmental risks and impacts thereof and acts to address them.



■ We won an EcoVadis silver medal.

In October 2024, IKO International, Inc. in the United States won a silver medal that EcoVadis awards to the top 15% companies in its sustainability assessment.



News release

■ We were named an Environmental Disclosure Progress Company.

In February 2025, at the 6th ESG Finance Award Japan hosted by the Ministry of the Environment, we were named an Environmental Disclosure Progress Company in the Environmentally Sustainable Company Category as a business that had dramatically advanced the level of disclosure and would likely make further progress.

Inclusion in an ESG index

■ Our stock has been selected as a constituent of an index that reflects the performance of companies actively demonstrating environmental, social, and governance (ESG) practices.



FTSE Blossom Japan Sector Relative Index

Our stock has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index used by Government Pension Investment Fund (GPIF), one of the world's largest institutional investors, for the third consecutive year.

Key Financial and Nonfinancial Data for the Past 11 Years

(Unit: millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Profit and Loss											
Net sales	44,972	43,664	44,130	55,228	57,570	47,457	44,342	62,284	68,260	55,048	54,384
Operating profit	3,877	3,018	1,145	2,649	4,883	1,341	(559)	5,898	9,459	3,164	1,592
EBITDA	7,504	5,144	3,625	5,657	8,748	5,202	4,211	11,534	14,002	7,973	5,347
Profit attributable to owners of parent	2,966	1,569	(291)	1,678	3,718	(185)	215	4,134	7,469	2,674	978
Financial Position											
Total assets ^{*1}	93,411	89,197	99,627	98,493	101,468	98,118	100,946	107,078	114,347	119,187	120,666
Net assets	61,099	58,056	58,605	59,666	60,195	57,439	59,425	63,974	71,662	76,164	75,631
Cash Flows											
Cash flows from operating activities	7,690	2,521	4,981	6,043	5,158	(2,497)	5,658	10,265	6,398	(2,488)	6,449
Cash flows from investing activities	(2,443)	(4,908)	(5,376)	(1,379)	(5,061)	(6,188)	(3,007)	(2,100)	(2,702)	(5,304)	(3,435)
Free cash flows	5,247	(2,386)	(394)	4,663	96	(8,686)	2,650	8,165	3,696	(7,792)	3,014
Cash flows from financing activities	(1,856)	(1,944)	7,126	(6,696)	(1,047)	4,618	(412)	(6,442)	(3,351)	7,566	912
Capital Expenditures, etc.											
Capital expenditures	2,427	6,150	2,627	2,535	5,248	5,455	2,752	2,019	2,504	4,857	3,900
Depreciation and amortization	2,584	2,272	2,596	3,094	3,297	3,800	3,833	3,885	3,423	3,325	3,240
Research and development expenses	778	903	990	1,036	1,148	1,305	1,266	1,324	1,526	1,554	1,744
Per Share Indicators											
Earnings per share (EPS) (yen)	40.71	21.64	(4.04)	23.35	51.95	(2.59)	3.02	58.27	104.92	37.82	14.18
Dividend per share (yen)	11.0	13.0	13.0	13.0	15.0	12.5	8.0	13.0	19.0	19.0	19.0

FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022 FY2023 FY2024 FY2025

Financial Indicators

Operating profit to net sales (%)	8.6	6.9	2.6	4.8	8.5	2.8	(1.3)	9.5	13.9	5.7	2.9
ROA (return on assets) (%)	3.2	1.8	(0.3)	1.7	3.7	(0.2)	0.2	3.9	6.5	2.2	0.8
ROE (return on equity) (%)	5.1	2.6	(0.5)	2.9	6.2	(0.3)	0.4	6.7	11.0	3.6	1.3
ROIC (return on invested capital) (%)	3.1	2.7	0.9	2.3	4.2	1.1	(0.4)	4.7	7.1	2.0	1.0
Equity-to-asset ratio (%)	65.4	65.0	58.4	60.1	59.1	58.4	58.7	59.6	62.6	63.8	62.6
Dividend payout ratio (%)	27.0	60.1	—	55.7	28.9	—	264.9	22.3	18.1	50.2	134.0
Inventory turnover (months)	7.7	7.7	7.4	5.6	5.8	8.0	8.8	6.3	6.3	8.7	8.9

Nonfinancial Data

Greenhouse gas emissions(Scope1,2)(t-CO ₂)	26,309	27,429	27,249	30,848	31,750	30,580	23,894	33,247	31,942	27,277	22,526
Electricity consumption (MWh)	41,746	44,071	44,023	50,374	57,995	54,297	44,458	64,365	* ² 62,109	49,942	45,613
Water consumption (1,000 m ³)	124	142	134	146	* ² 172	* ² 152	* ² 152	* ² 179	* ² 170	* ² 154	135
Waste emissions (t)	* ² 3,678	* ² 3,339	* ² 3,476	* ² 3,760	* ² 4,423	* ² 3,993	* ² 2,994	* ² 3,887	* ² 3,958	* ² 2,996	2,992
Emissions and transfers of PRTR-listed substances (kg)	113	94	27	26	216	206	12	32	33	26	17
Number of consolidated employees (persons)	1,750	1,750	1,919	2,232	2,448	2,232	2,456	2,688	2,613	2,472	2,366
Ratio of female employees (%) ^{*3}	7.8	8.6	9.7	11.7	11.3	11.5	11.9	12.3	12.8	13.3	14.5
Male childcare leave utilization rate (%) ^{*3}	—	—	—	—	—	0.0	0.0	12.1	51.9	65.5	75.0
Childcare leave return-to-work rate (%) ^{*3}	—	—	—	—	—	100.0	100.0	100.0	100.0	93.8	100.0
Number of national qualification holders (persons) ^{*3}	1,071	1,212	1,242	1,319	1,355	1,401	1,390	1,421	1,453	1,513	1,528
Education cost per person (thousand yen) ^{*3}	—	—	—	—	—	34	16	20	30	31	32

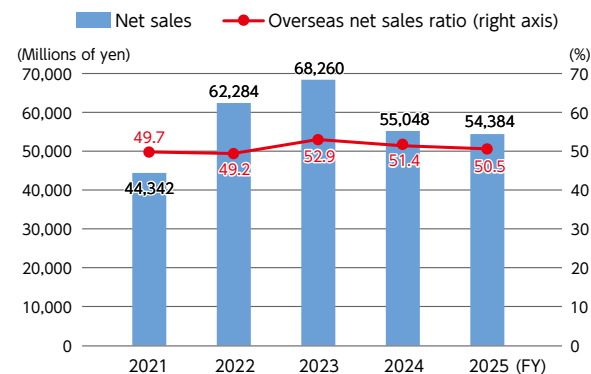
*1 Guided by the Partial Amendments to Accounting Standard for Tax Effect Accounting, the consolidated balance sheets as of the end of FY2018 were reclassified

*2 We are reviewing data retroactively. The data for water usage and waste emissions have been revised to represent the aggregated figures from three production sites: domestic production bases in Japan and two consolidated manufacturing subsidiaries, ITV (Vietnam) and UBC Suzhou (China).

*3 The figures represent data for Nippon Thompson Co., Ltd. on a non-consolidated basis.

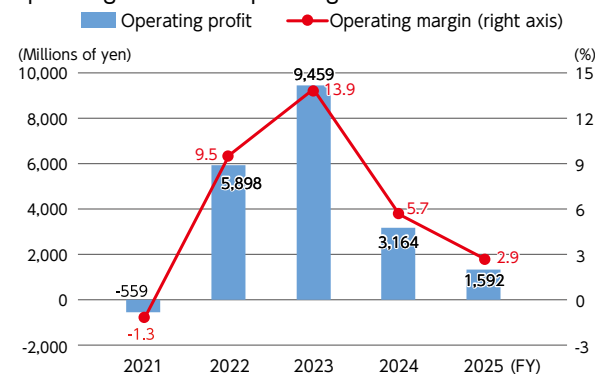
Financial Highlights

Net Sales and Overseas Net Sales Ratio



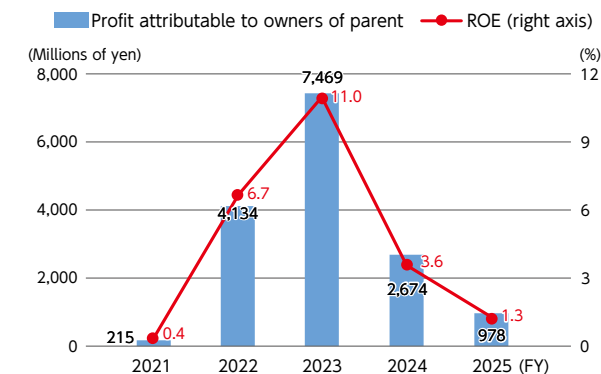
Net sales for FY2025 decreased 1.2% year on year because of slowdowns in the European and Chinese markets, whereas the sales of products for electronics, among others, have been gradually picking up again. The overseas net sales ratio dropped 0.9 percentage points year on year to 50.5%.

Operating Profit and Operating Profit to Net Sales Ratio



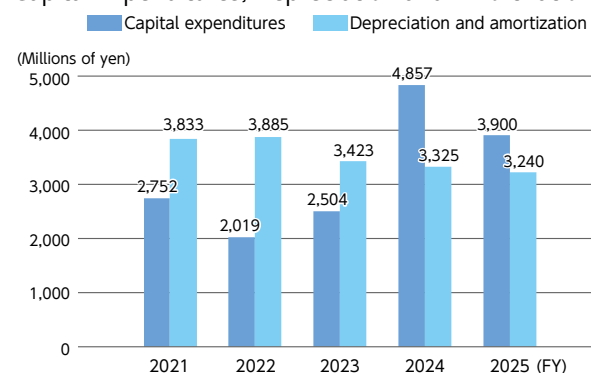
In FY2025, operating profit decreased 49.7% year on year to 1,592 million yen and the operating margin dropped 2.8 percentage points year on year to 2.9%, due to a decrease in revenue and production cutbacks, among other reasons, whereas a weaker yen in foreign exchange markets had some beneficial effect.

Profit Attributable to Owners of Parent and ROE



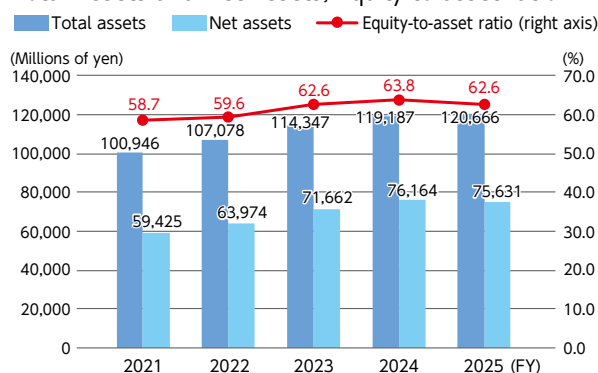
Profit attributable to owners of parent decreased 63.4% year on year due to impairment loss recorded and other factors, in addition to a decrease in revenue and production cutbacks. ROE dropped 2.3 percentage points year on year to 1.3%.

Capital Expenditures; Depreciation and Amortization



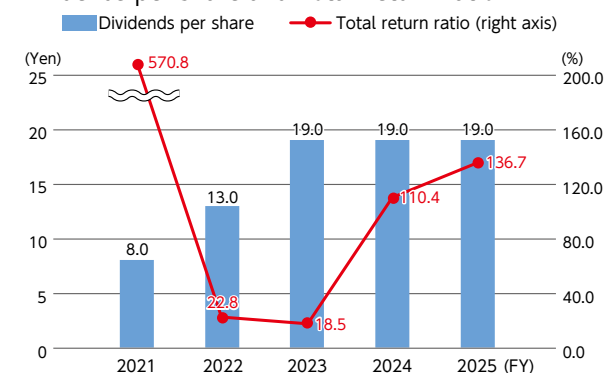
During FY2025, capital expenditures amounted to 3,900 million yen, as we made investments to boost the capacities of our production sites in Japan and overseas, along with investments in automation to improve production efficiency.

Total Assets and Net Assets; Equity-to-asset ratio



Net assets totaled 75,631 million yen due to a decrease in valuation difference on available-for-sale securities that accompanied the sale of cross-held shares. The equity ratio dropped 1.2 percentage points compared to the end of the previous fiscal year to 62.6%.

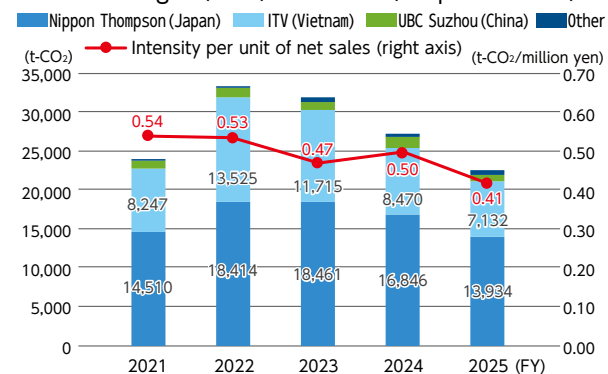
Dividends per Share and Total Return Ratio



Our basic policy is to maintain stable dividends. In FY2025, despite a decrease in profits, we maintained the dividend of 19 yen, the same as the previous fiscal year, with the total return ratio amounted to 136.7%.

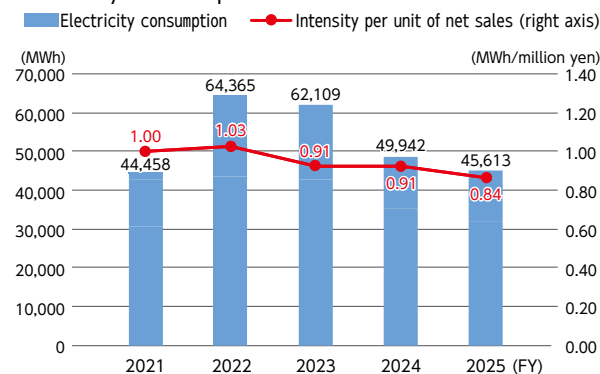
Non-Financial Highlights

Greenhouse gas (GHG) emissions (Scopes 1 and 2)



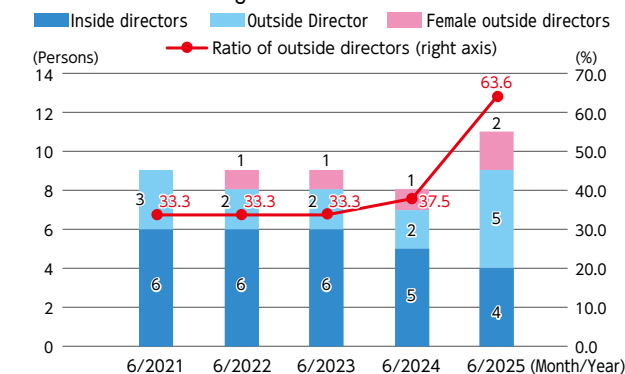
In FY2025, our GHG emissions decreased 17.4% from the previous year to 22,526 t-CO₂ as a result of production adjustment for inventory optimization and measures taken to conserve energy and introduce renewable energy.

Electricity Consumption



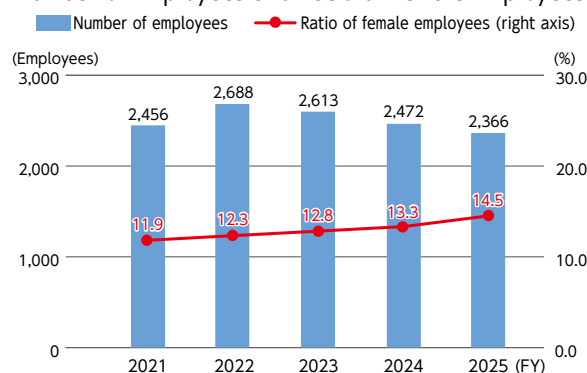
As with GHG emissions, production adjustment and measures to conserve energy and introduce renewable energy led to a 8.7% reduction in electricity consumption from the previous year to 45,613 MWh.

Numbers and Percentages of Directors and Outside Directors



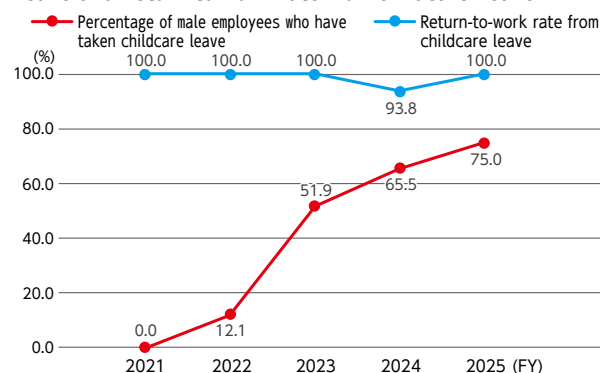
We transitioned to a company with an audit and supervisory committee in June 2025, and seven outside directors have been on board since, making up 63.6% of the board members. Two of the outside directors are women, which has added to the diversity of the Board of Directors.

Number of Employees and Ratio of Female Employees



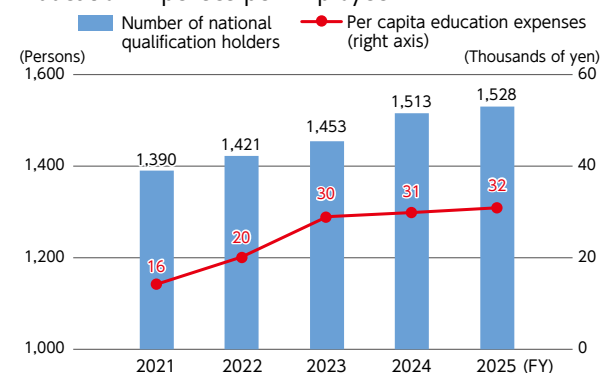
We have steadily increased the percentage of female employees to 14.5% as we continued to implement targeted and creative recruitment initiatives, such as holding company information sessions exclusively for women.

Percentage of Male Employees Who Have Taken Childcare Leave and Return-to-Work Rate from Childcare Leave



We help our employees balance childrearing and work, so that the percentage of male employees who have taken childcare leave will reach 85% by FY2031. The percentage rose to 75.0% in FY2025.

Number of National Qualification Holders and Education Expenses per Employee



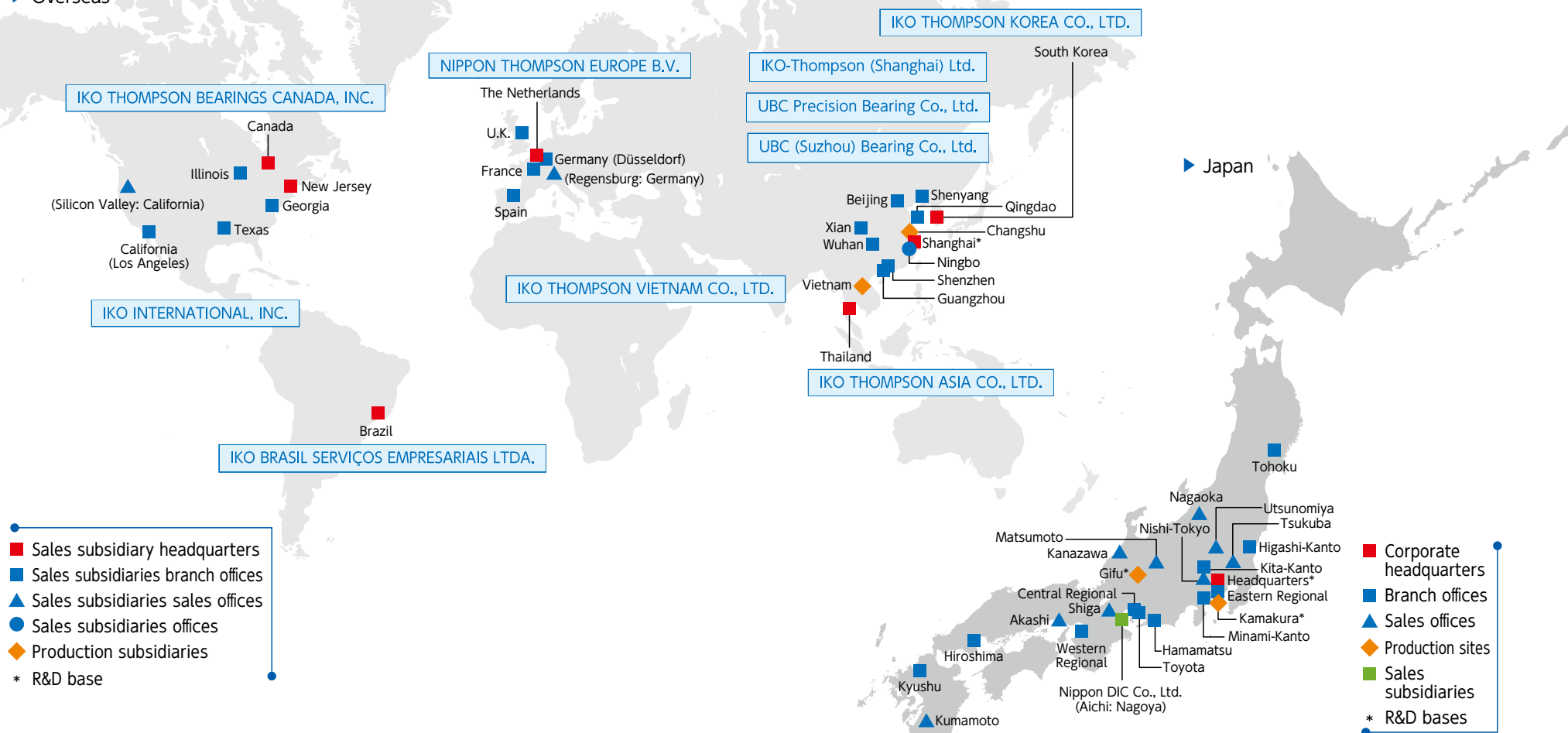
We provide a variety of rank-specific education and practical training activities for each division as our leadership development program. Moreover, we have an incentive program for employees to acquire external qualifications to support their self-development.

Global Network

The Group has operational locations in 13 countries, including Japan, around the world to run our international businesses.

In August 2025, we opened the R&D Center China in Shanghai in order to further enhance our technological development and our ability to offer prompt customer service in the Chinese market. As a “company centered on technology development that contributes to society,” the Group engages in technology development at its headquarters, factories in Gifu and Kamakura, and this new R&D center, four locations in total.

▶ Overseas



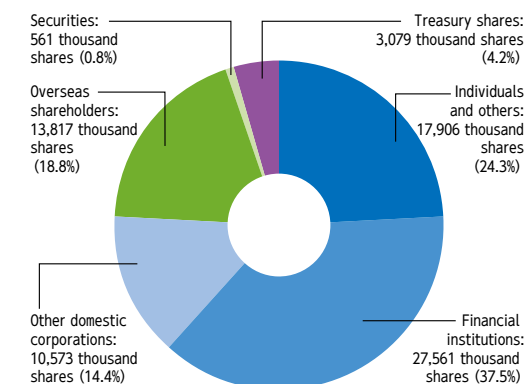
Company Profile and Stock Information (as of March 31, 2025)

Total authorized shares	291,000,000 shares
Total outstanding shares (excluding 3,079,894 treasury shares)	70,421,531 shares
Number of shareholders	10,744
Trade name	Nippon Thompson Co., Ltd.
Trademark	IKO
Established	February 10, 1950
Corporate headquarters	19-19 Takanawa 2-chome Minato-ku, Tokyo 108-8586, Japan
Capital	9,533,170,390(Yen)
Number of employees	2,366(Group total)

Major Shareholders and Number of Shares Owned

Name of shareholder	Number of shares owned (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,181	13.03
Nippon Thompson Business Partners Shareholders' Association	5,841	8.29
Nippon Life Insurance Company	4,262	6.05
Custody Bank of Japan, Ltd. (Trust Account)	3,433	4.87
MM Investments Co., LTD.	2,105	2.98
Nippon Thompson Employees Shareholders' Association	2,013	2.85
Nachi-Fujikoshi Corp.	2,008	2.85
HSBC BANK PLC A/C M AND G (ACS) VALUE PARTNERS CHINA EQUITY FUND	1,998	2.83
MUFG Bank, Ltd.	1,612	2.28
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,400	1.98

Shareholder composition by type of ownership



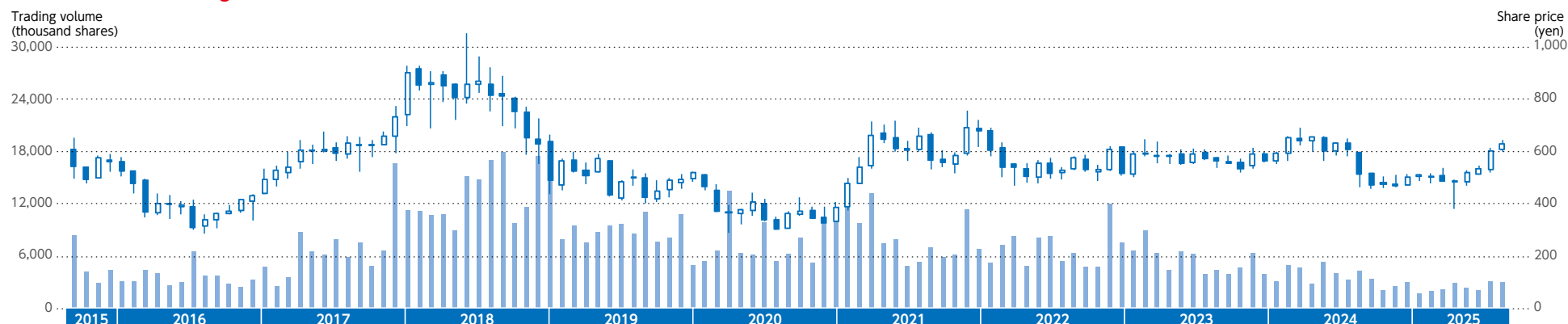
Total Shareholder Return (TSR)

	1 Year (End of March 2024 to end of March 2025)	3 Years (End of March 2022 to end of March 2025)	5 Years (End of March 2020 to end of March 2025)	10 Years (End of March 2015 to end of March 2025)
Nippon Thompson stock price	-21.3%	0.4%	52.8%	6.3%
TOPIX	-1.5%	47.2%	113.4%	117.4%
TOPIX machinery index	-4.3%	51.9%	133.7%	126.8%

Stock Price Valuation

	FY2021	FY2022	FY2023	FY2024	FY2025
Year-end stock price (yen)	662	541	581	642	486
PBR(times)	0.8	0.6	0.6	0.6	0.4
PER(times)	219.2	9.3	5.5	17.0	34.3
ROE(%)	0.4	6.7	11.0	3.6	1.3
Dividend yield (%)	1.2	2.4	3.3	3.0	3.9
Year-end market capitalization (millions of yen)	46,915	38,430	41,430	44,211	33,597

Stock Price and Trading Volume



IKO

NIPPON THOMPSON CO., LTD.

19-19 Takanawa 2-chome Minato-ku,
Tokyo 108-8586, Japan
<https://www.ikont.co.jp/eg/>
December 2025

