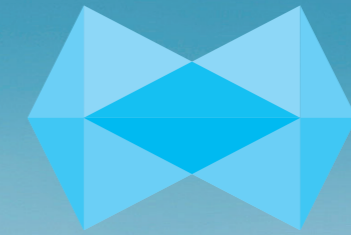




Sanbancho Tokyu Building 3F, 8-1 Sanbancho,
Chiyoda-ku, Tokyo 102-0075 Japan



NPR-RIKEN

INTEGRATED REPORT

2024

Group Philosophy

Mission

Build the competencies and capabilities to sustain our present and future

Vision

Create innovation through the blending of people and technology while continuing to embrace change.

Value



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[Editorial Policy]

This document is published to present how the Group is trying to achieve sustainability management. It introduces our ESG initiatives to our shareholders, investors, and other stakeholders, in addition to the Group’s business strategies that aim for sustainable development of society and sustainable enhancement of corporate value, such as contributing to the achievement of the SDGs and providing products with superior environmental performance more widely putting our corporate philosophy into practice.

[Special Note on Forward-looking Statements]

This document contains forward-looking statements. These are based on NPR-RIKEN’s judgment at the time this document was prepared and include risks, uncertainties, and other factors. Please be aware that changes in conditions may cause actual results and performance to differ materially from those described in this document.

[Period of Report]

Fiscal year ended March 31, 2024 (October 2, 2023 to March 31, 2024)
 Note: Some activities outside the period covered are also introduced.

[Scope of Report]

NPR-RIKEN CORPORATION and consolidated subsidiaries
 Note: Part of this report covers only NPR-RIKEN CORPORATION and group companies in Japan.

[Reference Guideline]

- Value Reporting Foundation (VRF): International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation

NPR-RIKEN Website
<https://www.npr-riken.co.jp/en/>

Message from Top Management



Representative Director, Chairman and CEO

Yasunori Maekawa

Representative Director, President and COO

Teruo Takahashi

We will achieve transformation and sustainable growth through the fusion of people and technology

1st Term Financial Results

Since the establishment of NPR-RIKEN CORPORATION as a joint holding company of Riken Corporation and Nippon Piston Ring Co., Ltd. (the "Two Companies") on October 2, 2023, following the business integration of the Two Companies, we have completed the statement of accounts, ordinary general meeting of shareholders, and distribution of the year-end dividend for our 1st Term. We would like to express our appreciation to the many stakeholders whose encouragement and support made it possible for us to take these important first steps as a new company.

The Group's consolidated net sales for the 1st Term were 138,586 million yen, due to a recovery in automotive production volume as well as the weakening of the yen. In terms of profit and loss, operating profit was 8,764 million yen, due to increased sales, promotion of cost reduction, and progress in passing on rising energy and raw material prices,

while ordinary profit was 11,635 million yen, due to profit from overseas entities accounted for using equity method, and profit attributable to owners of parent was 26,324 million yen, due to the recognition of the gain on bargain purchase arising from the business integration of the Two Companies. Net sales, operating profit, and ordinary profit each exceeded the performance forecasts.

At the time of our establishment, business combination was conducted with Riken Corporation as the acquiring company. Therefore, the consolidated operating results for this consolidated fiscal year are based on Riken Corporation's consolidated operating results from April 1, 2023 to March 31, 2024 (12 months), and Nippon Piston Ring's consolidated operating results from October 1, 2023 to March 31, 2024 (6 months).

When this is converted into consolidated results for 12 months for the Two Companies, as shown in the table below, net sales increased 16%, operating profit increased 51%, and ordinary profit increased 35% year-on-year, and we

are pleased to have made such a positive start in our 1st Term.

FY2023 Full-Year Results and Year-on-Year Comparison

■ Year-on-Year increase in revenue and income
 ■ Large increase in profit due to recording of gain on bargain purchase (19.2 billion yen)
 [12-month results of Riken and NPR are reflected]

(Billions of yen)	FY2022 results	FY2023 results	Change	% Change
Net sales	144.9	168.6	+23.7	+16%
Operating profit	7.1	10.6	+3.6	+51%
Ordinary profit (ratio)	10.1 (7.0%)	13.7 (8.1%)	+3.5 (+1.1 pt)	+35%
Profit **	6.1	27.9	+21.7	+355%
Profit excluding gain on bargain purchase *1	6.1	8.7	+2.6	+42%
ROE **2	4.9%	6.2%	+1.3 pt	

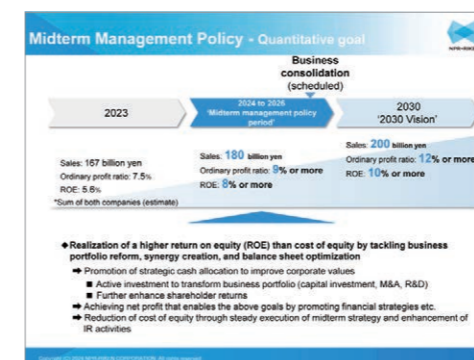
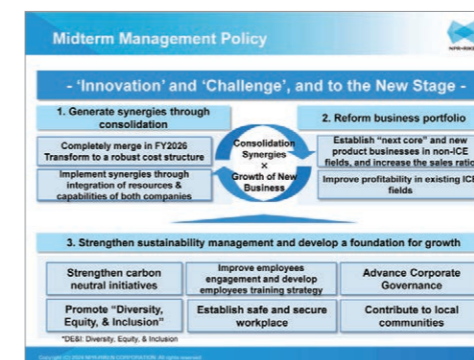
*1 Profit attributable to owners of parent
 *2 Excluding gain on bargain purchase

These strong financial results in our 1st Term are due to the improvement in the business environment as mentioned above, as well as existing initiatives that the Two Companies had been pursuing since before the business integration began. We expect that the results of the synergies from the integration will be reflected in our performance during the current fiscal year, which is the first year of our first Midterm Management Plan (FY2024-FY2026) that we announced on February 14, 2024.

The First Midterm Management Plan

The Midterm Management Plan was formulated with three basic policies, generate synergies through consolidation, reform the business portfolio, and strengthen sustainability management and develop a foundation for growth, in order to accelerate efforts toward decarbonization while aiming for sustainable growth and increased corporate value.

The Two Companies plan to be fully integrated by the final year of the Midterm Management Plan.



Creation of Synergies

Regarding generation of synergies through consolidation, concrete results are already appearing in the administrative, development, and sales divisions which have begun working toward complete consolidation. Specific measures are being implemented in the business divisions as well, such as consolidating logistics bases, reducing procurement costs through joint purchasing, and reducing manufacturing costs, and we expect to achieve savings of around 0.5 to 1 billion yen during FY2024. We will work to maximize the benefits of synergies through FY2026, the final year of the current Midterm Management Plan.

When considering the creation of synergies, we made many discoveries during the business integration of areas where the ways of working and the underlying thinking differed between the Two Companies. By taking the best parts of each and also adopting novel approaches that are superior to what either of the Two Companies had been using, we expect to achieve greater results than simply consolidating management resources or restructuring businesses and processes. In fact, the differences between the Two Companies have become the seeds for new synergies.

"Have an open mind to openly acknowledge and proactively incorporate best practices and policies, without insisting on the conventional way of doing things" is our Group slogan, and we continue to communicate this as our shared values.

As the NPR-RIKEN Group, we will continue to promote efforts to evolve into a better company and aim for sustainable growth and increased corporate value.

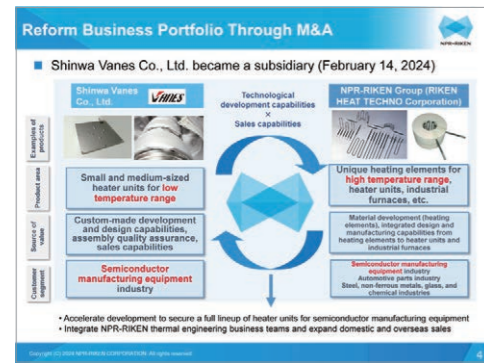
Business Portfolio Reform

Through our business portfolio reform activities, we aim to secure revenue by strengthening the profitability of existing businesses centered on automotive engine parts, which will be achieved by creating synergies through business integration and further capturing demand for non-automotive engine parts such as heavy-duty commercial, marine, industrial, and aftermarket parts, even when demand for mainstay passenger car engine parts is peaking and even slumping.

In order to expand sales and corporate scale in 2030 and beyond, we are enacting plans for business portfolio reform to shift management resources to our next core business that we expect to grow in the future, and have set a target to increase sales in these businesses from 5.8 billion yen in FY2023 to 18.0 billion yen by FY2026.

The next core business consists of the thermal engineering business, EMC business, and METAMOLD business, which have a high degree of affinity with our existing businesses (piston ring business and the fundamental business of automotive and industrial parts), as well as several other new product businesses.

We are actively pursuing M&A that align with our existing businesses and technologies, such as the acquisition in February 2024 of Shinwa Vanes Co., Ltd. as a subsidiary, which has high affinity with our thermal engineering business. As a result, we will be able to offer a full lineup of heater units for semiconductor manufacturing equipment, and the entire Group will work together to further expand sales to customers in Japan and overseas while accelerating development. We will continue to consider M&A in various areas with high degrees of affinity with our existing businesses.



We established a Development Head Office in April 2024 that will enhance new business and product development and actively work to develop new products and businesses that will become the next generation of core products, in order to enhance our next core areas as a Group.

We are appropriately reallocating the resources we have accumulated through organizational integration and shifting to the next core business that will lead the way in the future.

There is a growing trend in the thermal engineering business of switching from using thermal energy produced by burning fossil fuels to using electrical resistance heating. We have several projects related to this switch underway both domestically and overseas, and we are also considering building a new factory to meet these needs.

Business Strategy - Numerical target	
Increase profitability	<p>World's No. 1 supplier</p> <p>Sales expansion of engine-remaining non-passenger car products *Engines for heavy-duty commercial, industrial, agricultural and marine</p> <p>Synergy effect ⇒ improved profitability</p> <p>64.9 bil. yen → 67.5 bil. yen</p> <p>Operating profit ratio 7% → 10% or more</p>
Functional business	<p>Offsetting the engine production decrease by expanding shares in specialty areas</p> <p>Improving profitability through rationalization and product portfolio review</p> <p>79 bil. yen → 80 bil. yen</p> <p>Operating profit ratio 5% → 7% or more</p>
Increase sales to become core business	<p>Swift business expansion by reinforcing resources</p> <p>Business expansion in growth areas (semiconductor, electric, promoting CN)</p> <p>Business expansion through M&As</p> <p>5.8 bil. yen → 18 bil. yen</p> <p>Operating profit ratio 4% → 10% or more</p>

The target for the next core business in FY2026 is sales of 18.0 billion yen and an operating profit ratio of at least 10%. To achieve these targets, we plan to review and cancel investments related to existing businesses and determine whether to withdraw from these businesses through FY2026, and also reshape the business portfolio centered on the next core business.

In order to achieve the sales and profit targets we have set not only for the next core business but also for our piston ring and fundamental businesses, we believe it is essential to withdraw from or sell some products and businesses and allocate even more management resources to the next core business.

As we reshape our business portfolio, our goal is to create a system that comprehensively evaluates each business based on its affinity with existing businesses, growth potential, profitability, capital efficiency, and our management philosophy, depending on the stage of each business (from introduction to decline), in order to ensure continuous optimization.

Reduced Growth in Sales of Electric Vehicles (BEVs)

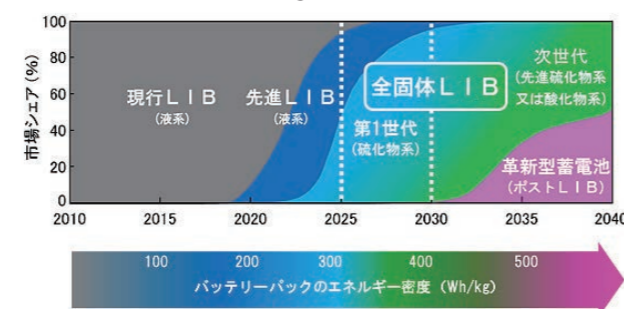
Recently, there have been reports of a slowdown in electric vehicle (BEV) sales and downward revisions in mid- to

long-term EV production planning by vehicle manufacturers, and we have been asked whether there will be any change to our policy of business portfolio reform under this business environment.

Our view is that production of pure internal combustion engine (ICE) passenger cars has already peaked, and even if there is a temporary slowdown or signs of a slowdown in the astounding growth rate to date, the overall situation will not change in the medium to long term, with sales of BEVs expanding and sales of ICE vehicles declining.

Compared to the roadmap for the adoption of BEVs that was drawn up by several think tanks and public institutions more than a decade ago, the current situation is lagging behind in terms of improvements in battery performance, reductions in production and operating costs, and the development of charging infrastructure, but we consider BEVs to have been adopted at a speed that exceeds expectations at the time due to promotion policies in various countries.

Predicted Technological Shift in EV Batteries



We believe that there are still technologies we can pursue in the area of ICE parts for passenger cars, and that we can continue to provide products that not only reduce environmental impact but also help build a decarbonized society, and we will continue to work on technological development and new projects so that we can meet the needs of the market and our customers.

Regarding non-passenger car engine markets, such as heavy-duty commercial, marine, and industrial engines, as well as the repair market, we will ensure profits by further capturing global demand, in light of the future potential of these markets. In order to expand sales and corporate scale through 2030 and beyond, we will shift our management resources to the next core business with promising growth potential.

Strengthening Sustainability Management and Developing a Foundation for Growth

Before combining the Two Companies, there was already a high degree of affinity between our philosophies, action guidelines, and key sustainability issues (materiality), but we have now formulated a new philosophy, Sustainability Policy, and materiality for the newly integrated Group. Regarding materiality issues, the NPR-RIKEN Group has established respective qualitative targets and KPIs and are working diligently to improve them.

Human Resources Development

In addition, major materiality issues were also selected with KPIs configured and built into the Midterm Management Plan.

Amongst the targets laid out for human resources are improvement of employee engagement and human resource development strategy, promotion of DE&I*, and creation of safe and secure workplaces.

In addition, shifting personnel to growing areas, conversion of human skill through re-skilling, and human resource development and introduction of new system to reinforce DE&I initiatives will be defined under the banner of human investment and promoted with specific intentions.

Values to be shared across the NPR-RIKEN Group
 We have established four values that lay out the kind of human resources we want to develop and the values we want to share as the NPR-RIKEN Group through these efforts: open-mindedness that transcends boundaries, agility and flexibility, ability to create and implement new things, and acting with integrity.

Developing human resources centered on these values is what will make it possible to promote management that includes business portfolio reform and sustainable growth. As such, we intend to promote the development of our internal environment, including the formulation of human resource development policies and revision of our personnel system.

Becoming an organization that encourages people to take on the challenge of change

To build a human resource portfolio that is linked to future business strategies and structures, the Two Companies will continue to develop human resources and pass on technologies and skills by establishing career paths for each employee in advance. At the same time, we will develop systems to support independent and autonomous career development and selection, such as job rotation, internal recruitment, and support for reskilling, to encourage each individual to take on the challenge of change and thereby put our Group Philosophy into practice.

Employee engagement

It is generally recognized that improving employee engagement enhance human resource development and increases the potential of each employee, but we recognize that this is a particularly important issue in the business environment in which the Company finds itself.

For example, shifting personnel to growing areas as part of taking on the challenge of change requires the company to decide policy and allocate resources, but it is also essential that each employee in each business fully understands and empathizes with the policy, and then undertakes reskilling and has initiative to autonomously explore uncharted territory.

It is no exaggeration to say that taking on the challenge of change itself presupposes the existence of high employee engagement.

In order to increase employee engagement, we must instill in our employees the idea that we are contributing to the sustainable development of society through our policies and our business activities based on our management philosophy, such as providing products with superior environmental performance, and that this is linked to the values of each and every employee.

In order to ensure that our new policies are understood throughout the Group, in the year since the business integration, we have been working on all aspects, including two-way webinars and joint Group training sessions in which the top management themselves explain the company policies in their own words and answer employees' everyday questions, activities in which booklets of our Management Philosophy and Code of Conduct are read together in each workplace, and holding events in line with our sustainability policies (promoting DE&I, contributing to local communities, etc.) which Group employees participate in.

In addition, in May 2024, we granted restricted stock to the Employee Stock Ownership Plan to provide eligible employees with an incentive to contribute to the sustainable improvement of our corporate value, and as a result, the participation rate in the Employee Stock Ownership Plan has increased from 31% to 88%.

In parallel with these efforts, we are conducting engagement surveys based on uniform Group standards which target the employees of the Two Companies. Based on the results, we will set quantitative targets for employee engagement and implement new measures to further increase it.

Innovation Through the Blending of the Two Companies' People and Technology

The Two Companies are creating synergies through personnel exchanges and an inventory of technological information, such as combining the best front- and back-end processes for common products, consolidating technological development on common themes, and reducing the costs of maintaining patents, with the goal of encouraging innovation born from the fusion of the Two Companies' people and technologies.

This is exactly what is stated in our Management Philosophy, and we will continue to work diligently to spread the company's policies, to increase employee engagement, and to increase harmony throughout the entire Group as we move toward complete integration. At the same time, we will also promote specific initiatives focused on creating innovation.

Investor Relations (Enhanced Capital Efficiency and Shareholder Returns)

In the Midterm Management Plan, we have disclosed our basic policy of realizing a return on equity (ROE) that exceeds the cost of capital by reforming our business portfolio, creating synergies, and optimizing our balance sheet. We have also disclosed our cash allocation plan, which shows how we will distribute the cash we generate to shareholder returns, R&D investments, and strategic investments including M&A and capital expenditures.

Six months have passed since the disclosure, and during that time we have received various requests from shareholders, including the pursuit of higher levels of capital efficiency and the details of various capital policies. We are aware of these expectations, and plan to further promote two-way communication in order to ensure steady implementation.

This Integrated Report has been published as a follow-up to the Sustainability Report (published May 2024) that presented financial and non-financial information and introduced our Midterm Management Plan, in order to help shareholders and investors understand how the NPR-RIKEN Group can grow sustainably by achieving business portfolio reform, and that we are working on sustainability management and human resources development to support this goal.

In addition to updated and additional content, including this message from top management, it also includes a roundtable discussion with the outside directors.

We believe that through the steady execution of ROE improvement and enhancement of shareholder returns, along with the enhancement of these activities and the understanding of shareholders and investors, we will improve corporate value, stock price, and P/B ratio.

NPR-RIKEN Businesses

Strengthen Profitability

Piston Ring Business

We provide high-performance, high-quality piston rings for passenger cars, heavy-duty commercial/industrial, aftermarket, and marine applications to a wide range of customers around the world in response to engine requirements for higher output, lower fuel consumption, and cleaner exhaust gas.



Fundamental Business

Precision Machined Parts (For Automotive and Industrial Machinery)

• **Sintered products, engineered plastic products, and precision components**

We provide a wide range of seal parts, including those for cylinder liners, valve seats, valve lifters, camshafts, transmissions, compressors and turbochargers that contribute to engine performance just like piston rings.



• **Casting components**

We provide automotive undercarriage parts such as steering knuckles, lower arms, damper forks, brake parts, and differential cases.



Piping Products (For Construction and Industry)

Our lineup consists of a variety of piping materials, centered around pipe fittings, which play a major role in industrial sectors such as lifelines, disaster prevention systems, and plants that support comfortable and safe urban living.

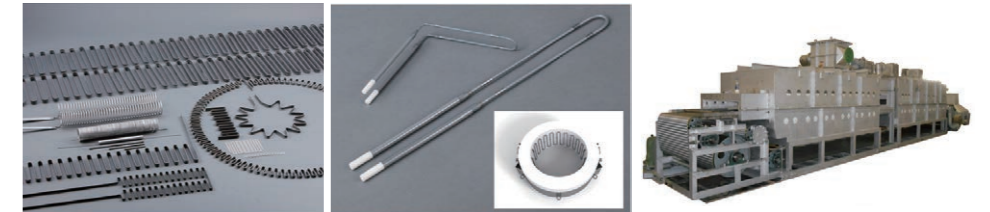


Increase Sales to Become Core Business

Next Core Business

Thermal Engineering

We develop, manufacture, and sell our own heating elements, and also provide heating equipment such as various industrial furnaces that utilize these elements.



EMC

The Group develops and sells anechoic chambers and other products for measuring electromagnetic waves as part of its EMC-related business.



METAMOLD

We provide metal injection molded products that support our everyday lives in a variety of fields, including automotive parts (steering parts, etc.), robots, information communication/office automation equipment, precision medical equipment, and leisure goods.
Note: METAMOLD is a registered trademark of metal powder injection molding products.



New Products and New Businesses

We develop unique products in which we apply and develop the Group's technologies for each market in growing sectors.

• **Electric unit products**

Compact and thin actuators and lightweight strain wave gears for the expanding industrial/nursing and medical robots and compact mobility markets. (Metal → engineered plastic material)

• **Highly functional engineered plastic products**

Products that substitute metal for engineered plastic materials utilizing weight reduction and dissimilar material joining technologies in anticipation of the expansion of the next-generation mobility and robotics markets. (Resin gears, millimeter wave radar cases, inverter parts for electric vehicles, etc.)

• **Noise countermeasure products**

Expansion of noise countermeasure products cultivated in EMC, easy-to-install electromagnetic interference countermeasure components for CASE. (Noise suppression sheets, radio wave absorber sheets, clamp nano crystal cores, etc.)

• **Medical equipment**

Implantable medical devices by NiFreeT[®] for an aging society with a declining birthrate, advanced medical care, and evolving medical devices.

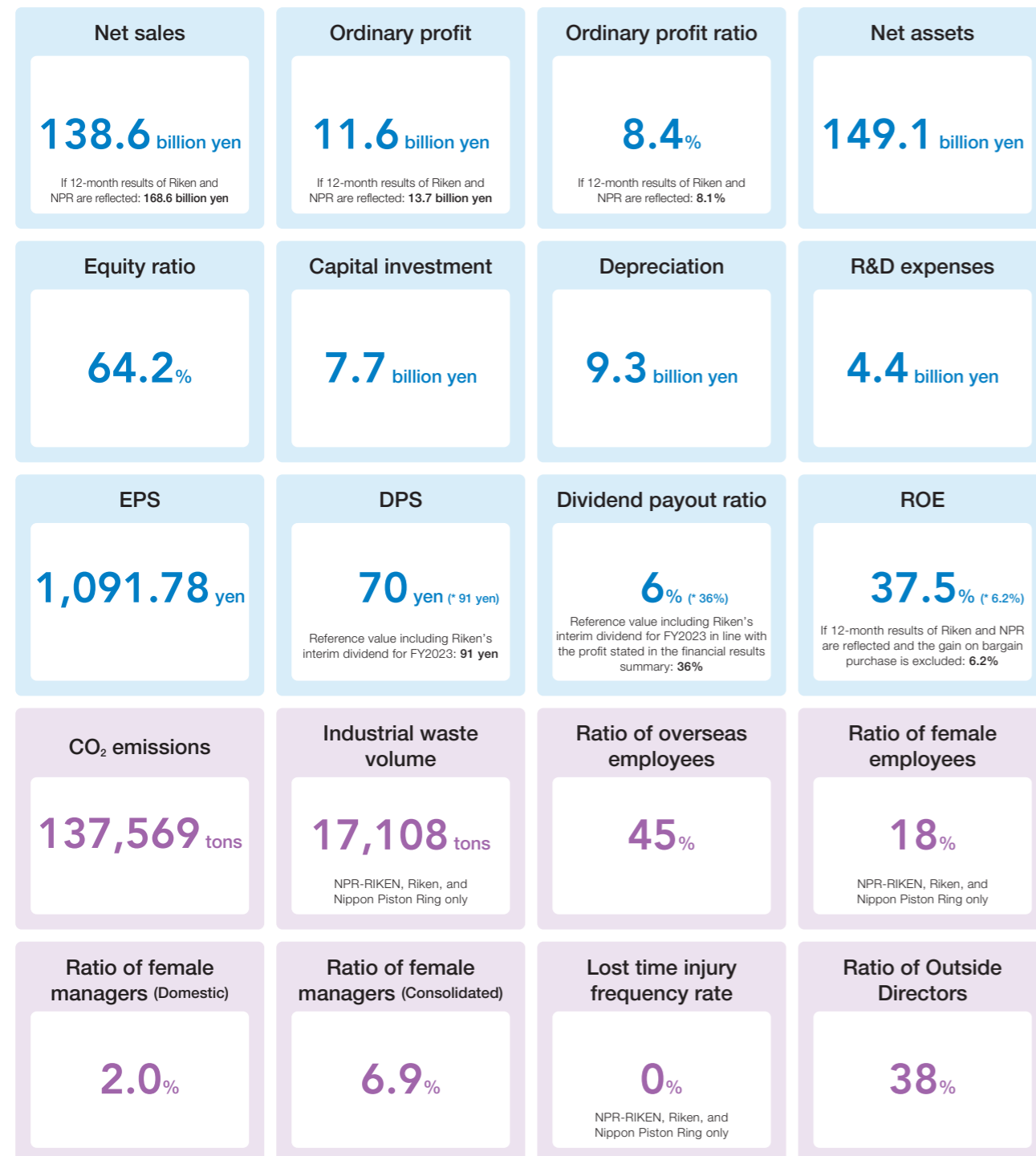


At a Glance

NPR-RIKEN was established through the business integration of Riken and Nippon Piston Ring, which were each established as piston ring manufacturers and have contributed to the development of the global automotive industry for many years.

Through the business integration, we will combine the technological capabilities and knowledge that the two companies have cultivated to create things that have never been seen before.

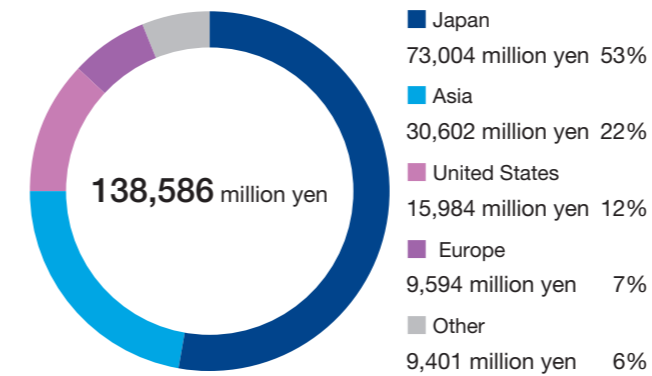
Also, in order to remain as a company that is trusted by all stakeholders, including shareholders, customers, suppliers, employees and local communities, we will steadily fulfill our corporate social responsibilities toward the realization of a sustainable society, and will continue to work as a Group to take on the challenge of achieving further growth in order to further increase our corporate value.



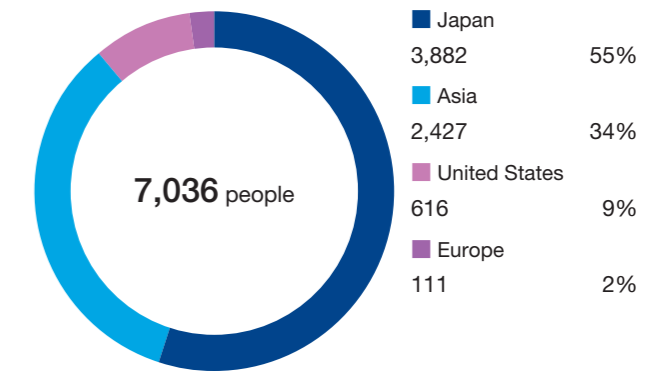
Global Network

The NPR-RIKEN Group has manufacturing and sales bases in many countries and we are expanding our business globally to serve customers around the world. By providing a wider range of high-quality products and solutions globally, we aim to achieve sustainable development of society and sustainable enhancement of corporate value.

Composition of Net Sales by Region



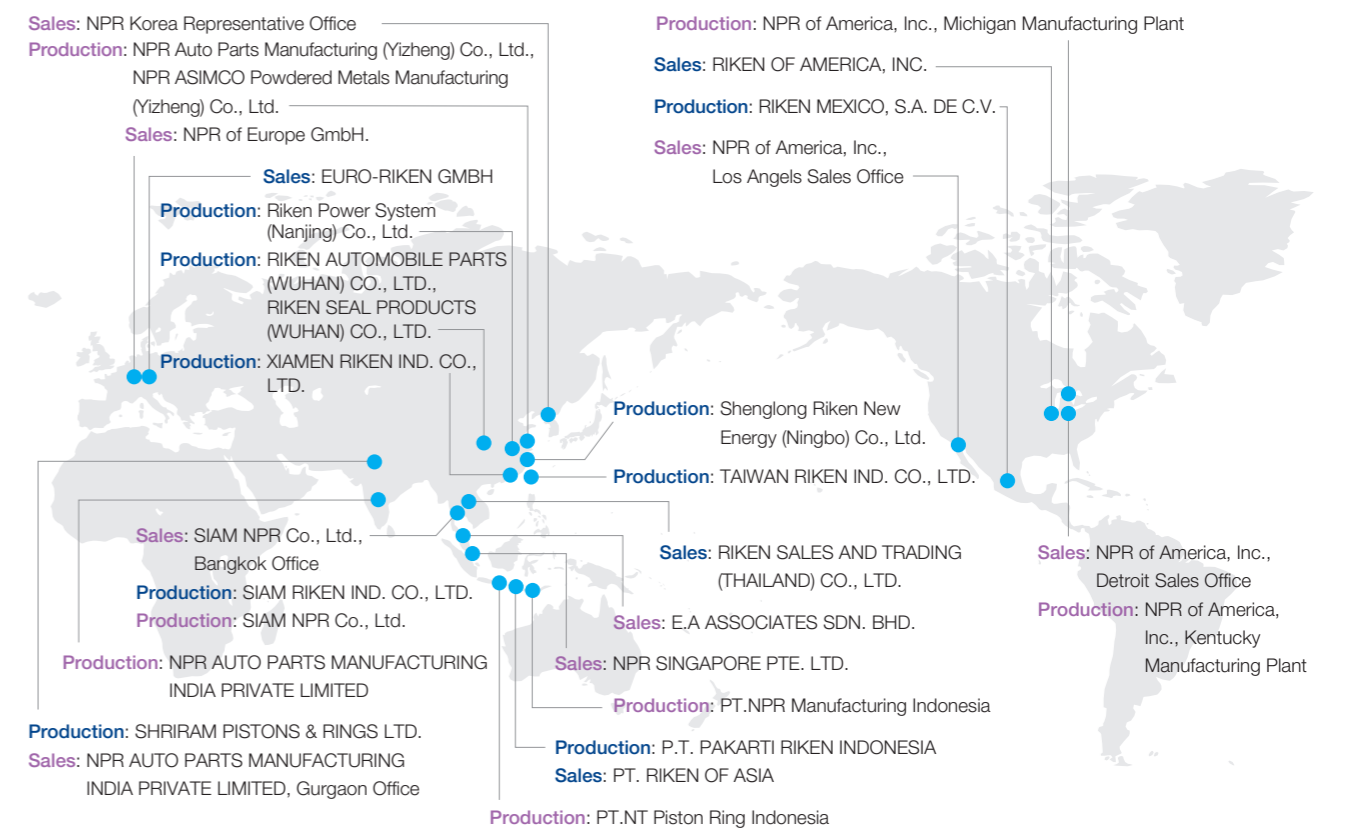
Consolidated Ratio of Employees by Region



Note: Sales are based on the location of the customer and classified into countries or regions according to geographic proximity.

Bases

[Domestic bases] 5 areas [Overseas production bases] 18 locations [Overseas sales bases] 12 locations



Value Creation History

Riken and Nippon Piston Ring were each established as piston ring manufacturers and have contributed to the development of the global automotive industry for close to a century. Amid a once-in-a-century transformation in the automotive industry, we decided to implement a business integration, recognizing that this is the optimal choice for achieving sustainable growth and enhancing the corporate value of the two companies.

1926

- Dr. Keikichi Ebihara of the Institute of Physical and Chemical Research invented a piston ring manufacturing method that ensured uniform pressure on the inner wall of the cylinders



Dr. Keikichi Ebihara

1927

- Established Rikagaku Kogyo (the predecessor to Riken) to commercialize the inventions of the Institute of Physical and Chemical Research

1931

- Started mass production of piston rings for aircraft

1946

- Started mass production of large and small piston rings



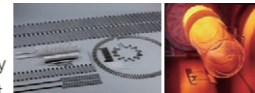
1948

- Started production of TOP brand pipe fittings



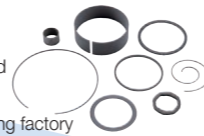
1958

- Started production of PYROMAX, a high-performance, high-durability electric resistance heating element



1983

- Started production of high-performance engineered plastic products
- Constructed Tsurugi Plant, the world's largest steel ring factory



Riken

Began with a discovery in the laboratory

After its establishment in 1927 to commercialize the research success of the Institute of Physical and Chemical Research, Riken has led the industry in its mainstay piston ring business by improving surface treatment, processing, and material technologies. In addition to automotive parts, the company expanded its business by developing diverse products such as piping, thermal engineering, and EMC by utilizing cultivated technologies.

Nippon Piston Ring

Began with self-learning in a workshop

Founded by Tomonori Suzuki, a self-taught piston ring manufacturer. Nippon Piston Ring (NPR) became a stock company in 1934 and succeeded in mass production of domestically produced piston rings. Since then, embodying the engineering spirit of the founder, NPR has contributed to the progress of global motorization by supplying a variety of high-quality products developed with its proprietary technologies.

1912

- Fascinated by engines, Tomonori Suzuki taught himself marine engine technology and opened Suzuki Seisakusyo
- He realized the need for domestic production of piston rings and committed to manufacturing them



Founder Tomonori Suzuki

1931

- Suzuki completed prototypes of piston rings, and changed the company name into Nippon Piston Ring Seisakusyo

1941

- Started mass production of chrome plated piston rings for airplanes which greatly improved their wear resistance



Kawaguchi Plant

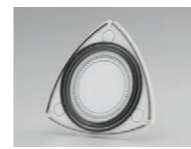
1945

- Developed special alloy valve seats for unleaded gasoline, and started mass production of cost-competitive environmentally friendly special sintered alloy valve seats the following year



1967

- Developed oil seals and side seals for rotary engines in cooperation with Toyo Kogyo (currently Mazda Motor)



1970

- Started mass production of lightweight, cost-competitive sintered camshafts



1982

- Started operation of NPR Fukushima Works Co., Ltd., which is the main plant for manufacturing valve seats and cylinder liners

In order to remain as a company that is trusted by all stakeholders, including shareholders, customers, suppliers, employees and local communities, we will steadily fulfill our corporate social responsibilities toward the realization of a sustainable society, and will continue to work as a Group to take on the challenge of achieving further growth in order to further increase our corporate value.

2007

- Kashiwazaki Plant was damaged by the Chuetsu-oki Earthquake



2020

- Started business collaboration with Taisei Plas Co., Ltd., a pioneer in dissimilar material joining technology

2023

- Made NIPPON PIPE FITTING Corp. a subsidiary



2023 NPR-RIKEN established

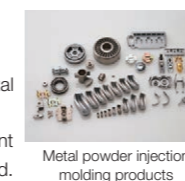
In addition to strengthening the profitability of existing businesses centered on engine parts, we will work with a greater sense of speed to create our next core businesses and new products in other parts fields, evolving into a completely new leading company and aiming to further increase corporate value.

2011

- NPR Fukushima Works Co., Ltd. and NPR Iwate Co., Ltd. were damaged by the Great East Japan Earthquake

2014

- Acquired the business of metal injection molding from Sumitomo Metal Mining Co., Ltd.
- Acquired the business of dental implant from ISHIFUKU Metal Industry Co., Ltd.
- Established Medical Device Center in Tochigi Plant in 2015



2022

- Made Normeca Asia Co., Ltd., a trading company specializing in disaster emergency medical products, a subsidiary



Normeca Asia carried out disaster relief activities such as transporting materials and setting up medical containers following the Noto Peninsula Earthquake in 2024.

Society's needs and the value we provide

Need

Domestic production and mass production

Value

Responding to rapidly increased demand

Riken and Nippon Piston Ring both succeeded in the domestic mass-production of piston rings, which were then imported products, and responded to the rapid increase in demand for piston rings for aircraft and automobiles.



Workers in the 1940s

Recovery from postwar confusion

Continued manufacturing

After the war, equipment and materials were used to produce everyday items (pots, kettles, etc.) that were in short supply. Maintaining our unique technology and equipment for piston ring production through the post-war chaos led to post-war reconstruction and the NPR-RIKEN of today.

Birth of the piping equipment business

The TOP brand of piping equipment, which continues to contribute to the construction industry, was born from the ruins of the Kumagaya air raid, when approximately 60% of the factory was lost.



Postwar temporary sales office (the head office burned down in the Great Tokyo Air Raid)



Realization of a sustainable society

Products that contribute to reduced environmental impact

In particular, we have contributed to improving automobile fuel efficiency and reducing the environmental impact by providing low friction, high durability, and lightweight engine parts such as piston rings for passenger cars.



Low friction piston rings



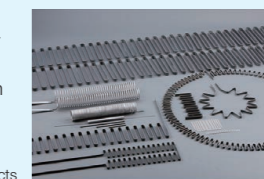
Lightweight undercarriage parts



Low friction surface processing (laser texturing)

Products that contribute to carbon neutrality

We develop thermal engineering products that contribute to the electrification of industry, as well as engines and parts for hydrogen, synthetic fuel (e-fuel, etc.), biofuel, and other next-generation fuels that will achieve carbon neutrality in internal combustion engines.



Thermal engineering products



Hydrogen fuel engine

Value Creation Model

Mission Build the competencies and capabilities to sustain our present and future **Vision** Create innovation through the blending of people and technology while continuing to embrace change



Value

'Circles' of Trust

We will enhance corporate value by respecting our relationships with our stakeholders and by providing high-quality products and solutions.

'Circles' of Growth

The company and employees will grow together by all employees recognizing and respecting each other's values and by continuing to take on new challenges.






'Circles' of Social Harmony

We will strive to solve social issues related to living conditions and the environment wherever we operate.

^{*1} VUCA: The acronym stands for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to social conditions that make it difficult to predict the future.
^{*2} CASE: The term was coined from the initial letters of Connected, Automated/Autonomous, Shared & Service, and Electrification. A concept that represents the future vision of the entire automotive industry.
^{*3} MaaS: Abbreviation for Mobility as a Service. Next-generation transportation services that combine various IT technologies, such as automated driving and AI, with conventional transportation means and services.

Stakeholder Engagement

Recognizing that a company is a social entity, the NPR-RIKEN Group's management philosophy is to respect our relationships with our stakeholders, and to strive to solve social issues related to living conditions and the environment wherever we operate. To achieve this, we are working to build relationships of trust with our stakeholders through dialogue and collaboration.

Stakeholder	Basic Policy	Main Dialogue Channels	FY2023 Results
 Employees	<p>We recognize that society strongly demands that we view human resources as capital and invest in them to maximize their value, and that the realization of this demand will determine our sustainable growth.</p> <p>Under our human resources strategy, we will support our employees in their independent and self-directed career development, create an environment in which our human resources can continuously demonstrate their capabilities, grow, and take on new challenges by creating workplaces where diverse talent can work safely and securely, both physically and mentally, as well as strive to reward their abilities, achievements, and challenges.</p>	<ul style="list-style-type: none"> ● Job rotations ● Internal recruitment system ● Periodic evaluation and meeting with superior ● Various skill development training ● DE&I (Diversity, Equity, & Inclusion) ● Management Policy Plaza ● Internal whistleblower system 	<p>In addition to the existing initiatives of the two companies, the following new initiatives are being implemented.</p> <ul style="list-style-type: none"> ● Management Policy Plaza by the top management of NPR-RIKEN ● Joint training course for new employees and new managers in the NPR-RIKEN Group ● Lecture on the topic of "The history of women's soccer and the work styles and careers of modern women," with the manager and a player from a women's soccer team as the lecturers (total number of participants: 110 people) Conducted in FY2024
 Customers	<p>Our Management Philosophy is to enhance corporate value by providing high-quality products and solutions to our customers. We have defined a Quality Policy to provide high-quality products and services that bring trust and excitement to our customers.</p> <p>We will strive to improve our corporate value by providing products that are attractive to our customers, products that contribute to problem solving, and products with competitive prices.</p>	<ul style="list-style-type: none"> ● Provision of high-quality products and services ● Ongoing communication with customers (including ongoing implementation and follow-up of customer satisfaction surveys) ● Technology exchange meetings ● Exhibitions ● Joint research, joint development, etc. 	<ul style="list-style-type: none"> ● Implemented quality management system improvement activities ● Received quality-related awards from several customers ● Exhibited at Japan Mobility Show 2023, International Robot Exhibition 2023, and Medical Creation Fukushima 2023 ● As a part of joint research and development, hydrogen-engine trucks equipped with the Group's products have begun full operation
 Business partners	<p>Our business activities are supported by raw materials, equipment, and services that are provided by business partners around the world.</p> <p>We have formulated our 2024 Supplier CSR Guidelines, the Partnership Building Declaration, and will inform our business partners of these guidelines and ask them to promote CSR activities, aiming for mutual development together with our business partners.</p>	<ul style="list-style-type: none"> ● Daily procurement activities ● Audits on quality, safety, etc. ● Requests for surveys regarding conflict minerals, etc. ● Briefing sessions on our procurement policy 	<ul style="list-style-type: none"> ● Conducted conflict mineral surveys ● Held briefing sessions on our procurement policy ● Conducted a CSR survey (NPR)
 Shareholders and investors	<p>We will engage in fair and constructive dialogue with our shareholders in order to build long-term relationships of trust. In addition to making appropriate disclosures in accordance with laws and regulations and the rules established by the Tokyo Stock Exchange, we disclose information to ensure transparency and fairness in decision-making and realize effective corporate governance, and disclose information on ESG and other issues to report how we are working to achieve sustainability management.</p>	<ul style="list-style-type: none"> ● General Meeting of Shareholders ● Financial results briefing attended by the Representative Director ● Individual IR/SR meetings 	<ul style="list-style-type: none"> ● Riken and Nippon Piston Ring held their respective general meeting of shareholders in June 2023 (NPR-RIKEN held its first general meeting of shareholders in June 2024) ● Held 47 individual IR/SR meetings ● Held SR interviews with five life insurance companies and seven trust banks, etc. ● Conducted a shareholder survey (7,623 responses received, 53.5% response rate)
 Local communities	<p>We have defined in our code of conduct that, "In order to fulfill its role as a member of the local communities in which it operates, the NPR-RIKEN Group will actively participate in community development, volunteer work, disaster prevention and disaster recovery activities, and participate in social contribution activities in both the local and international communities." We will continue to work to contribute even further to the development of local communities.</p>	<ul style="list-style-type: none"> ● Support for local community events ● Sponsorship of local community education and sports activities ● Donation and support activities ● Disaster assistance 	<p>In addition to the existing initiatives of the two companies, the following are being implemented.</p> <ul style="list-style-type: none"> ● Top partnership of the WE League team OMIYA ARDIJA VENTUS ● Emergency relief and volunteer activities following the 2024 Noto Peninsula Earthquake

Local Community Collaboration: Top Partnership of WE League Team OMIYA ARDIJA VENTUS

In February 2024 we became a top partner of the professional women's soccer club OMIYA ARDIJA VENTUS. OMIYA ARDIJA VENTUS is based in Saitama City, Saitama Prefecture, and belongs to the WE League, a professional women's soccer league. The club also runs an academy (for U-15s and U-18s) and provides support activities to enable women to continue playing soccer in the local community.

The WE League was just launched in 2020, and we will support the club as a top partner, as we agree with their challenging attitude, their involvement in the local community, and their efforts to realize a society in which women can play an active role.

We will continue to fully support OMIYA ARDIJA VENTUS in the 2024-25 season and give them even more enthusiastic encouragement.



Photos provided by OMIYA ARDIJA VENTUS

Shareholder and Investor Dialogue

In a shareholder survey, we confirmed that dividends and future potential were the main reasons shareholders purchased our shares, and that a high proportion want to hold the shares for the long term. Regarding expectations for management and investor relations, we received many comments of expectation and encouragement regarding the business integration, and we also confirmed that there were many requests for increased shareholder returns, improved share price, and business portfolio reform.

At SR meetings, we received requests for disclosure of how existing technologies are being utilized in the next core business, disclosure of sustainability information, and improvements to governance and sustainability.

We will respond to the valuable opinions and requests received during each of these dialogues by disclosing new and additional information about the Company's thinking and initiatives, and will use the information to improve our management and IR activities.

Sustainability Policy and Materiality

In December 2023, the Company's Board of Directors formulated the Sustainability Policy. By linking these efforts to contributions to solving social issues such as the SDGs, we aim to achieve sustainable development of society and sustainable enhancement of corporate value.

Sustainability Policy

With the mission of "Build the competencies and capabilities to sustain our present and future" as stated in our management philosophy, the Group will conduct business activities that earn the trust of our stakeholders, create unprecedented things, and sustainably enhance corporate value through the provision of high-quality products and solutions.

Contribution to the Global Environment (Environment)

Recognizing that the preservation of the global environment is an important issue shared by all humankind, the Group will proactively work to reduce its environmental impact, including carbon neutrality.

Respect for Diversity and Human Rights (Society)

The Group has established a policy for human resource development and internal environmental policies to ensure diversity, and understands and respects the internationally recognized principles of human rights.

Sound Corporate Governance (Governance)

The Group strives to enhance corporate governance based on the principles of "ensuring the rights and equality of shareholders," "appropriate collaboration with stakeholders other than shareholders," "appropriate information disclosure," "improving management efficiency, legality, and transparency," and "promoting dialogue with shareholders," as well as to understand and comply with the laws and regulations of the countries and regions in which we operate.

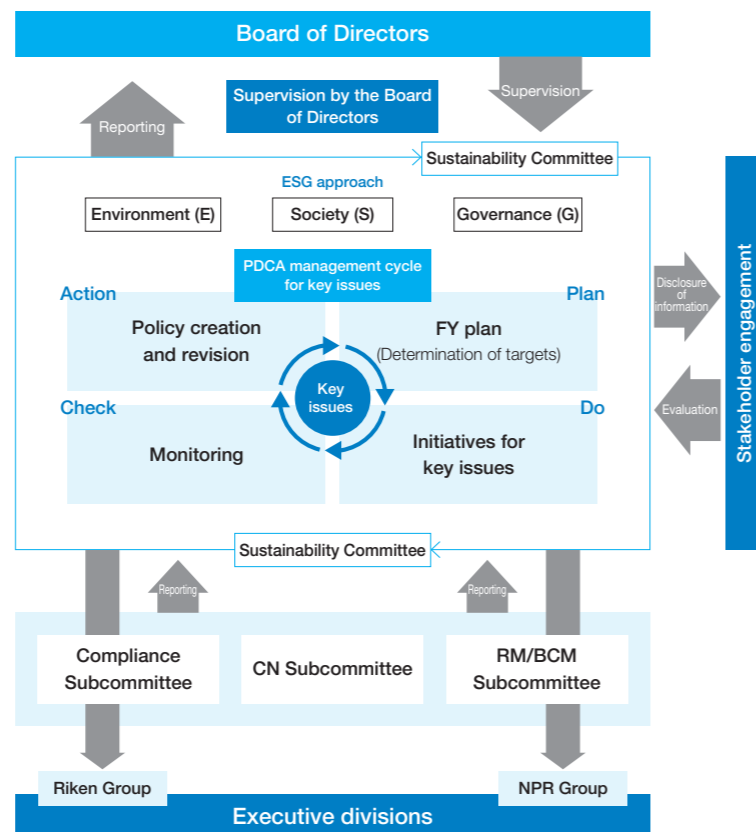
Sustainability Promotion System

The Sustainability Committee, chaired by the COO, has been established under the Board of Directors to promote sustainability-related activities in a unified manner throughout the Group. The committee deliberates and decides on policies and measures related to sustainability activities, checks progress, and reports to the Board of Directors.

In addition, a Compliance Subcommittee, a Carbon Neutrality (CN) Subcommittee, and a Risk Management/Business Continuity Management (RM/BCM) Subcommittee have been established under the Sustainability Committee to promote important Group issues by sector.

Sustainability Committee's Main Topics (FY2023)

October 2023	<ul style="list-style-type: none"> Sustainability management (operating policy, establishment of subcommittee)
November 2023	<ul style="list-style-type: none"> Sustainability Policy and materiality matrix
January 2024	<ul style="list-style-type: none"> Identification of key sustainability issues (materiality), review of proposed KPIs
March 2024	<ul style="list-style-type: none"> Progress review of preparation of the Sustainability Report (Integrated Report)



Materiality

We have identified the key sustainability issues (materiality) in our corporate activities through the following identification process. Furthermore, we will set specific initiatives/KPIs for each materiality issue and work steadily to achieve the tasks.

Area	Materiality	Issues to be addressed as part of our responsibility to society through our business	Issues to be addressed to strengthen our business foundation
Environment	1 Expansion of non-ICE* products	○	
	2 Reduction of environmental impact (carbon neutrality)	○	
Society	3 Strengthening collaboration with local communities	○	
	4 Respect for human rights		○
	5 Diversity, equity, and inclusion		○
	6 Health-oriented management and work style reform		○
	7 Strengthening of human capital investment and human resource development		○
	8 Safety and quality improvement		○
	9 Supply chain management		○
Governance	10 Enhancement of corporate governance		○

* ICE: Internal combustion engine

Materiality Identification Process

Step 1 Recognize the issues

We referred to international frameworks such as the SDGs adopted by the United Nations in 2015, the UN Global Compact of 1999, and the Global Reporting Initiative (GRI), as well as the CSR Guidelines of the Japan Auto Parts Industries Association, to which we belong. We also exchanged opinions with institutional investors and experts to gather information and recognize important issues for sustainable growth with society.

Step 2 Organize the issues

Each issue was mapped and priorities ranked according to two axes: importance to stakeholders and importance to the Group. Furthermore, after considering our current strengths and the role we should play in the future, we have organized the issues in the following two categories: (1) issues that we should address as our responsibility to society through our businesses; (2) issues that we should address in order to strengthen our business foundation.

Step 3 Narrow down

For each issue, we have identified those that will have a significant impact on our financial and business strategies over the medium to long term, and those that we as a group can address specifically and continuously by setting KPIs.

Step 4 Identify

After deliberations by the Sustainability Committee and the Management Meeting on the issues identified and their positioning in the Group, the Board of Directors has resolved to identify key sustainability issues (materiality) with the aim of achieving sustainable development of society and sustainable enhancement of corporate value.

Sustainability Targets in the Midterm Management Plan

In our First Midterm Management Plan (FY2024–FY2026), we set non-financial targets for sustainability management. In particular, we have positioned six materiality issues that we consider necessary to develop a foundation for growth as key materiality issues, organized them into four areas of ESG and human capital investment, and set KPIs for that period to promote the plan.

Area	Six major items for sustainability management	Non-financial targets	KPIs
Environment	Strengthening efforts to achieve carbon neutrality	<ul style="list-style-type: none"> GHG reductions (compared to 2013) (Scope 1 and 2) 	2026: -39% 2030: -51%
Society	Promotion of DE&I* Contribution to the local communities * Diversity, equity, and inclusion	<ul style="list-style-type: none"> Ratio of female managers Acquisition rate of paternity leave 	3% or more (domestic) 7% or more (consolidated) 50% or more (domestic)
Governance	Improvement of corporate governance	<ul style="list-style-type: none"> Ratio of those practicing code of conduct 	80% or more
Human capital investment	Improvement of employee engagement and human resource development strategy Creation of safe and secure workplaces	<ul style="list-style-type: none"> Employee engagement Investment in human resource development for employees 	TBD +30% from FY2022

Risks and Opportunities, Targets and KPIs for Each Materiality Issues

ESG	Materiality	Risks	Opportunities	Initiatives	FY2023 Results	Targets and KPIs for FY2026 Initiatives	
Environment	1 Expansion of non-ICE products	<ul style="list-style-type: none"> While sales of related parts account for the majority of sales, this declined due to decrease in the sales of ICE-equipped passenger cars and in demand for ICE-related parts as a result of regulations prohibiting sales as a measure to combat climate change. 	Secure sales and revenue by introducing differentiated and innovative products to the market, applying the Group's core technologies, in response to the expanding needs listed below. <ul style="list-style-type: none"> Expanding needs for non-ICE related products 	<ul style="list-style-type: none"> New product and business development to expand next core business Business portfolio reform 	<ul style="list-style-type: none"> Made Shinwa Vanes Co., Ltd., a manufacturer specializing in industrial heaters, a new subsidiary. Shifted resources to the next core business and continued new product development. 	<ul style="list-style-type: none"> Next core business sales: 18 billion yen or more (5.8 billion yen in FY2023) 	
	2 Reduction of environmental impact (carbon neutrality)	<ul style="list-style-type: none"> Difficulty in sales and reduced order intake due to our products lagging behind the competition in meeting environmental impact reduction/decarbonization needs Suspension of operations based on stricter regulations as a result of the continued use of environmentally hazardous raw materials or energy Increased costs to comply with laws and regulations due to delays in reducing CO₂ and hazardous substance emissions in the production process, and increased difficulty in obtaining licenses to operate 	<ul style="list-style-type: none"> Expanding needs for products that contribute to energy conservation/decarbonization, such as fuel-efficient technologies and engine components that burn hydrogen, biofuels, etc. Expanding needs for products that contribute to the separation, removal, and purification of hazardous substances in the air, water, and soil Expanding needs for products that recycle resources and materials 	<ul style="list-style-type: none"> Reduction of CO₂ emissions through promotion of energy conservation and energy substitution activities, aggressive introduction of renewable energy, purchase of credits, etc. Reduction of environmental impact on air, water, soil, etc. (continuation of environmental management system certification) 	<ul style="list-style-type: none"> Achieved 35.3% reduction in CO₂ emissions (compared to FY2013 results) (consolidated), compared to target of 30%. Promoted initiatives including energy conservation and introduction of renewable energy. 	<ul style="list-style-type: none"> Reduction of CO₂ emissions (compared to FY2013 results) (consolidated): -39% 	
Society	3 Strengthening collaboration with local communities	<ul style="list-style-type: none"> Community inactivity makes business activities more difficult. 	<ul style="list-style-type: none"> Improve business continuity by becoming a company trusted by the community through community revitalization. 	<ul style="list-style-type: none"> Continued communication with local residents and ongoing implementation and expansion of community social contribution activities that meet their needs 	<ul style="list-style-type: none"> In addition to continuing the existing initiatives, started donating to children's cafeterias and sending volunteers to disaster-hit areas. 	<ul style="list-style-type: none"> New social contribution initiatives Increase in community and disaster volunteer participation 	
	4 Respect for human rights	<ul style="list-style-type: none"> Damaged corporate reputation among stakeholders as a company that fails to respect human rights, lowered morale, difficulty in recruiting human resources, and decreased order intake 	<ul style="list-style-type: none"> Earn stakeholders' trust through respect for human rights and disclosure. 	<ul style="list-style-type: none"> Preparation to conduct human rights due diligence Regular human rights education 	<ul style="list-style-type: none"> Prepared for implementation of human rights due diligence at domestic Group companies. 	<ul style="list-style-type: none"> Management system with human rights due diligence is working effectively. 	
	5 Diversity, equity, and inclusion			<ul style="list-style-type: none"> Consider and implement personnel and evaluation systems and work systems that make it comfortable/motivating to work for a diverse workforce. 	<ul style="list-style-type: none"> Ratio of female managers: 2.0% (domestic), 6.9% (consolidated) Ratio of male employees taking parental leave: 31.4% (domestic) 	<ul style="list-style-type: none"> Ratio of female managers: 3% or more (domestic), 7% or more (consolidated) Ratio of male employees taking parental leave: 50% or more (domestic) 	
	6 Health-oriented management and work style reform	<ul style="list-style-type: none"> Shortage of human resources (recruitment difficulties, increased employee turnover) and low morale make stable business activities difficult. Damaged corporate reputation and difficulties in business activities due to inability to change business portfolio 	<ul style="list-style-type: none"> Creation of innovation, long-term growth potential, and transformation of the business portfolio through a diverse and talented workforce gained by creating an environment where they can work and grow easily Improve productivity and attract talent by enabling each employee to thrive in a safe and secure work environment. 	<ul style="list-style-type: none"> Obtain and maintain the certification as a KIH Outstanding Organization, and improve its initiatives. Consider and implement new measures for work style reform. 	<ul style="list-style-type: none"> NPR has been certified as a KIH Outstanding Organization for the fifth consecutive year, and Riken has commenced preparations to apply for certification as a KIH Outstanding Organization in FY2025. Conducted a consideration of new measures for work style reform. 	<ul style="list-style-type: none"> Obtain certification as a KIH Outstanding Organization for NPR-RIKEN. 	
	7 Strengthening of human capital investment and human resource development			<ul style="list-style-type: none"> Identify the current situation and the vision in order to build a human resource portfolio linked to the business strategy. Recruitment, staffing, and support for independent and autonomous career development toward the vision of the human resources portfolio Consider and implement a new human resources system in line with the objectives of human capital investment. 	<ul style="list-style-type: none"> Riken and NPR conducted a uniform employee engagement survey. Investment in human resource development for employees (compared to FY2022): +17.2% (consolidated) Number of serious occupational accidents: 0 	<ul style="list-style-type: none"> Employee engagement score (TBD) Investment in human resource development for employees (compared to FY2022): +30% or more (consolidated) 	
	8 Safety and quality improvement		<ul style="list-style-type: none"> Recalls, lawsuits, etc. due to quality problems, damage to corporate reputation among stakeholders 	<ul style="list-style-type: none"> Improve competitiveness by providing safe and high-quality products to gain customer confidence and strong support. Improve cost competitiveness of products by reducing quality loss costs. 	<ul style="list-style-type: none"> Improve the group safety and health management system. Improve the Group's quality management system. Obtain quality management system certification at each manufacturing site. 	<ul style="list-style-type: none"> Number of serious quality problems: 0 	<ul style="list-style-type: none"> Number of serious occupational accidents: 0 Number of serious quality problems: 0
	9 Supply chain management		<ul style="list-style-type: none"> Damaged corporate reputation among stakeholders due to human rights issues and other scandals in the supply chain 	<ul style="list-style-type: none"> Earn stakeholders' trust through consideration of human rights throughout the supply chain. 	<ul style="list-style-type: none"> Prepare to conduct human rights due diligence, including the supply chain. Introduce the NPR-RIKEN Group's sustainability management. Conduct and follow up on supplier CSR survey. 	<ul style="list-style-type: none"> Created and published the NPR-RIKEN Supplier CSR Guidelines. 	<ul style="list-style-type: none"> Management system with human rights due diligence is working effectively, including the supply chain.
	Governance	10 Enhancement of corporate governance	<ul style="list-style-type: none"> Damaged corporate reputation among stakeholders, increased cost of shareholders' equity, lowered morale, and difficulty in recruiting human resources due to corporate scandals caused by poor governance and compliance or by not being seen as a transparent and healthy company 	<ul style="list-style-type: none"> Improve business continuity and reduce the cost of shareholders' equity by becoming a company trusted by stakeholders for having excellent governance and compliance. 	<ul style="list-style-type: none"> Establish the code of conduct, spread awareness and call for its implementation. Enhance the diversity of the Board of Directors. 	<ul style="list-style-type: none"> Established the code of conduct and implemented a read-through in the workplace and education. 	<ul style="list-style-type: none"> Ratio of those practicing code of conduct: 80% or more

Long-Term Management Vision

The NPR-RIKEN Group has defined a long-term management vision to evolve into a completely new leading company and achieve sustainable growth and enhanced corporate value.

The First Midterm Management Plan is positioned as a period for building the base for this by working to “Generate synergies through consolidation,” “Reform business portfolio,” and “Strengthen sustainability management and develop a foundation for growth.”



Next core business grows to be a new pillar

- Establish a base for sustainable sales and profit growth by reorganizing the business portfolio
- Establish and improve a base for sustainable growth through sustainability management

Note: If 12-month results of Riken and NPR are reflected (excluding gain on bargain purchase)

Midterm Management Plan

The Group has formulated its First Midterm Management Plan (FY2024–FY2026).

Business Environment

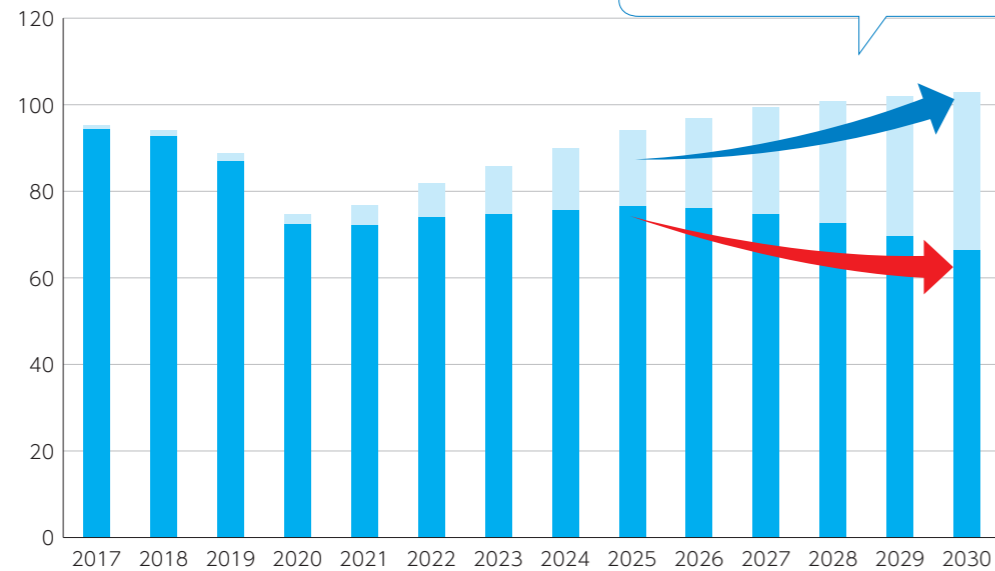
The Group’s sales of parts for automobile engines, especially passenger car engines (passenger ICE), account for more than half of its total business, but the pace of technological innovation in the automobile industry, such as the development and practical application of electric vehicles and automated driving, is accelerating. In line with these changes, ICE production is expected to shrink in the market due to electrification, and the Group expects global ICE production to peak out between 2024 and 2027. Meanwhile, markets related to the Group’s business, such as marine, semiconductor, construction, robotics, and medical markets, are expected to show steady and medium- to long-term demand growth.

In addition to expanding the scale of sales and revenue (increasing financial value), the Group has long been focusing on sustainability management and digitalization (increasing non-financial value), and we recognize the need to further raise the priority of these areas in our management in order to meet growing social demands and further strengthen our competitive edge.

Automotive market

Global ICE and EV production trend forecast (million units/year)

■ Number of ICE production (including HEVs, PHEVs, and range extenders)
 ■ Number of EV production (including FCVs)



Number of ICE production will peak out in 2024–2027

- Assumes EV ratio of over 30% in 2030
- Meanwhile, the “full EV theory” is under review

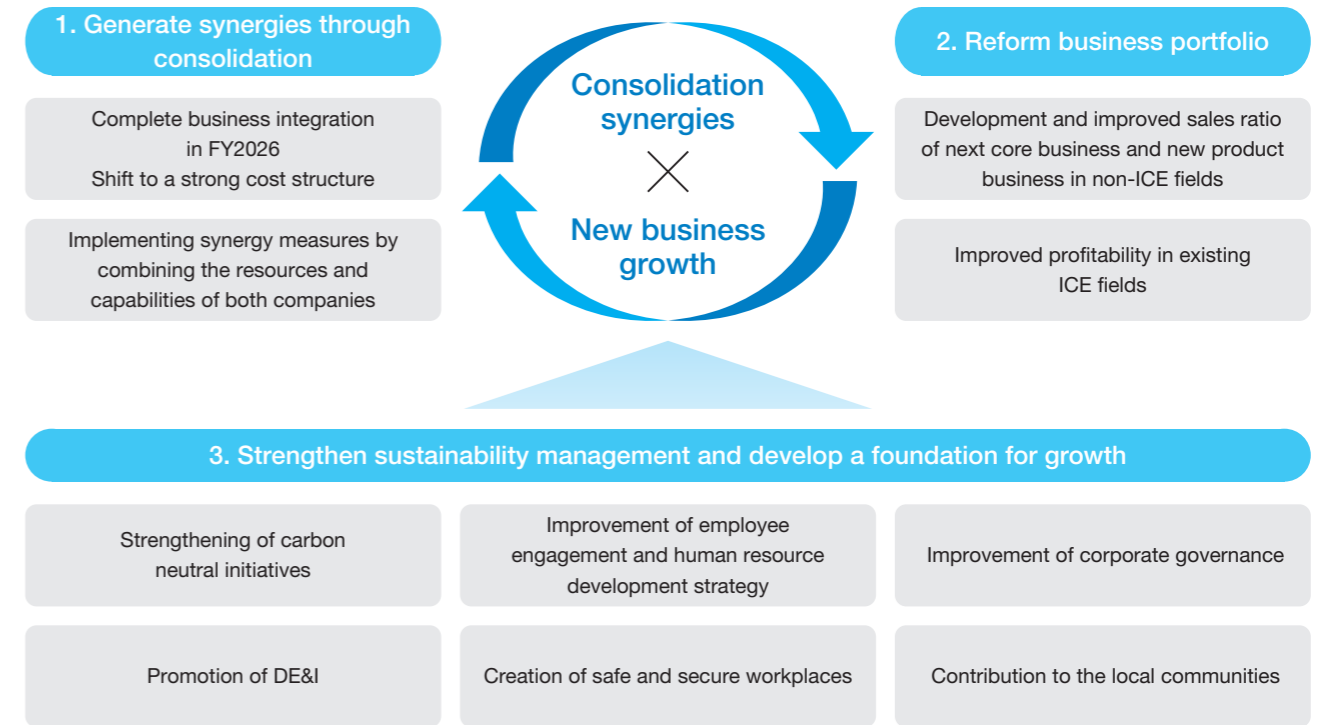
Markets related to the Group’s business

Marine	● Market expansion with economic growth, progress in alternative fuel utilization
Semiconductor	● Continued trend of expansion, long-term expansion expected in manufacturing equipment market
Construction	● While housing demand is declining due to the decline in the domestic population, investment in energy-saving and other measures is strong. ● Increased pre-fabrication needs due to labor shortages in the construction industry, etc.
Robot	● Expanded use of robots reflecting labor shortages (medical, services, etc.)
Medical treatment	● Medical device evolution, various technological sophistication

Midterm Management Policy

In this business environment, the Group has formulated a Midterm Management Policy with the pillars of “Generate synergies through consolidation,” “Reform business portfolio,” and “Strengthen sustainability management and develop a foundation for growth.” Our quantitative targets are net sales of 180 billion yen, ordinary profit ratio of at least 9%, and ROE of at least 8% in FY2026. In addition, we aim to achieve 200 billion yen in net sales, ordinary profit ratio of at least 12%, and ROE of at least 10% by FY2030.

‘Innovation’ and ‘Challenge,’ and to the New Stage



In order to realize an ROE (return on equity) that exceeds the cost of shareholders’ equity, we will promote strategic cash allocation to increase corporate value, such as through active investment (capital investment, M&A, and R&D) to reform our business portfolio and further enhance shareholder returns. At the same time, we will work to reduce the cost of shareholders’ equity by securing a certain level of net income, including financial strategies, steadily implementing medium-term strategies, and enhancing investor relation activities.

FY2023	FY2024–FY2026 Midterm Management Plan period	FY2030 2030 Vision
Net sales 168.6 billion yen	Net sales 180.0 billion yen	Net sales 200.0 billion yen
Ordinary profit ratio 8.1%	Ordinary profit ratio 9% or more	Ordinary profit ratio 12% or more
ROE 6.2%	ROE 8% or more	ROE 10% or more

Note: If 12-month results of Riken and NPR are reflected (excluding gain on bargain purchase)

Business Strategy

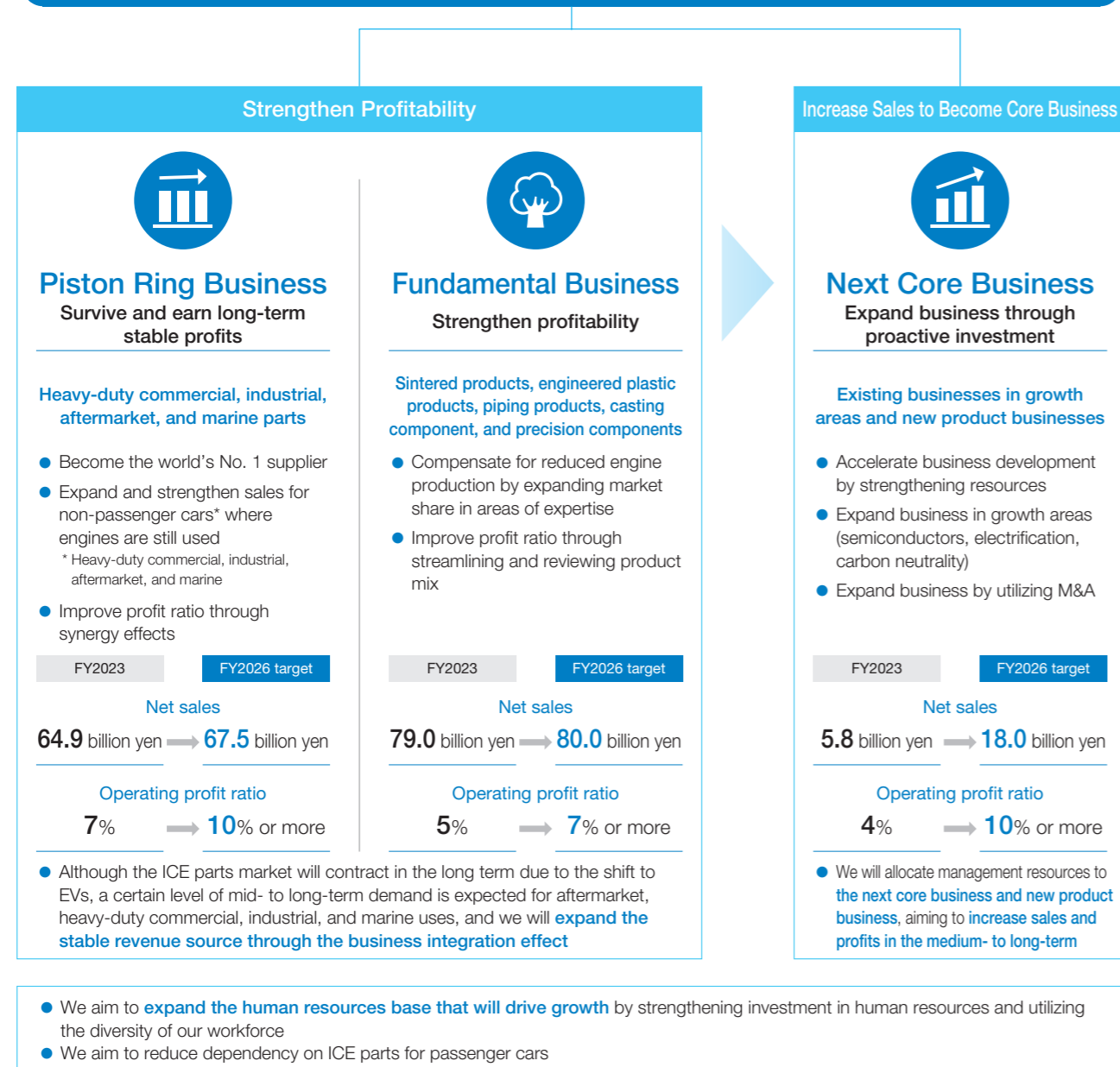
The theme of the Group's business strategy is to prepare for the future by reorganizing business portfolio to achieve sustainable sales and profit growth.

We divide the Group's businesses into three categories: (1) the piston ring business and (2) the fundamental business, which are existing businesses centering on products for automobile engines, and (3) the next core business, which is a new business that will lead the next generation of the Group. We aim to strengthen profitability in (1) the piston ring business and (2) the fundamental business, and expand sales scale of (3) the next core business and make it a core business. Sales and profit targets have been set for each business segment.

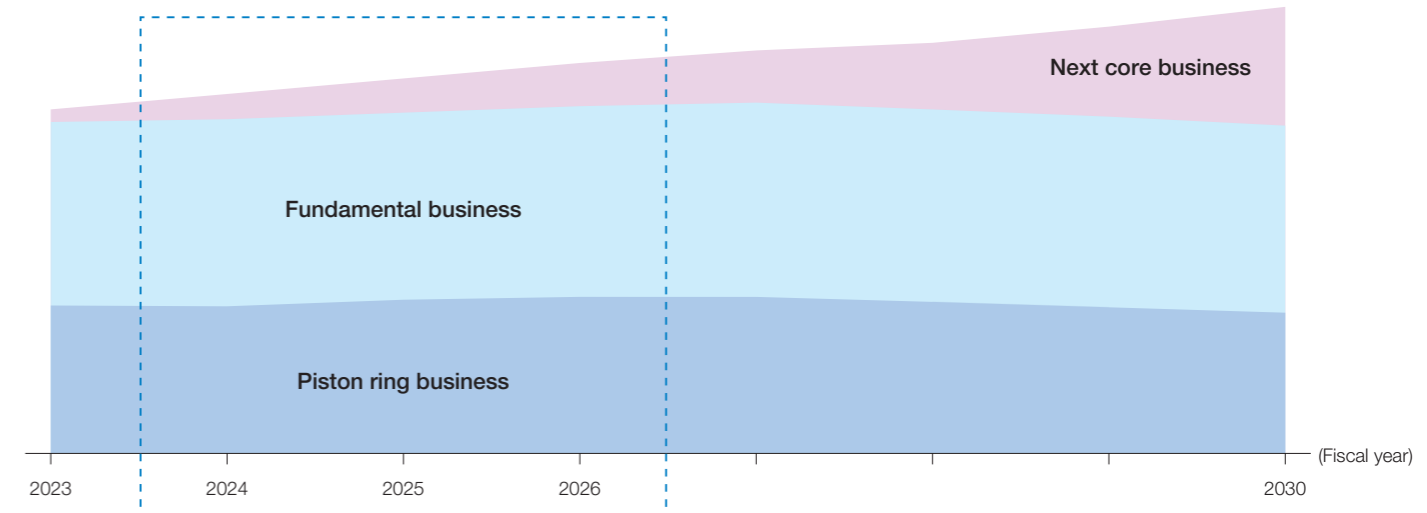
Although we anticipate that the next core business will not grow into a new business pillar until close to 2030, during the period of this Midterm Management Plan, we will allocate cash and management resources acquired in the piston ring business and fundamental business to investments in the next core business to lay the foundation for its growth.

In business portfolio reform, we will also work to identify, downsize, and withdraw from unprofitable businesses (products), in parallel with promoting investment and other initiatives.

Prepare for the future by reorganizing business portfolio to achieve sustainable sales and profit growth



Consolidated Net Sales by Business



The First Midterm Management Plan

- Business portfolio reform
- Creation of synergies

2030 Vision

- Next core business grows to be a new pillar

Prompt Realization of Consolidation Synergies

We have worked to realize synergies since FY2024 by focusing on the main themes of improving the efficiency of back office divisions, the piston ring business, which is an overlapping business between Riken and Nippon Piston Ring, and streamlining procurement and logistics, and we will create measures aimed at achieving the target effect of 3.0 billion yen in FY2026.

In FY2024, in order to reap the benefits as soon as possible, we are proceeding with measures such as production technology exchanges, sales base integration, joint procurement, logistics efficiency, and personnel resource shifting, and we already expect to realize approximately 0.5 to 1 billion yen in benefits. (as of August 2024)

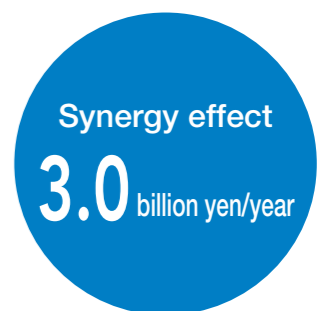
Regarding R&D investments, we established a new Development Head Office on April 1, 2024, and by streamlining our existing businesses, we are shifting the resources that were concentrated through organizational integration to the next core business that will lead the way in the future.

Sales synergies

- Expand share in existing businesses**
 - Leverage mutual brand power
 - Leverage mutual sales network
 - Enhance product lineup
- Provide a variety of solutions**
 - Consolidate development, analysis and evaluation resources
 - Establish a technological proposal sales system
 - Respond to hydrogen and alternative fuels
- Create and commercialize new products**
 - Strengthen new product development system
 - Integrate next core business technologies
 - Shift resources to new product areas

Cost synergies

- Business divisions 1.4 billion yen**
 - Reduce production costs**
 - Mutually complement technical strengths and weaknesses
 - Integrate production item specifications
 - Pursue cost reductions through production technology integration
 - Reduce procurement costs through joint purchasing
 - Consolidate logistics bases
 - Optimize production at domestic and overseas bases
- Management divisions 1.6 billion yen**
 - Integrate corporate functions
 - Integrate IT infrastructure
 - Reduce other SG&A expenses



FY2026 target

Operating profit +3.0 billion yen/year

Financial Strategy

Basic Policy on Financial Strategy

In the Vision of our management philosophy, we have stated that we will “continue to embrace change,” and in the business strategy of our Midterm Management Policy, we have stated that we will “reorganize business portfolio to achieve sustainable sales and profit growth.” To achieve this, we will strengthen the profitability of the piston ring business and fundamental business, and expand sales scale of the next core business and make it a core business.

In order to continuously increase our corporate value now and in the future through transformation, we believe that we must have adequate sales and revenue to realize our investments, and we have set numerical financial targets in our 2030 Vision and Midterm Management Plan.

Key Financial Targets

	FY2023 <small>(Simple aggregate of both companies, for reference only)</small>	FY2026 The First Midterm Management Plan	FY2030 2030 Vision
Net sales	168.6 billion yen	180.0 billion yen	200.0 billion yen
Ordinary profit ratio	8.1%	9% or more	12% or more
ROE	6.2%	8% or more	10% or more

The numerical targets for FY2026 in the Midterm Management Plan set sales at 180 billion yen, ordinary profit ratio at 9% or more, and ROE at 8% or more.

We will aim to achieve our ROE target by setting it above the cost of shareholders' equity, promoting strategic allocation of management resources and business portfolio reform, and conducting operations with an emphasis on capital efficiency, including judging the profitability of individual investments with an awareness of the cost of capital.

Achieving profit targets

The current (FY2023 results) ordinary profit ratio is 8.1%, but by making strategic investments in R&D, facilities, M&A, human capital investment, and other areas essential for growth, and by increasing profitability through synergies from the three pillars of the piston ring, fundamental, and next core businesses and integration, we will achieve our FY2026 target of 9% or more, and realize the establishment of a more sustainable and larger growth base.

Streamlining assets

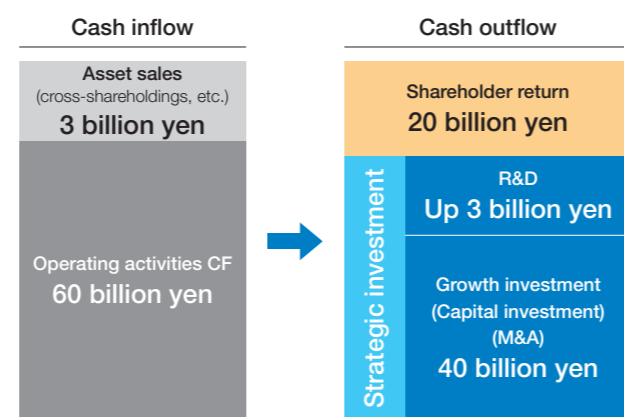
In order to improve capital efficiency, it is also essential to improve asset efficiency. We will work on improving working capital and selling cross-shareholdings and other assets. In particular, in terms of cross-shareholdings, we plan to sell 3 billion yen, and we will take further steps to optimize our balance sheet while keeping an eye on our financial situation.

Distribution of cash generated

During the period of our Midterm Management Plan (FY2024–FY2026), we plan to generate a cumulative total of 63 billion yen through business growth and asset sales. About two-thirds of this amount will be allocated to strategic investments to achieve further growth (business portfolio reforms, maintenance and expansion of the earnings base, human investment, etc.), and the remainder will be allocated to shareholder returns and distributed appropriately.

Cash management

We monitor the movement of funds within the Group from time to time, and through dividends and the cash management system (CMS), we consolidate funds dispersed among the companies and invest as appropriate, concentrating on those companies where it is needed for business portfolio reform and other purposes.



Slated for Midterm Management Plan period (FY2024–FY2026)

Strategic Investment

We will strategically implement medium- to long-term capital investment and R&D, as well as M&A, even in a rapidly changing business environment, to continuously improve our corporate value.

Each implementation policy will be formulated and carried out in accordance with the business strategy of reorganizing business portfolio to achieve sustainable sales and profit growth, which is stated in the Midterm Management Policy and Midterm Management Plan, and in line with the portfolio classification, taking into account capital cost.

Investment policy by portfolio classification

	Capital investment	M&A	R&D
Next core business	Investments for sales scale expansion to become core business <ul style="list-style-type: none"> Carbon neutrality (CN) related investments 		
Piston ring and fundamental businesses	Investments for strengthening (stabilizing) profitability <ul style="list-style-type: none"> Equipment installation with an awareness of enhancing cost competitiveness CN-related investments 		
			<ul style="list-style-type: none"> Differentiation of existing products Development and commercialization of fuel-efficient technologies, hydrogen engines, biofuels, etc., which contribute to CN

Proactive allocation

Human Resources → See P. 46

Shareholder Return

Our basic policy for the distribution of retained earnings is to continue to pay stable dividends (twice a year, interim and year-end dividends), while considering the balance between investment for growth and corporate value enhancement and financial soundness.

The Company's Articles of Incorporation stipulate that interim dividends may be paid, and the decision-making body for interim dividends is the Board of Directors, so as to enable flexible distribution of retained earnings, while year-end dividends are determined by the Board of Directors or the General Meeting of Shareholders.

We aim to increase the dividend payout ratio from the current level of about 30% on a consolidated basis to more than 40% during the period of the Midterm Management Plan (FY2024–FY2026).

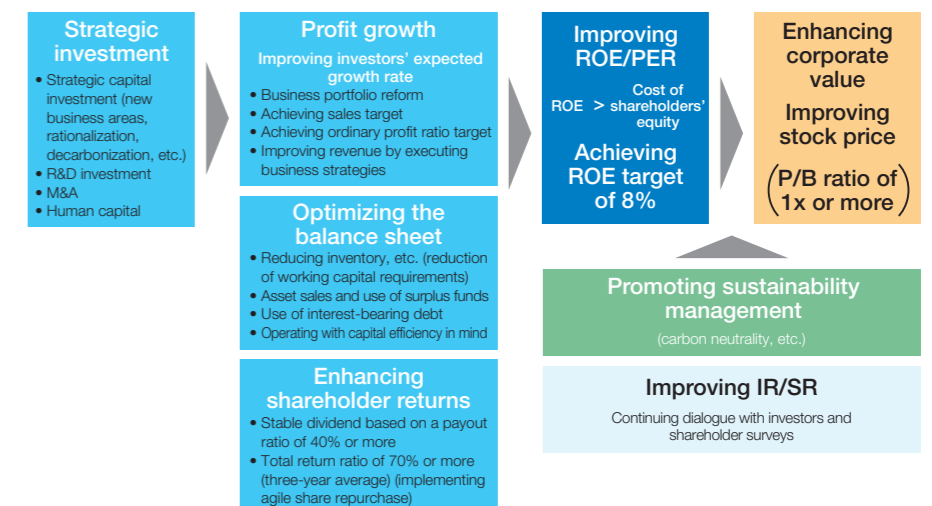
With respect to acquisition of treasury stock, we intend to flexibly implement this while keeping in mind capital efficiency and total return ratio, and plan to acquire 10 billion yen of treasury stock during the period of the Midterm Management Plan (FY2024–FY2026). As the first step, we acquired 4 billion yen of treasury stock on May 16.

As for the total return ratio, the Company aims to achieve a three-year average of 70% or more during the period of the Midterm Management Plan (FY2024–FY2026), including dividends and acquisition of treasury stock, and as a result, the DOE for FY2026 is expected to be 3%.

We plan to pay a year-end dividend of 115 yen (interim dividend of 45 yen and year-end dividend of 70 yen) for FY2024, with total shareholder returns of 90% including the acquisition of treasury stock conducted in May.

Improving P/B Ratio

We aim to increase corporate value and stock price (P/B ratio of 1x or more) by improving ROE and reducing cost of shareholders' equity through profit growth, improving investors' expected growth rate, optimizing the balance sheet, strengthening shareholder returns, promoting sustainability management, and improving IR and SR.



Toward a Green Society

We have established the Hydrogen & Alternative Energy Project Department with the aim of realizing local production for local consumption of energy and carbon-neutral society, through active participation in hydrogen energy-related businesses by maximizing our knowledge of engines and our technical capabilities in seals and tribology. These businesses include the development of engines and parts that burn hydrogen, synthetic fuels (e-fuel, etc.), and biofuels, which are next-generation fuels that are carbon neutral in internal combustion engines.

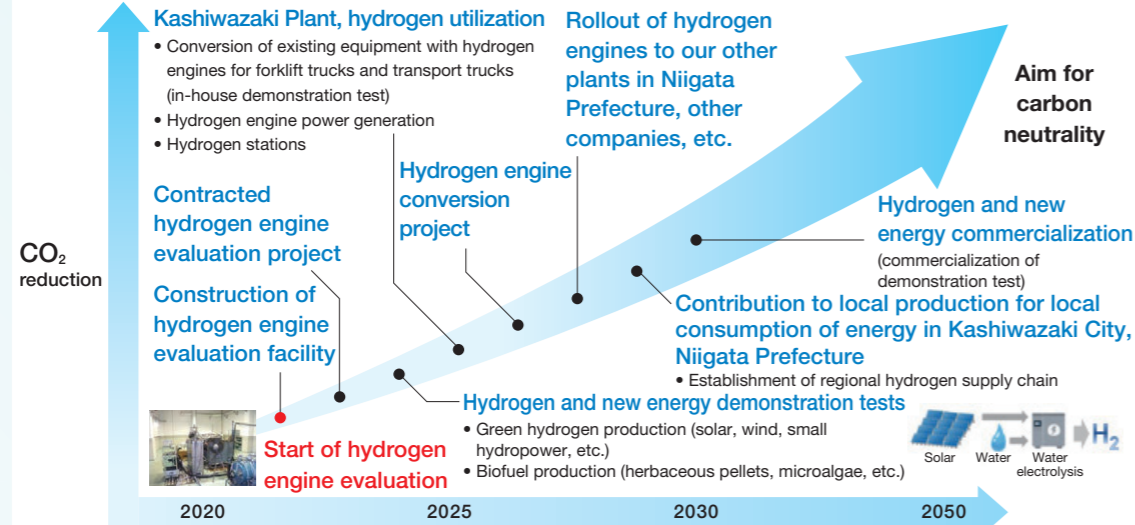
Direction of Hydrogen and New Energy Businesses

We have set our business direction for 2050, the year in which we will achieve carbon neutrality as a society, and for 2030, the milestone year, and are working to realize a clean society through the following three pillars.

- A** Activities that contribute to the diffusion of hydrogen engines in society
- B** Activities that expand the use of hydrogen engines in our company
- C** Activities that contribute to local production for local consumption of clean energy

Local Production for Local Consumption, Realizing a Carbon-Neutral Society

Contribute to local production for local consumption of energy in Kashiwazaki City, Niigata Prefecture, using hydrogen engines as a foothold to realize a carbon-neutral society.



Evaluation of hydrogen engines and taking on the challenge of conversion to hydrogen engines

Our wholly owned subsidiary, Riken Corporation's Kashiwazaki Plant has four dedicated bench rooms (as of October 2024) that can evaluate actual hydrogen engines, and is capable of evaluating large engines for heavy trucks and construction machinery.

We have been cooperating as an external participant in the Ministry of the Environment's "Demonstration Project for Decarbonization of Heavy Duty Vehicles by Utilization of Hydrogen Internal Combustion Engine," and have evaluated actual hydrogen engines and supplied piston rings for hydrogen engines.

In addition, we believe that it is most important not only to evaluate actual hydrogen engines and develop piston rings for hydrogen engines, but also to accumulate testing and evaluation know-how by running vehicles equipped with hydrogen engines on actual roads, in order to popularize the use of hydrogen engines. We are now planning to convert light-duty trucks used at the Kashiwazaki Plant with hydrogen engines and use them in actual business activities to test them. In FY2023, as the first step of this plan, we converted two types of engines (photo on the right) to hydrogen engines on our own and started evaluation of actual engines on our expanded engine bench.

Through these activities, we will work toward the goal of realizing hydrogen utilization, including hydrogen engine vehicles, and hydrogen engine conversion projects in the region.



Hydrogen and diesel oil co-firing engine



Hydrogen-only dedicated combustion engine

Construction of hydrogen stations

In Kashiwazaki City, Niigata Prefecture, where the Group's hydrogen engine development base is located, we are developing supply infrastructure to promote the utilization of hydrogen and the adoption of hydrogen vehicles.

We are currently progressing the plan to build and operate our own hydrogen station, and have completed the acquisition of land for the station and the selection of a construction company.

We are aiming to commence operations in the spring of 2026.

The facility will play a key role in the hydrogen supply infrastructure for the city and surrounding areas, including neighboring prefectures, and will also enable the supply of hydrogen to small trucks operated by the Company in our hydrogen engine vehicle conversion business.

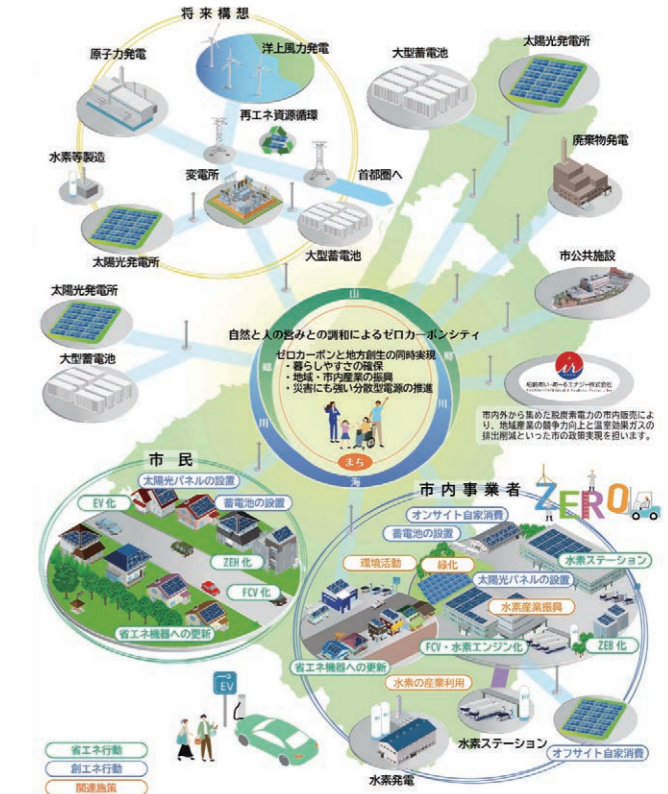
This activity is part of Kashiwazaki City's strategy to promote itself as a zero-carbon city, and is expected to contribute to the local production for local consumption of renewable energy and revitalize the region.



Planned hydrogen station construction site in Kashiwazaki City



Hydrogen station



From Kashiwazaki City's Zero-Carbon City Promotion Strategy

Development of engine parts compatible with ethanol fuel

Engine evaluations of engines capable of burning ethanol, which is seen as a leading carbon-neutral fuel, are being conducted at the R&D Center of Nippon Piston Ring, a wholly owned subsidiary of the Company. Our Group is developing engine parts that are compatible with ethanol combustion.

Nippon Piston Ring R&D Center



Business Strategy

Piston Ring Business

FY2023 Net sales **64.9** billion yen
Operating profit **7%**

FY2026 target Net sales **67.5** billion yen
Operating profit **10% or more**

Segment Composition

43%

We have advanced material surface treatment technology, evaluation technology, and simulation technology, and we provide high-performance, high-quality piston rings for passenger cars, heavy-duty commercial/industrial, aftermarket, and marine applications to a wide range of customers around the world in the form of solutions that respond to engine requirements for higher output, lower fuel consumption, and cleaner exhaust gas.

As a reliable solutions provider, we are highly regarded both domestically and internationally as the global No. 1 supplier of piston rings.



Piston rings for automobiles

Global share **30% or more**
(NPR-RIKEN estimate)

Annual manufacture and supply of piston rings

For more than **20 million passenger cars**
(NPR-RIKEN calculation)



► Status in FY2023

Profit increased year-on-year due to factors including an increase in sales volume accompanying the recovery of automobile production and the effect of increased revenue due to the weak yen, as well as passing-on price increases and progress in rationalization. In addition, since the business integration in October 2023, each division in the supply chain, including the two companies' sales, development, manufacturing, and purchasing, has been working toward streamlining and business integration. Starting in FY2024, we will establish an integrated sales and development division, as well as consolidate and streamline research and development themes, consolidate development bases, and optimize processes for some products. We also plan to gradually realize synergies through the integration of design processes and specifications, as well as consolidation of bases.

► Issues, policies, outlook, and strategy of the First Midterm Management Plan

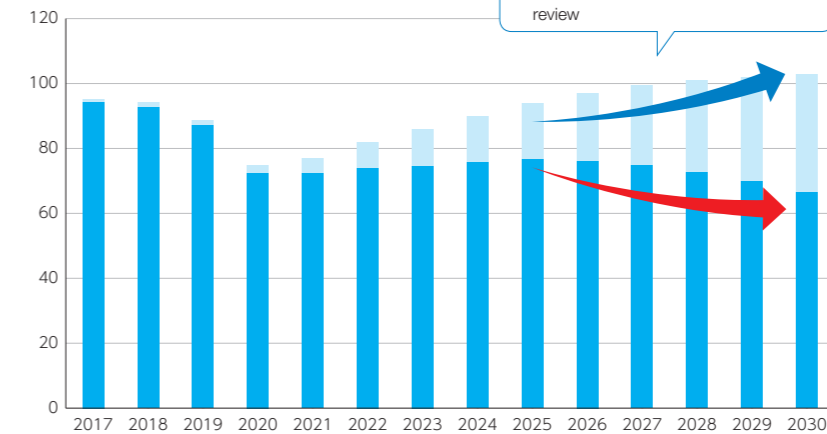
Issues	Basic policy
<ul style="list-style-type: none"> Shrinking market: Maintain and expand sales, improve profit ratio Strengthen cost competitiveness Deepen carbon neutrality measures and lead the way in improved next-generation engine functionality 	<p>World's No. 1 supplier of piston rings</p> <ul style="list-style-type: none"> Be a reliable solutions provider Create synergies and dramatically improve productivity Have an extensive product lineup and fast development speed Innovative product technologies for carbon neutrality (hydrogen and alternative fuel compatibility)
Business prospects	Business strategy
<p>Passenger cars</p> <ul style="list-style-type: none"> Power source diversification Progressing shift to EVs Shrinking market 	<ul style="list-style-type: none"> Selective sales expansion targeting "remaining engines" and development of technological proposal sales Use of hydrogen/alternative fuel engine test equipment Promotion of industry-academia and industry-industry collaboration
<p>Aftermarket</p> <ul style="list-style-type: none"> 1.5 billion-vehicle market (Total number of vehicles worldwide) Will remain strong 	<ul style="list-style-type: none"> Strengthening responsiveness at overseas bases Pursuing cost reduction by combining production technologies of the two companies, building an optimal production system, improving resource efficiency, and improving profit ratio through automation
<p>Heavy-duty commercial and industrial</p> <ul style="list-style-type: none"> ICE will continue to be mainstay Demand is levelling off/ slightly increasing 	<ul style="list-style-type: none"> Concentrating resources on promising customers and markets
<p>Marine</p> <ul style="list-style-type: none"> Increased newbuilds Accelerated new fuel technologies Increased marine cargo movement (demand for replacements) 	<ul style="list-style-type: none"> Expanding sales with new technologies for new fuels (methanol, ammonia, and hydrogen) Improving efficiency of production and development systems

In the piston ring business, the sales of piston rings for automobile engines, especially passenger car engines (ICE), account for more than half of our total business, but the pace of technological innovation in the automobile industry, such as the development and practical application of electric vehicles and automated driving, is accelerating. In line with these changes, ICE production is expected to shrink in the market due to electrification, and the Group expects global ICE production to peak out between 2024 and 2027. (Assumes BEV ratio of over 30% in 2030)

► Automotive market

Global ICE and EV production trend forecast

(million units/year)



On the other hand, we expect strong demand for piston rings for aftermarket, and for heavy-duty commercial, industrial, and marine use where the shift to EVs is not expected to progress easily. Regarding passenger car engines, we expect demand for hybrid electric vehicles (HEVs) and engines that burn alternative fuels to continue for the time being.

In light of this outlook, we are working to create synergies in sales, production and development in order to expand our market share for the "remaining engines," thereby maintaining and improving our business sales and profit ratio.

Business Topics

Strengthened production capacity for marine piston rings

Regarding marine piston rings, we expect an increase in replacement demand due to an increase in demand for new ships, the acceleration of new fuel technologies, and an increase in marine cargo movement, and we position this market as one of the important markets for the NPR-RIKEN Group. During the period of the First Midterm Management Plan (FY2024 to FY2026), we aim to increase sales to 1.5x that of FY2023, and we are working to improve productivity and production capacity by combining the strengths of Riken and Nippon Piston Ring.

Additionally, the shipping industry is moving toward new fuels such as ammonia and hydrogen that have a lower environmental impact, which we believe will lead to further expansion of demand for piston rings. The development and production of piston rings compatible with new fuels requires different requirements and technologies than those required for products compatible with conventional fuels. In addition, it is essential to incorporate them into the engines of ships that are actually sailing and conduct repeated testing. By combining each company's people and technologies, in addition to the cooperation and understanding of engine manufacturers, shipyards, and shipowners, we will solve problems and work towards realizing our management philosophy to "build the competencies and capabilities to sustain our present and future."

Marine piston rings

Global share (FY2023) **Approx. 20% or more**
(NPR-RIKEN estimate)

■ Domestic #1 ■ Global #2

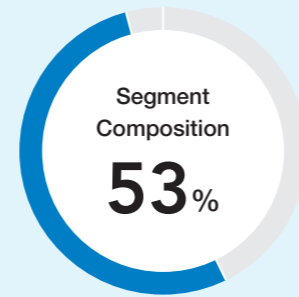
FY2030 target

40% or more



Business Strategy

Fundamental Business



FY2023	Net sales	79.0 billion yen	FY2026 target	Net sales	80.0 billion yen
	Operating profit	5%		Operating profit	7% or more

► Precision machined parts (for automotive and industrial machinery)

• Sintered products, engineered plastic products, and precision components

Cylinder liners, valve seats, valve lifters, and camshafts contribute to engine performance just like piston rings. We also offer a wide range of sealing components for transmissions, compressors, turbochargers, etc. that comply with strict quality standards for automobiles, ships and aircraft to a wide variety of customers worldwide.



• Casting components

Mainly automotive undercarriage parts such as steering knuckles, lower arms, damper forks, brake parts, and differential cases, achieving both reliability and weight reduction through advanced materials, design, and manufacturing technologies. We pursue environmental performance.

As demand for undercarriage parts is expected to continue even with the shift to EVs, we are working on development and sales activities aimed at adoption in the next-generation of EVs.



* Compared to our conventional (solid) product

► Piping products (for construction and industry)

Piping products play a major role in industrial sectors such as lifelines, disaster prevention systems, and plants that support comfortable and safe urban living.

The Group provides piping products that impress customers through technological innovation under a variety of brands including the trusted TOP and Yubiwa brands, which have received various certifications and accreditations from JIS, JWVA, JPF, the Fire Equipment and Safety Center of Japan, and Japan Stainless Steel Association.





► Status in FY2023

Profit increased year-on-year due to factors including an increase in sales volume accompanying the recovery of automobile production, which, like the piston ring business, precision machined parts are deeply linked to, and the effect of increased revenue due to the weak yen, as well as passing-on price increases and progress in rationalization.

Additionally, sales and profits increased for piping products due to the acquisition of NIPPON PIPE FITTING as a subsidiary, and the fundamental business as a whole saw sales and profits increase year on year.

► Issues, policies, outlook, and strategy of the First Midterm Management Plan

Issues	Basic policy
<ul style="list-style-type: none"> Shrinking market: Maintain and expand sales, improve profit ratio Strengthen cost competitiveness 	<p>Precision machined parts: Become the world's niche top supplier</p> <p>Piping products: Improve presence in the construction field</p> <ul style="list-style-type: none"> Identify and deepen competitive market product segments Improve cost competitiveness through improved productivity and optimal production
Business prospects	Business strategy
<p>Precision machined parts business</p> <ul style="list-style-type: none"> Progressing shift to EVs [ICE parts] Demand hitting the ceiling [Non-ICE parts] Demand expanding across the world <p>Piping products business</p> <ul style="list-style-type: none"> Domestic demand gradually falling as population decreases Increase in renovation demand Labor shortage of plumbers ⇒ Increase in demand for labor-saving piping equipment and prefabricated components 	<ul style="list-style-type: none"> Sintered products Expanding sales of valve seats and further cultivating products for heavy-duty commercial and industrial engines Engineered plastic products Developing new sliding parts in addition to seal rings for automotive transmissions, for which NPR-RIKEN has the largest market share Casting components Strengthening and expanding business at Indonesian base and optimizing domestic production Precision components Introducing products that auto manufacturers produce in-house (camshaft) and launching new products by utilizing existing technologies <ul style="list-style-type: none"> Sales expansion with Riken (TOP brand ) + NIPPON PIPE FITTING (Yubiwa brand ) Expansion of piping prefabrication business

Business Topics

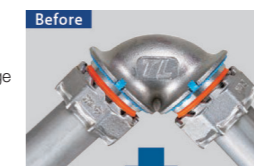
New products that contribute to labor saving at construction sites (piping products)



Achieve reliable confirmation of installation

Pre-installation

Before installation, or if the joint has not been tightened, the orange line is visible on the thread of the fitting, as shown in the photo.

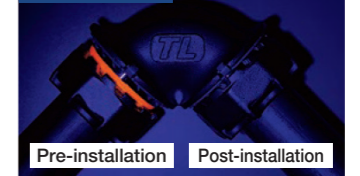


Post-installation

Installation is complete when the nut is tightened until it cannot be tightened any further. The joint may not be tight enough even if the orange line cannot be seen, so it is necessary to tighten the nut until it cannot be tightened any further.



Dark location



The orange line uses fluorescent paint that radiates in ultraviolet light, so by using a black light it is easy to check whether the joint has been completely fastened even in a dark location, as shown in the photo.

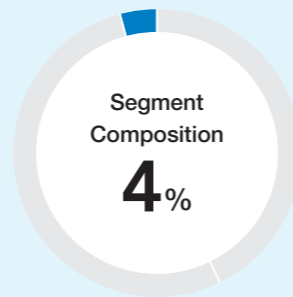
In recent years, the Group's Piping Products Business has developed and provided new products that meet the need for labor-saving construction work, due to the declining population and a shortage of tradesmen at construction sites, and these products have been well received.

In addition, NIPPON PIPE FITTING (formerly JFE Pipe Fitting Mfg.), which has strengths in gas pipe fittings and prefabricated piping systems, joined the Group in FY2023, further expanding our product lineup and customer base.

Domestic demand for piping products for new construction is expected to gradually shrink due to the declining population, but demand itself is expected to remain strong due to redevelopment, factory construction, etc. We also expect the need for labor-saving at construction sites to continue to increase.

In light of this outlook, we are working to create synergies in sales, production and development in order to improve and expand sales of our labor-saving construction product lineup, thereby maintaining and improving our business sales and profit ratio.

Business Strategy
Next Core Business



FY2023	Net sales	5.8 billion yen	FY2026 target	Net sales	18.0 billion yen
	Operating profit	4%		Operating profit	10% or more

Among the existing businesses and new product businesses in growth areas, we have positioned the businesses that will expand sales and become new core businesses in the next generation (targeting 2030 and beyond) as next core businesses.

In the thermal engineering area, by acquiring Shinwa Vanes Co., Ltd. as a subsidiary, we have gained a product lineup that covers a wide range of applications and temperature ranges for heating elements required for semiconductor manufacturing equipment, a market that is expected to continue to expand in the long term. Combined with the Group's existing resources, this has enabled us to significantly expand the business. In addition to expanding and strengthening the foundation of next-generation businesses such as the EMC* area, we will also actively invest in the development of new products such as electric unit products, highly functional engineered plastic products, noise countermeasure products, and medical equipment, and will work to turn these into core businesses.

* Equipment and products for securing electromagnetic compatibility to protect electronic devices from receiving or having an influence on radio wave



Thermal engineering

EMC



METAMOLD

Status in FY2023

Within the next core business, thermal engineering was affected by the lull in special demand in the semiconductor (equipment) industry that began in 2021, which accounts for a large portion of sales, and the entry into a phase of inventory adjustments. However, in February 2024, Shinwa Vanes Co., Ltd. joined the Group, and the foundations have been built for further growth in the future.

EMC saw a year-on-year increase in both revenue and profit from sales of its mainstay anechoic chambers, due to a recovery in customer capital investment that had been halted due to the impact of the COVID-19 pandemic. In addition, in July 2023, we announced the development and sale of a reverberation chamber for in-vehicle equipment which we designed in-house.

METAMOLD has the advantage of being able to handle high density, high strength, complex shaped products, and is now being used in ball screw recirculation parts for automobile suspensions in addition to conventional electric power steering. We are also working to expand into new fields such as CASE-related parts, robots, sensors, and medical treatment.

We are currently developing multiple new products, and in 2024 we announced that we will adopt and mass-produce plastic gears with metal inserts for electrically assisted bicycles and axial gap motors using pressed powder cores for agricultural support transport robots.

Policies, outlook and strategy of the First Midterm Management Plan

Thermal engineering

- Development, manufacture, and sale of proprietary heating elements and provision of heater units and industrial furnaces that uses these elements
- Applications in a wide range of industrial fields (especially semiconductor manufacturing equipment)



Basic policy	Business prospects	Business strategy
<ul style="list-style-type: none"> Developing a full lineup of heater units for semiconductor manufacturing equipment Reinforcing development and production capability applicable for carbon neutrality 	<ul style="list-style-type: none"> Heater units for semiconductor manufacturing equipment Production of semiconductor manufacturing equipment increases as the semiconductor industry expands Promoting carbon neutrality projects (conversion of combustion heat into electrical resistance heat) Delivery of heater unit prototypes for multiple carbon neutrality projects 	<ul style="list-style-type: none"> Securing a full lineup for variety of usages and temperature ranges ▶ Use of Shinwa Vanes Co., Ltd. (acquired in FY2023) Developing heater units and enhancing production capacity Securing competitiveness through substantial improvement of QCD ▶ Promotion of cost reduction through process improvements and acceleration of development of low-cost, long-life heating elements Significantly increasing production capacity, including new factory construction

EMC

- Development and sales of anechoic chambers and radio wave absorbers that are necessary for EMC testing*
- Comprehensive handling of anechoic chambers, from design and construction management to after-sales support
- Wide range of customers including automobile and electronic equipment manufacturers



* EMC (Electromagnetic Compatibility) testing: Testing that checks whether radio waves (noise) emitted by electronic devices have a negative effect on other devices, and whether they malfunction when receiving radio waves emitted by other devices

Basic policy	Business prospects	Business strategy
<ul style="list-style-type: none"> Sales expansion and improvement of added value of anechoic chambers and reinforcement of related businesses 	<ul style="list-style-type: none"> Sound business environment supported by market Progress in CASE and development of communication technology Revision of industry's related standards <p>↓</p> <p>Growing demand for construction of new anechoic chambers or renovation of existing ones</p> <p>↓</p> <p>Growing demand for equipment related to demonstration measurements</p>	<ul style="list-style-type: none"> Sales expansion of anechoic chambers and radio wave absorbers <ul style="list-style-type: none"> Receiving orders for anechoic chambers mainly from the automotive industry (total support including related equipment) Proposing and receiving orders for maintenance business and renovation work Expanding export sales Developing technologies ahead of the latest technology and regulations Promotion of new business <ul style="list-style-type: none"> Related equipment, countermeasure materials, measurement services, etc.

METAMOLD®*

- Metal injection molding (MIM) products for complex shaped parts used in a wide range of applications including automotive, aerospace, industrial, and medical equipment



* METAMOLD is NPR's registered trademark for metal powder injection molding products.

Basic policy	Business prospects	Business strategy
<p>Strengthening project acquisition capability</p> <ul style="list-style-type: none"> Significantly improve competitive conditions (speed, cost, quality, material proposal, etc.) Concentrate resources on specialty fields and build a sales structure that delves deep into customer needs Prepare for sales expansion in overseas markets 	<p>FY 2023 global MIM market sales: Approx. 4 billion dollars (approx. 590 billion yen)</p> <p>CAGR (2018-2029): 10.7%</p> <p><small>Source: Secondary Sources, Expert Interviews and QYResearch, 2023</small></p> <p>High demand for molded parts in the medical and defense industries, where high precision is required</p>	<p>Sales</p> <ul style="list-style-type: none"> Building an efficient marketing system tailored to the targets Strengthening overseas market research <p>Development & production</p> <ul style="list-style-type: none"> Speeding up trial production and mass production Reinforcing new material development structure Implementing thorough cost reductions Strengthening collaboration with overseas companies

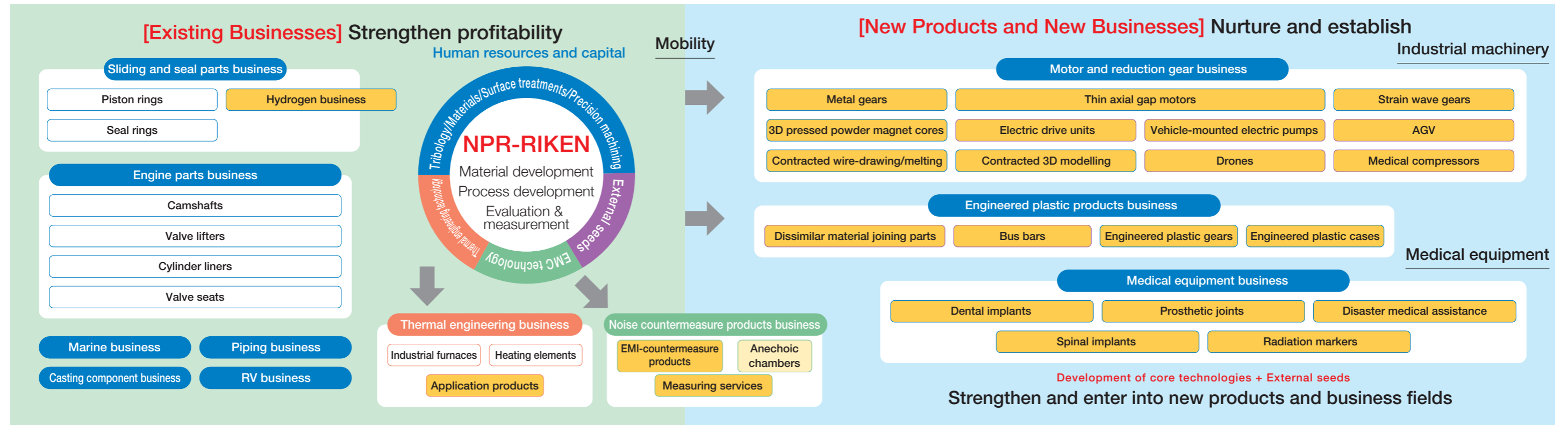
New products and new businesses

- Electric unit products
- Highly functional engineered plastic products
- Noise countermeasure products
- Medical equipment

Basic policy
<ul style="list-style-type: none"> Speeding up development through integration of NPR-RIKEN technologies Expanding new products and new businesses

Main development products			
<p>Super flat actuator</p>	<p>Compact actuator</p>	<p>Clamp nano crystal cores</p>	<p>MIM for medical use</p>

Examples of New Products Currently Under Development



1 Electric Unit Products

The market for industrial, nursing care, and medical robots is expected to expand as countries around the world face serious labor shortages due to declining birth rates, aging populations, and mass retirements of the baby boomer generation. Also, as interest in sustainable societies increases worldwide, the market for small mobility vehicles is expected to expand as they have lower ownership costs, are more compact and maneuverable, have excellent environmental performance, and provide convenient local transportation compared to automobiles.

We will respond to the need for smaller and lighter robots and small mobility vehicles by developing compact, thin actuators and lightweight strain wave gears (engineered plastic instead of metal).

Strain wave gears

Strain wave gears with a new structure from conventional gears

Metal strain wave gears | Engineered plastic strain wave gears

Advantages

- Non-backlash, high rotational accuracy, high rigidity
- Lighter weight as made from plastic

Super flat planetary actuators

Develop and integrate super flat motors and reduction gears

Super flat brushless DC motor + Super flat planetary reduction gear = Super flat actuator

Advantages

- Ultra-thin, lightweight, high power
- High efficiency, low backlash
- Same power as comparable conventional products but **half the thickness**

(40 mm axial-length product: Rated speed = 31.6 min⁻¹, rated torque = 20 Nm)

Examples of application products

- Robot joints
- Assist suit joints
- AGV

Contributes to high precision, light weight, and high efficiency.

2 Highly Functional Engineered Plastic Products

We handle products that substitute metal for engineered plastic materials utilizing weight reduction and dissimilar material joining technologies in anticipation of the expansion of the next-generation mobility and robotics markets. (Plastic gears, millimeter wave radar cases, inverter parts for electric vehicles, etc.)

Engineered plastic gears and application products

High-strength engineered plastic gears that use original materials, and their application products

Spur gear | Metal insert helical gear | Compact actuator

Advantages

- Lightweight and quiet
- Integrated plastic/metal through insert molding
- Use of high-strength materials for compact size and space saving
- **70% reduction** in gear size
- 30% reduction** in case size

Note: Compared to actuators using conventional plastic gears

Mass production began in 2024! (for electrically assisted bicycles)

Engineered plastic cases

Advantages

- Lighter weight
- Superior heat resistance compared to conventional plastic products
- Integrated plastic and metal through insert molding

Contributes to lighter weight while ensuring strength.

Examples of application products

- Compact mobility vehicles
- Electric-powered seats
- Air conditioners
- Grill shutters
- Powered sliding doors

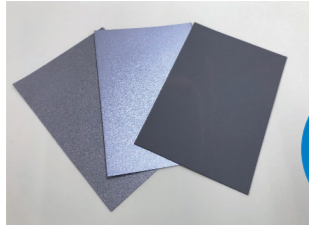
Examples of New Products Currently Under Development

3 Noise Countermeasure Products

We respond to CASE and next-generation communication technology areas through expansion of noise countermeasure products cultivated in EMC and easy-to-install electromagnetic interference countermeasure components (noise suppression sheets, radio wave absorber sheets, clamp nano crystal cores, etc.).

Electromagnetic noise countermeasure sheets

Absorb noise emitted from circuits



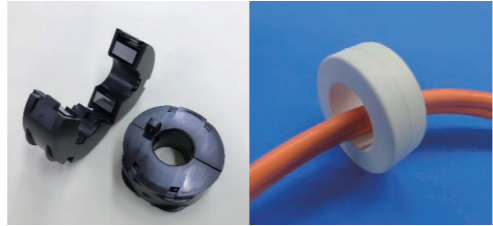
Mass production has begun!

Advantages

- Lineup that supports a wide range of electromagnetic environments
- Noise suppression sheets (especially high performance at GHz)
- Radio wave absorber sheets (thinnest in the industry)

Clamp-style noise suppression cores

Suppress noise transmitted to cables




Advantages

- Can be installed without disconnecting the cable
- Clamp nano crystal core (world first)
- **Small yet more than 2x the performance** of conventional products

Effects

- Prevents unexpected behavior
- Prevents misreadings in measuring equipment
- Prevents intrusion of noise in radios




Contributes to preventing the malfunction of electronic devices.

4 Medical Equipment

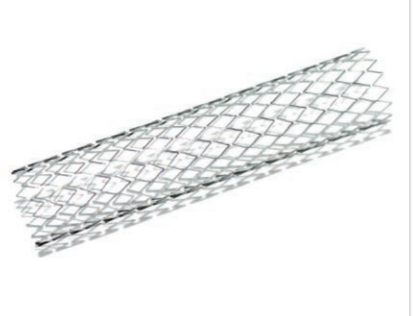
NiFreeT®, a titanium-tantalum alloy that we developed independently by taking advantage of the materials and surface treatment technologies we have cultivated in the development of automobile engine parts, has strength close to that of human bone, is nickel-free, non-magnetic, and highly biocompatible, making it suitable for use as a component in implantable devices.

We are currently working on joint development with leading manufacturers and research institutes both in Japan and overseas to commercialize the product, and will respond to the needs of an aging society with a declining birthrate, advancing medical treatment, and the evolution of medical equipment.

NiFreeT® implantable devices



Artificial cardiac pacemaker



Advantages

- Provides a replacement material for bones and body tissue through seamless one-piece molding that does not require assembly
- Easier post-processing
- High biocompatibility and not easily rejected

Effects

- Development of new implantable devices that is difficult to achieve using conventional materials and methods
- Reduction of manufacturing costs of implantable devices

Contributes to medical advancement and medical device evolution.

Adoption of an Axial Gap Motor Which Uses a Pressed Powder Core in Agricultural Transport Robots



In the post-pandemic era, with a declining birthrate and aging population, it is becoming increasingly important to resolve labor shortages and improve production efficiency. As one solution to these issues, there is a growing need for automatic guided vehicles (AGVs), which can travel autonomously without human operation.

A thin, high-torque axial gap motor incorporating a pressed powder core, which is a motor component made using our powder metallurgy technology, has been adopted in the agricultural support transport robot CP200 developed by DONKEY Corporation, and sales of the robot have begun.

This axial gap motor was developed in collaboration with Ginga Electric Co., Ltd. as a drive motor that meets the needs of DONKEY Corporation in terms of payload capacity, climbing ability, and waterproof/dustproof properties.

Our pressed powder core is a motor core component made by pressing soft magnetic powder into shape, which offers greater freedom in shape compared to electromagnetic steel sheets, which are common components, and are therefore suitable as motor cores for axial gap motors. It also suppresses eddy current loss that occurs when the motor is in use.

We will strengthen and accelerate product development with a view to entering the next-generation mobility and robotics-related business.

Development and Sale of Low Frequency Radio Anechoic Chambers

The need for electromagnetic wave measurements using anechoic chambers is expected to continue to increase with the electrification of automobiles, the spread and sophistication of autonomous driving assistance systems, and the practical application of wireless power transmission (contactless charging).

Furthermore, as these technologies advance, the standards (related to measurements) in each industry are being revised periodically, and the need for electromagnetic wave measurements to comply with new standards and for modifying existing chambers to accommodate measurements under the new standards is expected to increase.

Our Group designs and sells anechoic chambers that are compatible with low-frequency electromagnetic waves below 30 MHz, as specified in the latest international standards, and has recently delivered the first large-scale anechoic chamber in Japan that complies with the latest international standard, CISPR1614.

We aim to meet customer needs and grow our business by providing a one-stop service for the design and construction management of anechoic chambers that meet new standards, ancillary equipment, large and small measuring instruments, and after-sales service.



Image provided by KEC Electronic Industry Development Center

Expansion of METAMOLD Products (Next Core Business)



METAMOLD products have excellent features such as high productivity for complex shapes, strength equivalent to that of smelted materials, wear resistance, and high applicability in small, fine shapes. Demand is expected to increase in medical equipment that requires high precision, robots used in harsh environments, and IT equipment that requires lightweight, one-piece molded components with complex shapes, such as smartphones and wearable devices. Additionally, in the automotive and industrial machinery industries, which are closely related to the Group's existing businesses, we foresee that we can expect new adoption and sales expansion for mass-produced products by strengthening our response to their needs.

We aim to grow our business by expanding our mass production lineup in a wide range of product areas that take advantage of METAMOLD's characteristics, leading to increased sales.

Environment

Basic Approach

NPR-RIKEN Group's management philosophy pledges to respect our relationships with our stakeholders, and we have identified the "reduction of environmental impact" as a materiality issue of our corporate activities. To realize this goal, we have formulated an Environmental Policy and a medium- to long-term vision, and are promoting activities accordingly.

Environmental Policy

We recognize that the preservation of the global environment is an important issue common to all humankind, and we will implement the following actions Group-wide.

- 1. Legal compliance**
We will comply with environmental laws and regulations and work to prevent environmental pollution through open and fair activities.
- 2. Environmental conservation**
We aim to achieve carbon neutrality through efficient use of resources and energy, and work to reduce our environmental impact and improve our environmental performance.
- 3. Product development**
We will contribute to solving environmental social issues by developing environmentally friendly products and providing them to our customers.
- 4. Continual improvement**
We will operate and utilize our environmental management system globally to achieve our environmental goals.
- 5. Contribution to the local community**
As a member of the local communities in which we operate, we will actively engage in support and cooperation activities for environmental protection with an awareness of biodiversity.

Key Issues and Promotion System

We are working to reduce environmental burdens by defining the Vision for FY2030 (long-term policy) and FY2026 (the final year of the First Midterm Management Plan), and incorporating them into key issues and promotion plans.

The environmental divisions of Riken and Nippon Piston Ring, our two main operating subsidiaries, are working together to further reduce environmental impact and protect the environment through business integration.

In addition, key issues and promotion plans are developed in each division and affiliated company and incorporated into specific action plans, and progress is reported at each Environmental Committee meeting to enable checking and follow-up.

In addition, to prevent recurrence and occurrence, we have a system in place for immediate reporting of environmental accidents and other defects and for immediate countermeasures.

Key issues	Vision for FY2026	Critical implementation items
Zero environmental accidents and complaints	Effective environmental management systems in place	Operation of an environmental management system based on the PDCA cycle
Zero landfill waste, industrial waste recycling rate of 85% or more (FY2030)	Constant implementation of 3R measures, visualization of effectiveness and efficiency (recycling rate: 83%, reduction of landfill waste)	Recycling of resources through sorting, promotion of recycling of final disposal waste
Contribution to biodiversity conservation	Well-established as a business activity, with contributions being recognized	Participation in local environmental protection activities

Environmental management systems

We have introduced and are promoting the ISO 14001 Environmental management systems, an international standard, in order to establish a management system that protects the environment and responds to changing environmental conditions while balancing socio-economic needs.

Certification status: Obtained at all domestic and overseas manufacturing sites of the Group. (100%)

Non-compliance with environmental laws and regulations, occurrence of incidents, and corrective measures

The NPR-RIKEN Group (NPR-RIKEN and domestic affiliates) had no cases of environmental pollution (environmental complaints and violations of environmental laws and regulations) in FY2023. We will continue to thoroughly monitor air, water, noise, vibration, odor, etc., and systematically implement source control measures in order to reduce the generation of pollution to zero. In addition, we will prevent sudden environmental accidents by conducting emergency response training and thorough daily management.

Efforts to Achieve Carbon Neutrality (Reduction of CO₂ Emissions)

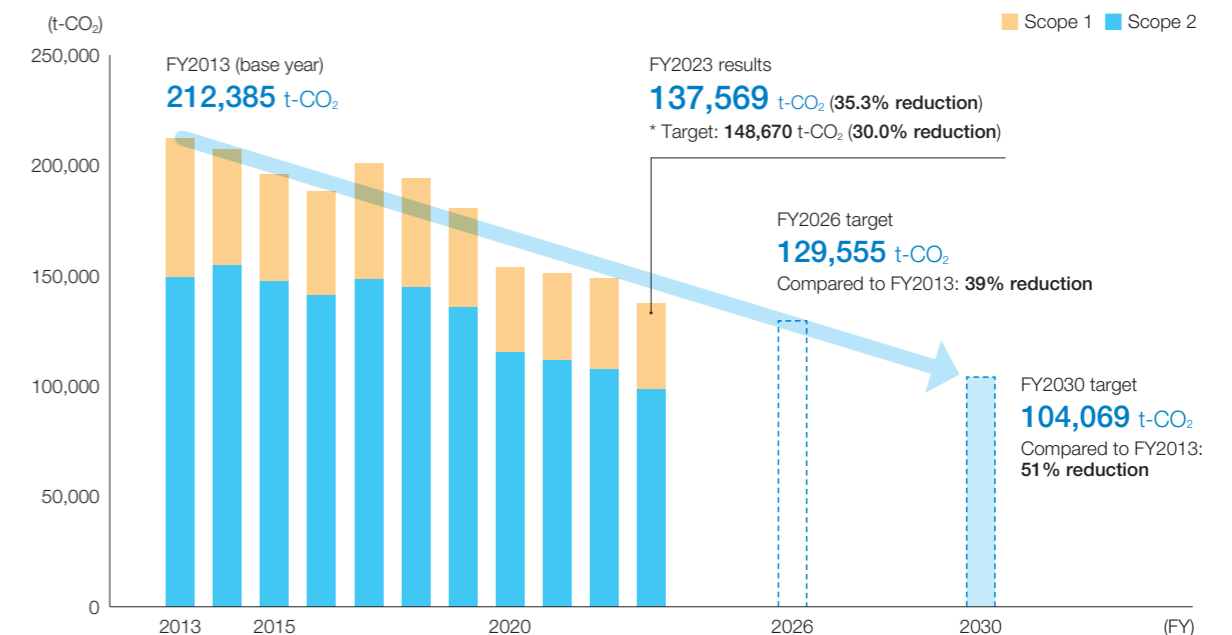
The Group has identified the strengthening of carbon neutrality initiatives as a key sustainability management item in its Midterm Management Plan.

We aim to reduce CO₂ emissions from our business activities to virtually zero by 2050, and have set a CO₂ emissions reduction target for the milestone year of 2030 (Scope 1 and 2 domestic consolidated). To achieve this goal, we set single-year targets, and we are planning and implementing measures in each of the four pillars: promotion of energy conservation, promotion of energy substitution activities, aggressive introduction of renewable energy, and purchase of credits.

We will also promote efforts to reduce CO₂ emissions in a wider scope of supply chains in the future by setting targets on a consolidated basis, including overseas, and by identifying Scope 3.



CO₂ emissions (domestic consolidated)



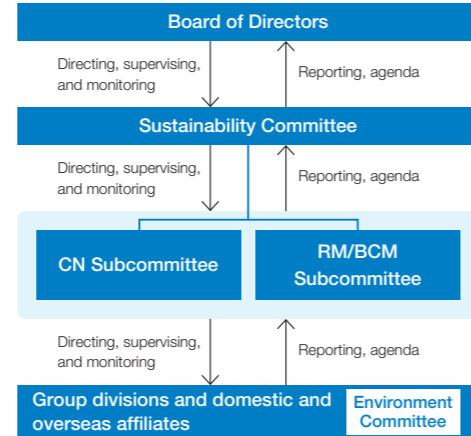
CO₂ emission reduction activities

Classification	Scope 1	Scope 2
Energy conservation	<ul style="list-style-type: none"> Reuse of used steam and waste heat Pipe heat insulation (boiler) 	<ul style="list-style-type: none"> LED lighting Reduction of compressor power (measures against supply interruption per building and air leakage) Pipe heat insulation (electrolytic furnace, washer)
Renewable energy	—	<ul style="list-style-type: none"> Purchase of non-fossil certificate (CO₂ free electricity) On/off-site PPA × solar/wind/hydropower Private solar power generation
Energy substitution	<ul style="list-style-type: none"> Electric furnace conversion of cupola 	—
Credit	<ul style="list-style-type: none"> Introduction of carbon neutral city gas 	<ul style="list-style-type: none"> Purchase of J-Credit

TCFD Climate-Related Information Disclosures in Line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

Governance

The Group recognizes that environmental issues, including climate change, are important management issues and has established a Sustainability Committee (chaired by the COO) to address them. The Sustainability Committee evaluates the progress of specific activities, such as CO₂ emissions reduction and carbon-neutral activities, and the development of new products that contribute to these activities. In addition, to ensure effectiveness, we are working together with each division at Group companies to promote specific measures. The Carbon Neutrality (CN) Subcommittee, a specialized subcommittee under the Sustainability Committee, is established to handle carbon neutrality, which is important in addressing climate change, and the specialized divisions of operating subsidiaries (Riken: Carbon Neutral Department, Nippon Piston Ring; Sustainability Promotion Office) serve as the secretariat. In addition, each of our operating subsidiaries has established an Environmental Committee to promote the implementation of plans related to other environment-related matters.



Strategy

In order to achieve sustainability management, the Group recognizes the importance of analyzing climate change based on its impact on business and the resulting risks (transition risk, physical risk) and opportunities, and ensuring that appropriate responses are reflected in corporate management. Based on this idea, we have identified and addressed risks and opportunities as follows, assuming two scenarios: one in which climate change measures are promoted (NZE, 1.4°C in 2100) and the other in which existing policies are allowed to take place (STEPS, 2.5°C in 2100).

Analysis objectives and assumptions

Scope of coverage	Applicable period	Area	Main adoption scenarios
All businesses	2023–2030 (Physical risk is up to the year 2050)	Countries and regions of operation of NPR-RIKEN Group	Transition risk: IEA NZE scenario, STEPS Physical risk: SSP5-8.5

Identification of major risks

Type	Identified risks	Time frame/Possibilities	Impact	Type	Major potential financial impacts	Countermeasures
Transition risk	Regulations Expansion of regulations banning the sale of ICE vehicles	Medium to Long term / Over 50%	Large	Decrease in sales	<ul style="list-style-type: none"> While sales of passenger ICE related parts account for the majority of the piston ring business sales (FY2023 forecast: 64.9 billion yen), this declined due to decrease in the sales of ICE-equipped passenger cars and in demand for passenger ICE-related parts as a result of regulations prohibiting sales as a measure to combat climate change. In both STEPS and NZE scenarios, the ratio of BEV sales in 2030 is expected to increase (as of 2022: 10%; 2030 Light-duty-vehicles = passenger cars: 40%–60%). Even if there is no change in the market share of the sales of ICE-related parts for passenger cars, sales may be lost as demand for ICE-equipped passenger cars declines. 	<ul style="list-style-type: none"> In the First Midterm Management Plan (FY2024–FY2026), the Company will aggressively invest in the next core business, which involves non-ICE and growing sectors (semiconductors, electrification, and carbon neutrality), with the goal of increasing sales from the current 5.8 billion yen to 18 billion yen and making it one of the pillars of business by FY2030.
	Carbon taxation	Medium to Long term / Over 50%	Large	Increase in cost	<ul style="list-style-type: none"> CO₂ emissions in the production process 149,000 t-CO₂ based on sales plans by business and sales forecasts by region. If production continues as is (Scope 1 + 2 domestic consolidated) Carbon tax (2030) \$140/t-CO₂ (developed countries in the IEA NZE scenario). The maximum total carbon tax burden in FY2030 (NZE scenario) would be 21 million dollars = 3.1 billion yen in the current course (same emissions as in FY2022), with a significant impact on profit and loss (equivalent to 30% of FY2022 ordinary profit). 	<ul style="list-style-type: none"> Set a target to reduce total CO₂ emissions in FY2030 (–51% compared to FY2013) in order to achieve carbon neutrality by FY2050. Work on energy conservation, aggressive introduction of renewable energy, energy substitution, and introduction of credits. Introduce the internal carbon pricing (ICP) system and aggressively promote capital investment that leads to CO₂ emissions reduction.
Physical risk	Acute Suspension of operations due to increased frequency and scale of climate disasters (especially internal water damage caused by typhoons or abnormal rainfall)	Medium to Long-term / Very low (once in 1000 years)	Large	Increase in cost	<ul style="list-style-type: none"> Assumed maximum flooding of 3.0 m at the Kumagaya Plant in the event of river rise, overflow, or levee failure caused by rainfall of an assumed maximum scale. Similarly, there are fears of flooding due to abnormal rainfall at domestic affiliated manufacturing companies and manufacturing subsidiaries. Assumes restoration costs due to flooding as a risk case. (Overseas sites are under examination.) Estimated maximum amount of damage and restoration costs at the Kumagaya Plant is about 4 billion yen (not yet estimated for domestic affiliated manufacturing companies and manufacturing subsidiaries). 	<ul style="list-style-type: none"> Conduct material preparation and periodic installation drills at the Kumagaya Plant, including renovation work and water sealing at the site. Domestic affiliated manufacturing companies and manufacturing subsidiaries are also taking similar measures depending on the scope of estimated damage and business activities of each company.
	Chronic Decrease in production and suspension of operations due to drought caused by climate change	Medium to Long-term	Large (2 consolidated manufacturing subsidiaries in India)	Decrease in sales	<ul style="list-style-type: none"> Fears of decrease in sales due to reduced production and suspension of operations caused by drought at two manufacturing subsidiaries located in India, which are considered to have a high medium- to long-term drought risk. 	<ul style="list-style-type: none"> Proceed with consideration of installing a water circulation system and a water storage tank (cistern).

Identification of major opportunities

Type	Identified opportunities	Time frame/Possibilities	Impact	Type	Major potential financial impacts	Countermeasures
Products & services	Popularization of ICEs that achieve low fuel consumption and reduce CO ₂ emissions, supply infrastructure for new energy sources, including hydrogen, which is carbon neutral, as well as ICEs that burn them.	Medium to Long term / High	Large	Increase in sales	Increased sales due to higher demand for ICE parts that achieve low fuel consumption and for ICE parts compatible with carbon-neutral fuels <ul style="list-style-type: none"> In the long term, mobility will be powered by fuel cells, batteries, and ICEs that burn carbon-neutral fuels (hydrogen, biofuels, e-fuel, etc.), and the demand for related products in each of these areas is expected to grow. Sales growth can be expected by applying and leveraging each of the Group's existing business capitals to establish a firm position in the development, manufacture, and sale of ICE parts, especially those compatible with carbon-neutral fuels. * Demand for biofuels in the transportation sector in 2030 is expected to be about 1.5 to 2 times higher than in 2023 (IEA STEPS to NZE scenario). 	<ul style="list-style-type: none"> Maintain the same level of sales related to ICE parts by substituting them with ICE parts that achieve even lower fuel consumption and those designed for carbon-neutral fuels. R&D expenditures for the three years through FY2023 is 12 billion yen, with the majority related to ICE parts. In the First Midterm Management Plan, R&D investment for FY2024–FY2026 is expected to total 15 billion yen over the three-year period. As we focus on investment in the Next Core Business, the ratio of ICE parts will decrease, but we will increase the efficiency of these parts and allocate them to the development of fuel-efficient and carbon-neutral parts. Actively participate in private, industry, and academic carbon-neutral fuel engine commercialization projects with the prospect of replacing existing diesel engines for ships and medium- and heavy-duty trucks with methanol, ammonia, and hydrogen engines, and prepare for the launch of the hydrogen engine conversion project.
	In the industrial sector, electrification, or switching from fossil fuels to electricity as a heat source, has progressed in order to reduce CO ₂ emissions and achieve zero CO ₂ emissions when combined with renewable energy.	Medium to Long term / High	Large	Increase in sales	Increased demand for thermal engineering products including heating elements <ul style="list-style-type: none"> With the global trend toward reducing environmental impact through improved energy efficiency and achieving carbon neutrality, the shift from the use of fossil fuel energy to the use of electrical energy (and more advanced renewable energy-derived electricity) is expected to accelerate, and demand for thermal engineering products is expected to further expand. Thermal engineering products main customers: steel, materials, semiconductor industries, etc. 	<ul style="list-style-type: none"> Set a target in the Midterm Management Plan to increase sales of the Next Core Business, which includes the thermal engineering business, from 5.8 billion yen (forecast for FY2023) to 18 billion yen (for FY2026), and aggressively invest in this business.
	Growing demand for electric vehicles (BEVs)	Medium to Long term / High	Large	Increase in sales	Growing demand for electric vehicle parts and increased sales due to growing demand for electric vehicles (BEVs) <ul style="list-style-type: none"> In both STEPS and NZE scenarios, the ratio of BEV sales in 2030 is expected to increase (as of 2022: 10%; 2030 Light-duty-vehicles = passenger cars: 40%–60%). Increasing the ratio of sales of BEV parts instead of ICE parts is expected to increase sales. 	<ul style="list-style-type: none"> In the Midterm Management Plan, the Company will aggressively invest in the Next Core Business, which involves non-ICE and growing sectors (semiconductors, electrification, and carbon neutrality), with the goal of increasing sales from 5.8 billion yen (forecast for FY2023) to 18 billion yen (for FY2026) and making it one of the pillars of business by FY2030.
	Increased severity and frequency of natural disasters/extreme weather events (heavy rain, floods, typhoons, water shortages, etc.)	Medium to Long-term	Medium	Increase in sales	Increased demand for disaster preparedness products <ul style="list-style-type: none"> Demand for disaster prevention and mitigation products is expected to grow as disasters caused by extreme weather events, both domestic and international, become more frequent and severe. 	<ul style="list-style-type: none"> Continue to contribute to the disaster medical area and acquire new commercial rights.

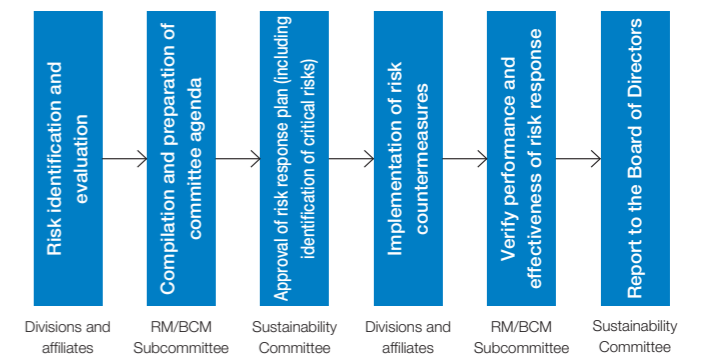
• Social issues other than climate change: In response to the aging and declining population, the Group expects positive financial results from the promotion of the development of medical components that support advanced medical care (minimally invasive and highly biocompatible medical component products), piping fittings that are easy to install and error-resistant in response to a decrease in the number of workers at construction sites, and special motor components, motors, reduction gears, and high-function engineered plastic products that support improved productivity in the industrial and agricultural fields.

Note: Risk of financial impact on ordinary profit: large (500 million yen or more), medium (100 to 500 million yen), small (100 million yen or less)

Risk Management

Led by the Risk Management/Business Continuity Management (RM/BCM) Subcommittee under the Sustainability Committee, the Group identifies and assesses risks within the Group, prioritizes them, formulates a risk response plan, manages the progress of the plan, and reports to the Board of Directors.

In addition to risks related to climate change, this process also assesses risks related to business risk, information security, and compliance.



Indicators and Targets

The Group aims to reduce CO₂ emissions from its business activities to virtually zero by 2050. As a milestone toward achieving this goal, we have set a reduction target for FY2030, and are promoting activities such as energy conservation and aggressive introduction of renewable energy, and checking the status of achievement. In addition, we will continue to monitor Scope 3 emissions and take steps to reduce them.

Our business goal is to increase the sales ratio of the Next Core Business (business sectors: carbon neutrality, semiconductors, CASE, compact mobility, robots, and medical) over the medium to long term, and we will work to reduce the ratio of the sales of ICE-related products for passenger cars.

Fiscal year	Results		Target		
	2013	2023	2026	2030	2050
CO ₂ total emissions (Scope 1 + 2) [t-CO ₂]	Benchmark 212,385	–35.3% 137,569	–39% 129,555	–51% 104,069	Carbon neutrality

Quality

Basic Approach

Quality assurance is one of our materiality issues, and improving the quality of our products, the quality of our services, and the quality of work of all our employees to enhance customer satisfaction is essential to the continuity of our company. Aiming for safe, high-quality manufacturing that can be used with peace of mind, we are working to prevent quality problems and improve process assurance.

The Group has established and is operating a quality management system based on three guiding principles under the Quality Policy “We will provide high-quality products and services that bring trust and excitement to our customers.”

In addition, a new Quality Assurance Division was established at NPR-RIKEN in July 2024, and through the Quality Assurance Departments of our major manufacturing subsidiaries Riken and Nippon Piston Ring, we are building a robust quality control system for the entire Group and carrying out quality assurance and quality control activities.

Quality Policy

We will provide high-quality products and services that bring trust and excitement to our customers.

1. Compliance with laws, regulations, and standards

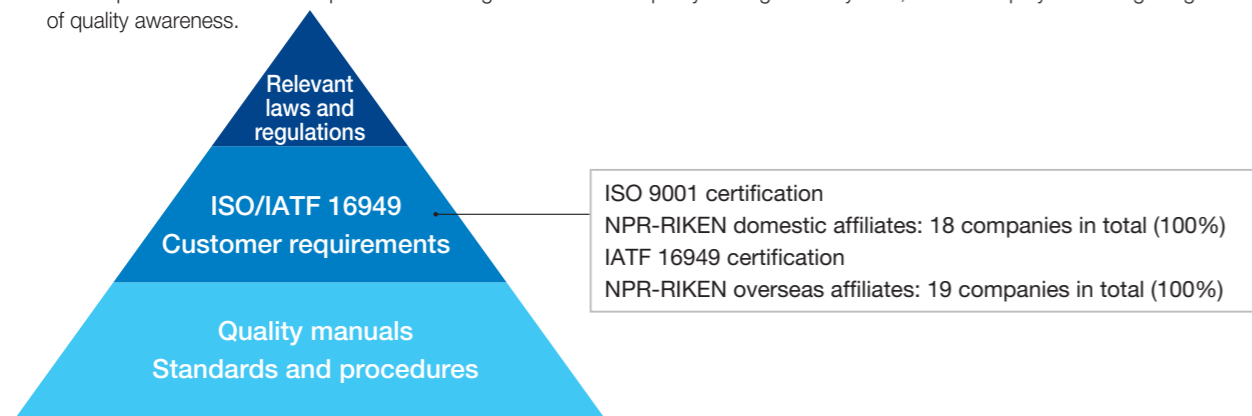
We will strive to foster a corporate culture that enables compliance with laws, regulations, and internal standards, and to enhance trust.

2. Improving customer satisfaction

We will improve the quality of everything we do and meet diverse customer requirements with both quality and economic efficiency.

3. Promoting continual improvement

We will promote continuous improvement through the use of our quality management system, with all employees having a high level of quality awareness.



Quality Management System

The NPR-RIKEN Group has obtained ISO 9001, the international certification for quality management systems, and has additionally acquired IATF 16949 (formerly ISO/TS 16949) certification in response to trends in the automotive industry, and is making concerted efforts to further enhance the reliability of its stakeholders in Japan and overseas. Nippon Piston Ring, which manufactures materials for medical devices, parts for medical devices, implant products, and other medical devices, has also acquired the international certification EN ISO 13485.

As part of our quality management system improvement activities, we are working to improve the system for providing good products and services produced by the Group through training to strengthen the auditing function and conducting regular audits.

Quality-Related Incidents and Corrective Actions

In FY2023, no serious quality complaints leading to recalls occurred, including at domestic and overseas affiliates.

Quality awards by customers (FY2023)

Leading examples

- **Yamaha Motor Co., Ltd.:**
GLOBAL AWARD for excellence in Quality
- **Toyota Motor Corporation:**
Outstanding Quality Control Award (three consecutive years)
- **General Motors Company:**
Supplier Quality Excellence Award 2023



Procurement

Basic Approach

As stated in the Value section of our Group Philosophy, we aim to enhance both the corporate value of our Group and the coexistence and co-prosperity with our supply chain partners.

To this end, we have established a Procurement Policy that promotes open and fair procurement activities by comprehensively evaluating and selecting suppliers and contractors of goods and services from the perspectives of price competitiveness, quality, delivery time, environmental impact, CSR initiatives, and business continuity, while building partnerships for coexistence and co-prosperity.

Procurement Policy

1. Fair and transparent purchasing transactions
2. Legal compliance
3. Building partnerships
(▶ Partnership Building Declaration https://www.npr-riken.co.jp/sdgs/pdf/pdf_08.pdf)
4. Reduction of environmental impact (promotion of green procurement)
5. Responsible mineral procurement



Promoting CSR Procurement

The Group believes that the promotion of CSR procurement is essential for coexistence and co-prosperity with suppliers in the supply chain. To this end, we conduct ongoing in-house education and awareness programs to ensure compliance with laws and regulations such as the “Act on the Promotion of Subcontracting Small and Medium-sized Enterprises” and the “Appropriate Subcontracting Guidelines,” as well as industry policies.

In addition, the Group is committed to social responsibility initiatives in various areas, including the environment and safety, and has established the NPR-RIKEN Code of Conduct, which outlines actions that employees should practice, and is being communicated to all employees. We believe it is important that our suppliers understand these initiatives and share our awareness while working in tandem, so in April 2024 we published the NPR-RIKEN Supplier CSR Guidelines.

Going forward, we will familiarize our suppliers with these guidelines and ask them to promote CSR activities. We will also conduct CSR questionnaires (in which suppliers are asked to fill out a check sheet and receive feedback on the results, as well as visits to each company to confirm the degree of achievement of their initiatives), which will help us promote CSR activities throughout the entire supply chain.

▶ **NPR-RIKEN Supplier CSR Guidelines** https://www.npr-riken.co.jp/en/sdgs/pdf/pdf_07.pdf

Conflict Minerals

In recent years, there has been concern that mineral resources mined in the Democratic Republic of the Congo (DRC) and neighboring countries have become a source of funding for armed groups that are causing human rights abuses and environmental destruction.

From the perspective of CSR procurement, we recognize the issue of conflict minerals as an important issue in our supply chain.

The Company, as well as Riken and Nippon Piston Ring, our operating subsidiaries, procure minerals that are conflict-free and do not involve human rights abuses or other injustices in DRC and neighboring countries. We conduct a survey every year on each supplier’s handling of conflict minerals, taking into account the activity policies of our customers and the industry (Japan Auto Parts Industries Association).

Our review shows that no conflict minerals are being used in connection with human rights abuses or other injustices.

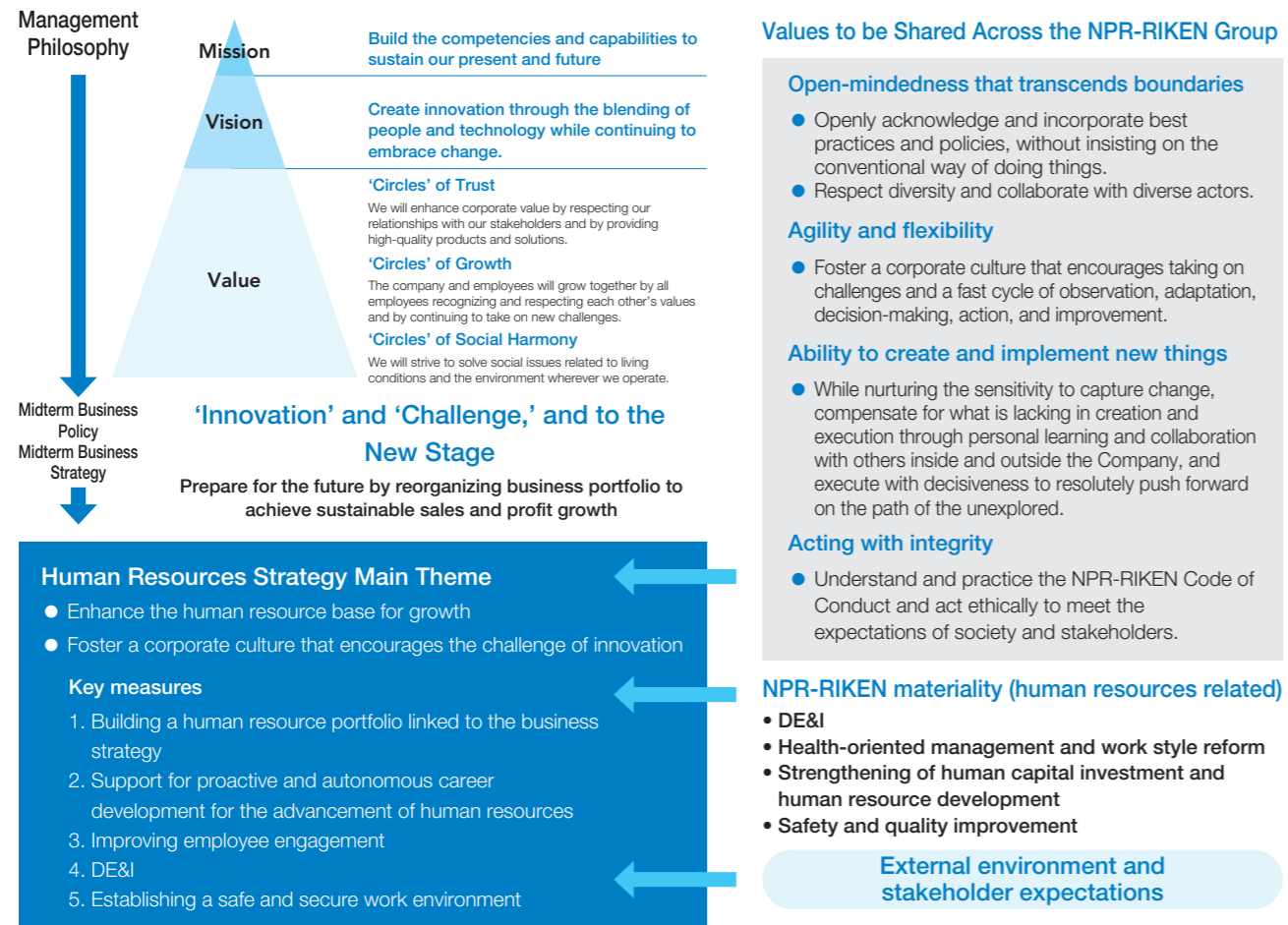
With the cooperation of our suppliers, we are preparing to launch a human rights due diligence program with the divisions in charge of governance to identify, prevent, and mitigate risks of human rights violations not only in conflict minerals, but also in the entire supply chain.

Human Resources

Basic Approach

The two companies, the majority of whose sales are internal combustion engine (ICE) related parts, merged and established the Company in response to a sense of crisis in the face of a business environment of declining demand due to the shrinking production of vehicles with internal combustion engines as well as ICEs, as a result of the shift to electrification. Therefore, “Change and Challenge” is an important keyword in our management philosophy. As for our Midterm Business Strategy, we will reorganize our business portfolio (to increase the ratio of non-ICE sales) and aim for sustainable sales and profit growth. We also recognize that society strongly demands that we view human resources as capital and invest in them to maximize their value, and that the realization of this demand will determine our sustainable growth.

Based on these business and social environments, our policies, and the values we want to share, which are communicated to our employees by top management, we have established and are promoting a five-pillar human resource strategy with the main themes of “enhance the human resource base for growth” and “foster a corporate culture that encourages the challenge of innovation.”



1. Building a human resource portfolio linked to the business strategy

As we seek to reorganize our business portfolio, we expect that the human resource portfolio required today and in the future will differ greatly. Therefore, we are visualizing the current human resource portfolio and skills, as well as clarifying the human resource portfolio and skills that will be required in the future. We will formulate and promote specific measures based on the results.

2. Support for proactive and autonomous career development for the advancement of human resources

FY2026 KPI: Investment in human resource development for employees +30% from FY2022 FY2023 results: +17.2% from FY2022

In advancing our human resources to build a new human resources portfolio, we emphasize the development of professionals and managers in each field through on-the-job training (OJT), education and training based on the rank of position, and education based on division. At the same time, we believe it is important to support the independent and autonomous career development of individual employees and provide opportunities for further growth and challenges.

Accordingly, as a unified group, we will operate various systems that are currently in place at individual Group companies with positive results, such as an internal recruitment system, an overseas trainee system, an overseas study abroad system, a distance learning course placement and financial assistance, and financial assistance for external courses and tuition fees voluntarily taken by employees. We will also develop and promote new systems, such as training in-house career consultants to build a career development support system and conducting career interviews to support individual career development.

3. Improving employee engagement

In order to increase employee engagement, we believe it is important to instill in our employees that we are contributing to the sustainable development of society through our very business activities based on our management philosophy, such as providing products with superior environmental performance, and that this is linked to the values of each and every employee.

Conducting and utilizing engagement surveys

We are using the integration of Riken and Nippon Piston Ring as an opportunity to conduct the same employee engagement survey to understand the current situation from a common Group perspective.

The results of the stress check and engagement survey of employees of both Riken and Nippon Piston Ring which was conducted this year revealed that, compared to the average among companies in the manufacturing industry surveyed by the same survey company, work engagement*1 was higher than employee engagement*2 at both companies, and that stress levels were also higher.

Based on the results of this survey, we will consider and implement stress management initiatives and measures to improve employee engagement across the entire Group.

*1 Attitude and behavior toward work (voluntary behavior, positive emotions, etc.)

*2 Attitude and behavior toward the organization (a sense of unity with the organization, etc.)

Outside Director Kurosawa's Comments on the Employee Engagement Survey



The results of this stress and engagement survey revealed several important areas that need improvement, which I believe will be extremely beneficial in terms of keeping the post-integration organizational reform on track.

The fact that the employee engagement figures were lower than the work engagement figures is quite natural, considering that the survey was conducted immediately after the integration when employees were feeling a strong sense of uncertainty. The same applies to the finding that there are issues with building trust with management and with empathy and understanding of the corporate philosophy and vision, and I think this should be taken with a grain of salt to some extent. Having said that, in order to maximize the synergies that will result from the integration in the future, it is vital we ensure that a clear message from top management is conveyed to each and every employee. This is an issue that the Board of Directors are aware of and we are actively discussing ways to improve it.

Regarding the high levels of stress, there are variations depending on the department as to what factors are causing it, so I think a more in-depth analysis is needed. Although there is a good level of trust between superiors and colleagues, I think it would be good to be able to deploy best practices across the Group by looking at factors such as intensity of work, how it is assigned, and the response of management to understand the background to the stress.

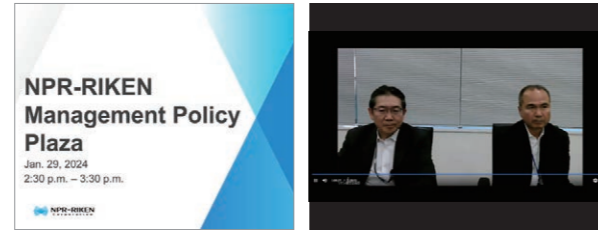
As our workplaces become more diverse following the integration, we will need to continue taking steps to help create a more open organization in which communication flows easily. There are also plans to enhance career interviews and implement unconscious bias training. We are about to enter the most crucial period of our integration.

➤ **Management Policy penetration activities**

As we have changed from a conventional operating company to an integrated holding company, it is a very important management issue to ensure that our policies are understood throughout the entire Group.

In January 2024, the CEO and COO held a webinar (Management Policy Plaza) to communicate in their own words the Group's future outlook, policies, and values they wish to share with the Group's employees, as well as to answer their daily questions. This event was attended by a total of 604 employees from six countries.

We will continue to hold these events in the future while reviewing our management methods.



4. DE&I

	FY2026 KPIs	FY2023 results
Ratio of female managers	3% or more (domestic) 7% or more (consolidated)	2.0% (domestic) 6.9% (consolidated)
Ratio of male employees taking parental leave	50% or more (domestic)	31.4%

We aim to create a workplace where diverse human resources can play an active role with confidence for all people regardless of gender, nationality, and other aspects. In addition to ensuring an open workplace environment, we are working to diversify our human resources by hiring women, foreign nationals, senior employees, etc.

➤ **Promotion of women to management positions**

In addition to efforts to realize diverse work styles, including the expansion of diverse work arrangements and support for nursing care and childcare, the Group's priority is to create an employment environment in which everyone feels fulfilled and comfortable in exercising their abilities, regardless of gender or time constraints. On this basis, we will actively recruit female employees, train them, promote them to executive positions, and increase the ratio of female managers. In addition, we will also keep a close eye on the ratio of female managers among full-time female employees.

➤ **Promotion of foreign nationals to management positions**

The Group carries out recruitment activities that are open to all nationalities, and the domestic Group companies (both Riken and Nippon Piston Ring) have 15 non-Japanese employees, one of whom has been promoted to a managerial position. Meanwhile, in the overseas operating companies that support the Group, the majority of both managers and executives are non-Japanese. Based on the concept of harnessing diversity throughout the Group, we will continue to appoint foreign nationals to management positions in the right places at the right time.

➤ **Promotion of male employees to take parental leave**

The Company believes that creating an environment in which men can actively participate in childcare will lead to the promotion of women's active participation, as well as to the creation of a comfortable workplace environment for both men and women.

As such, we will set a goal to promote the use of parental leave by male employees, make the system known to all employees, improve the environment, and conduct awareness activities for the management level. Performance against targets will be monitored on a regular basis, and promotional activities will be carried out with a view to upwardly revising targets accordingly.

5. Establishing a safe and secure work environment

Establishing a safe and secure work environment, both mentally and physically, is essential for human resources to continuously demonstrate their abilities, grow on their own, and improve their human capital.

We will share the initiatives currently being implemented at individual Group companies and achieving positive results in terms of work style reform (improvement of productivity, correction of long working hours, promotion of holiday leaves, diverse work styles, etc.), health-oriented management, and occupational safety and health initiatives throughout the Group, and define and promote KPIs.

➤ **Health-oriented management**

Our wholly owned subsidiary, Nippon Piston Ring, has been certified as a KENKO Investment for Health (KIH) Outstanding Organization for five consecutive years. As a group, we recognize that the promotion of employee health is related to the resolution of management issues and will promote health-oriented management initiatives.

➤ **Safety initiatives → P. 50**

➤ **Company-Wide Event on Women's Empowerment**

We have set diversity, equity and inclusion (DE&I) as a key sustainability issue (materiality), and are taking various measures to increase the ratio of female managers and the ratio of male employees taking paternal leave, which are KPIs. We are also a top partner of OMIYA ARDIJA VENTUS, a professional women's soccer team whose vision is "Towards a future where women can shine," and we support their activities.

As part of our ongoing support to the team's manager and players, we were able to invite the manager and a player to an event in July 2024 entitled "The history of women's soccer and the work styles and careers of modern women" with the aim of boosting the motivation of our employees. This event was the first to be planned for all domestic Group companies since the establishment of NPR-RIKEN CORPORATION, and was organized and run primarily by female staff. Approximately 110 people, both men and women, participated in the event, including online participants from Group companies across the country.

The two speakers, the manager and a player, shared many stories about why they chose to become involved in professional soccer, which is an overwhelmingly male-dominated profession, and why they are continuing to be involved in soccer. The venue was filled with the positive energy emanating from the manager and player. All of the employees who participated gained a lot from the experience and developed a desire to build their own careers with honesty, flexibility, and determination.

Additionally, we are working across the Group to improve engagement regardless of gender, including job satisfaction, affinity to the Company, and a desire to contribute. In the 2024 engagement survey as well, many opinions were expressed about work-life balance and work-life integration, including balancing work and family life (raising children, elderly care, etc.).

We aim to create a workplace where diverse talent can shine, regardless of gender or other factors, and to realize the 'Circles' of Growth set out in the Vision of our Group Philosophy, thereby working to further improve our corporate value through the Company and employees growing together.



Key Topic

Employment Support for Refugees (Overseas Affiliate)

RIKEN MEXICO, S.A. DE C.V., an overseas affiliate, supports the refugee support activities of the United Nations High Commissioner for Refugees (UNHCR) and employs refugees as part of these activities.

RIKEN MEXICO plans to continue working with the UNHCR to provide support to refugees.



Occupational Safety and Health

Basic Approach

The NPR-RIKEN Group has identified “safety and quality improvement” as one of its materiality issues, as well as the “creation of safe and secure workplaces” as a key element of sustainability management in its Midterm Management Plan. We will establish an Occupational Safety and Health Policy to build a workplace culture that prioritizes safety, educate all employees in the Group, and clarify the basic principles and priorities of employee behavior.

NPR-RIKEN Group Occupational Safety and Health Policy

The safety and health of all employees working in the Group’s workplaces, as well as those involved, takes precedence over everything else.

We will work as one to continuously promote the operation and activities of the occupational safety and health management system, and aim to eliminate occupational accidents and maintain and promote health by improving the level of our activities.

1. Compliance with laws, regulations, and rules

We will improve occupational safety and health in accordance with the Industrial Safety and Health Act, related laws and regulations, and internal rules.

2. Creating a safe and secure workplace

We will clarify hazardous and harmful factors through the implementation of risk assessment and continuously work on safety measures in the workplace.

3. Creating a healthy and comfortable workplace

We will promote a vibrant workplace by working to improve mental and physical health.

4. Human resource development through enhanced occupational safety and health education

We will work to nurture people with a high level of sensitivity to safety by ensuring that all employees and related personnel continuously learn the relevant laws and regulations, internal rules, work procedures, and other rules related to occupational safety and health, and by enhancing mutual communication.

System and Initiatives

NPR-RIKEN has established a management system for occupational safety and health and is promoting its efforts.

In line with the Occupational Safety and Health Policy and the basic principle of safety first, we have established the Vision for FY2030 (long-term policy) and FY2026, and are promoting them by incorporating them into our key issues and the Occupational Safety and Health Plan. The occupational safety and health divisions of Riken and Nippon Piston Ring, our two main operating subsidiaries, are working together to build a safer culture through business integration.

In addition, key issues and Occupational Safety and Health Plans are developed in each division and affiliated company and incorporated into specific action plans, and progress is reported at each Occupational Safety and Health Committee meeting to enable checking and follow-up.

Moreover, to prevent recurrence and occurrence across the entire Group, we have a system in place for immediate reporting of occupational accidents and fires and for immediate countermeasures.

Key issues	Vision for FY2026	Critical implementation items
Zero occupational accidents	Achieve zero occupational accidents by making facilities and operations intrinsically safe, raising safety awareness, and enhancing the safety management system	Improvement of facilities, reorganization of procedural documents, reevaluation of risk assessment, improvement of countermeasures for frequent abnormal suspensions, and various types of training
Zero workplaces working in extreme heat and engaging in strenuous physical labor	Realization of an age-friendly workplace where older workers can work with peace of mind	Environmental measurements and measures
Zero fires (including small fires)	Improved risk containment and initial firefighting response capabilities	Fire drills for firefighting and fire prevention patrols

Key Topic

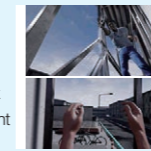
Examples of Safety Initiatives

Safety Kodokan (Nippon Piston Ring Tochigi Plant)

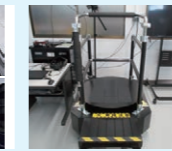
The NPR Safety Kodokan was established for the purpose of preventing the occurrence of occupational accidents by ensuring that accidents that occur in the Group are not forgotten, improving risk sensitivity, and providing a place for occupational safety and health education.

Experiencing disasters in VR

- Crashes • Fires • Electric shock
- Falls • Tipping over • Entrapment
- Dust explosion • Asphyxiation
- Collision • Tripping • Entanglement
- Being struck by a collision
- Overloading, etc.



VR content



3-axis rocker



Head-mounted displays, large monitors



Exhibit of equipment that generated a major disaster (same type)



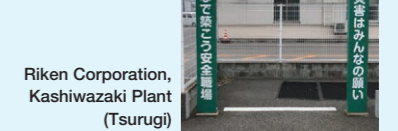
Safety experience zone

Safety gate

We are working to install safety gates at service entrances, plants, office buildings, and development buildings to raise the safety awareness of all employees, regardless of their work.



Nippon Piston Ring Fukushima Plant



Riken Corporation, Kashiwazaki Plant (Tsurugi)

Contributing to and Strengthening Collaboration With the Local Communities

Recognizing that a company is a social entity, the NPR-RIKEN Group’s management philosophy is to respect our relationships with our stakeholders, and to strive to solve social issues related to living conditions and the environment wherever we operate. Our code of conduct also states, “In order to fulfill its role as a member of the local communities in which it operates, the NPR-RIKEN Group will actively participate in community development, volunteer work, disaster prevention and disaster recovery activities, and participate in social contribution activities in both the local and international communities.”

Based on this philosophy, we have undertaken the following initiatives as one example, and will continue to do so as we broaden the scope of our activities to further contribute to the needs of the local community.

Donation of books and equipment to elementary and junior high schools



Since 1999, we have donated books, science lab equipment, information devices, and other school materials to elementary and junior high schools in Kashiwazaki City, Niigata Prefecture and Kumagaya City, Saitama Prefecture, where our Group companies are located, as part of our efforts to help educate the youth of the region.

Sports support for people with disabilities



We agree with the Special Olympics’ philosophy of Unified Sports, in which “people with and without disabilities enjoy sports activities together and understand each other,” and support the activities of Special Olympics Kashiwazaki in Kashiwazaki City, Niigata Prefecture.

Extermination of non-native plants in riverbeds

We participated in the removal operation of willows and tall goldenrod at Watarase-yusuichi. The tall goldenrod is an invasive plant of the Asteraceae family native to North America that can displace native plants, including endangered species. We will actively engage in activities to support and cooperate with environmental protection.



Tall goldenrod

Disaster area assistance

Following the 2024 Noto Peninsula Earthquake, in addition to transporting relief supplies through Normeca Asia, a Group trading company specializing in disaster emergency medical products, and supporting the installation of medical containers at two evacuation centers in Suzu City at the request of Ishikawa Prefecture, we also dispatched a small team on multiple occasions as disaster area volunteers to support the activities of a group home in Wajima City, Ishikawa Prefecture. Going forward, we will recruit team members from within the Group and will be more proactive in supporting disaster-hit areas.



A dispatch team mowing grass at a group home

Board Members (as of June 21, 2024)



1	Representative Director, Chairman and CEO	<ul style="list-style-type: none"> Number of shares held: 63,100 Attendance at Board meetings: 10/10
<p>Yasunori Maekawa</p> <p>After leading Riken's overseas sales, domestic sales, and overseas operations for many years, he has led Riken's management and contributed to the Group's sustainable growth and medium- to long-term corporate value enhancement through global business expansion and addressing management issues. He has extensive knowledge and experience in all aspects of management.</p>		
2	Representative Director, President and COO	<ul style="list-style-type: none"> Number of shares held: 22,806 Attendance at Board meetings: 10/10
<p>Teruo Takahashi</p> <p>He has led the management of Nippon Piston Ring and contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term through various business developments. He has extensive knowledge and experience in all aspects of management.</p>		
3	Managing Director	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: N/A
<p>Motonori Wakabayashi</p> <p>He has held key positions at major financial institution groups and has a high level of expertise, particularly in the areas of risk management and compliance. He has extensive knowledge and experience in all aspects of management.</p>		
4	Director	<ul style="list-style-type: none"> Number of shares held: 24,500 Attendance at Board meetings: 10/10
<p>Hidehiro Sakaba</p> <p>He is well versed in all aspects of management and has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.</p>		
5	Director	<ul style="list-style-type: none"> Number of shares held: 18,202 Attendance at Board meetings: 10/10
<p>Masaaki Fujita</p> <p>With a high level of expertise in corporate planning, accounting and finance, and business administration divisions, he has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.</p>		

6	Director	<ul style="list-style-type: none"> Number of shares held: 13,961 Attendance at Board meetings: N/A
<p>Zhongliang Yang</p> <p>With a high level of expertise in technology and manufacturing divisions, he has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.</p>		
7	Outside Director	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: 10/10
<p>Eiji Hirano</p> <p>He has held important positions at the Bank of Japan and has a high degree of expertise in overall corporate management, including financial institutions, as well as a wealth of international experience and broad insight, and has actively provided opinions on overall group management from an objective perspective and has also played a role in supervising management.</p>		
8	Outside Director	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: 10/10
<p>Masako Kurosawa</p> <p>With her involvement in management of a research institution as Vice President of the National Graduate Institute for Policy Studies and having held various posts as a government delegate, she has actively provided opinions on overall group management from an objective perspective and has also played a role in supervising management.</p>		
9	Director (Audit and Supervisory Committee Member)	<ul style="list-style-type: none"> Number of shares held: 24,600 Attendance at Board meetings: 10/10
<p>Kouei Watanabe</p> <p>He has a high level of expertise mainly in the technical division, and has contributed to the enhancement of the Group's corporate value.</p>		
10	Director (Audit and Supervisory Committee Member)	<ul style="list-style-type: none"> Number of shares held: 1,919 Attendance at Board meetings: 10/10
<p>Hiroto Koeba</p> <p>He has a high level of expertise mainly in the accounting division, and has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.</p>		
11	Outside Director (Audit and Supervisory Committee Member)	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: 10/10
<p>Osamu Honda</p> <p>He has a high level of expertise in overall corporate management, including financial institutions, a wealth of experience and broad insight, and experience in the management of other companies. He has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.</p>		
12	Outside Director (Audit and Supervisory Committee Member)	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: 10/10
<p>Hiroki Kimura</p> <p>He has abundant experience and broad insight in all aspects of management in the life insurance industry. He has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.</p>		
13	Outside Director (Audit and Supervisory Committee Member)	<ul style="list-style-type: none"> Number of shares held: 0 Attendance at Board meetings: 10/10
<p>Tatsuya Sakuma</p> <p>He has abundant experience and broad insight in the legal profession and has experience as an outside director of other companies. He has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.</p>		

Roundtable Discussion Between Top Management and Outside Directors



NPR-RIKEN CORPORATION was born in October 2023 from the business integration of Riken Corporation and Nippon Piston Ring Co., Ltd., who were previously rivals, in order to sustainably enhance their corporate value. In February of the following year, we announced our First Midterm Management Plan, which marks the beginning of our journey of **'Innovation' and 'Challenge,' and to the New Stage.**

To mark the first anniversary of the company's founding, we held a roundtable discussion with Chairman Maekawa, President Takahashi, and the Outside Directors, who spoke from their respective expert perspectives about the challenges facing NPR-RIKEN Corporation in achieving sustainable growth.

Human capital management is an important theme to the NPR-RIKEN Group

Maekawa

It is important to have fruitful deliberations at Board of Directors meetings in order to achieve sustainable growth for the Company. To that end, I believe it is important to conduct regular reporting efficiently, allocate time to deliberation of important issues, and select themes and present the big picture in a way that allows for discussion from a higher perspective, so as to avoid falling into micromanagement-style discussions.

Kimura

I agree with that, but I also think that one way to proceed would be to set aside time for the exchange of opinions separate from the items to be resolved and reported, and to use that time to first discuss important and major themes.

In addition, we have an Audit and Supervisory Committee, and I believe that we can secure time for deliberation by reviewing the items of business delegated to executive officers through a resolution of the Board of Directors.



Hirano

The Board of Directors meetings have involved fruitful discussions and have responded promptly to issues raised by outside directors, so I feel that overall the meetings are being run well.

Important topics to be discussed going forward include promoting human capital management and strengthening risk management, such as cybersecurity measures. I think we will also need to consider appointing a CFO (Chief Financial Officer) from the perspective of strengthening the financial structure.

Kurosawa

As you mentioned, one human capital management initiative is promoting the active participation of women, but ensuring the psychological safety of workers (a state in which they can feel comfortable expressing their thoughts and feelings to anyone within the organization) is what is important. Of course, any words or behavior that belittle the abilities of individual women on the basis of their gender, or discriminatory acts based on prejudice or stereotypes, are absolutely not to be tolerated, but creating a work environment that ensures psychological safety—in other words, fostering relationships of trust—is certainly a prerequisite for promoting women's participation in the workforce. And I believe that this will also be extremely important in creating synergies in the workplace after the integration.

Kimura

The recent cases of inspection falsification that have occurred at several companies also suggest that psychological safety is not functioning properly. Creating a work environment where employees can feel comfortable expressing their thoughts and feelings to anyone will lead to improved employee engagement and productivity, and as a result will also contribute to stronger governance.

Sakuma

The difficult thing about reporting inspection falsification is that if the falsification has been going on for a long time, one may hesitate to speak up because it is assumed that reporting it will cause trouble for senior employees.

Health-oriented management and well-being will improve employee vitality and bring life to the organization

Takahashi

NPR-RIKEN's perspective on this issue is that the exchange and fusion of personnel between the Two Companies will be key to addressing it. By looking at the workplace from a new perspective, it should be possible to increase the transparency of operations through frank exchanges of opinions and initiatives, not just on falsification but also other matters such as how to best perform the work.



Honda

Currently, the outside directors are given an advance briefing on the important topics at Board of Directors meetings, which I believe provides a valuable opportunity for thorough discussion.

Kimura

I also feel that the advance briefings are extremely useful, but if I may make an additional request, I would like to see the

briefings touch on some of the key points of discussion among executives prior to the Board of Directors meeting, which I believe would deepen our understanding and make the discussions more thorough.



Sakuma

When putting human capital management into practice, so-called health-oriented management is an essential management method.

While human capital management aims to maximize employees' abilities, knowledge, and skills in order to enhance corporate value, health-oriented management considers the oversight of employee health from a management perspective, and makes investments in employee health, which leads to increased vitality and productivity.

Kurosawa

When considering health-oriented management, it is also important to consider it together with well-being.

Well-being is looking at health (physical, mental, and social health) from the employee's perspective, while health-oriented management is looking at health from the company's perspective (consideration of health and investment in health). What they have in common is that each contributes to promoting and improving the health of employees and works to improve performance, so it is important that they are promoted in tandem.

Hirano

The Ministry of Economy, Trade and Industry also recommends health-oriented management and advocates for the position that considering the oversight of employee health from a management perspective, implementing it strategically, and investing in the health of employees, will lead to organizational revitalization such as increased employee vitality and productivity, and ultimately to improved business performance and an increase in share price.

Takahashi

Through today's dialogue, I feel that we have reaffirmed the significance and importance of health-oriented management, and have gained various hints about the synergy effects that can be achieved through human capital management as the different corporate cultures continue to merge in the future.

Maekawa

This was the first time holding a roundtable discussion with our outside directors, but it was a very valuable experience as it has allowed us to make new discoveries and realize things that we would not notice during normal conversation.

I would like to continue creating such meaningful opportunities to work toward improving our corporate value.

Corporate Governance

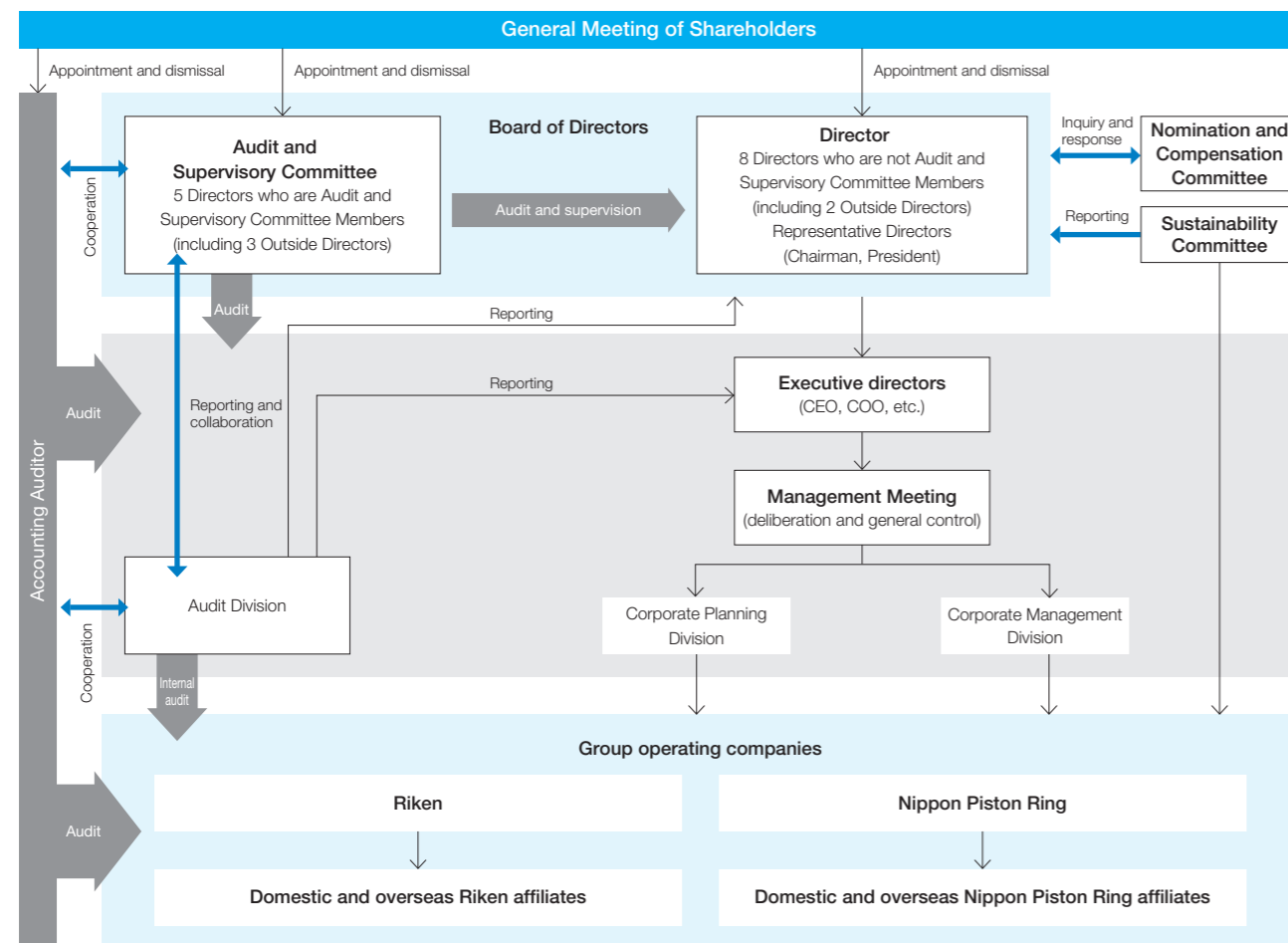
Basic Approach

The Group positions sustainable corporate growth and the enhancement of long-term stable corporate value as key management issues, and is working to enhance corporate governance based on the principles of “ensuring the rights and equality of shareholders,” “appropriate collaboration with stakeholders other than shareholders,” “appropriate information disclosure,” “improving management efficiency, legality, and transparency,” and “promoting dialogue with shareholders.”

▶ **Corporate Governance Report** https://www.npr-riken.co.jp/sdgs/pdf/pdf_01.pdf

Corporate Governance System

▶ Corporate governance system diagram



Board of Directors

The Company has strengthened the auditing and supervisory functions of the Board of Directors by making Audit and Supervisory Committee Members, who are responsible for auditing and supervision of the execution of duties by Directors, members of the Board of Directors.

The Company’s Board of Directors consists of eight Directors (excluding Directors who are Audit and Supervisory Committee Members; including two Outside Directors), and five Directors who are Audit and Supervisory Committee Members (including three Outside Directors). The Board of Directors deliberates and decides on basic management policies, Group management strategies, and other important business matters, and supervises the execution of duties by individual Directors.

▶ Approach to the diversity of the Board

	FY2023
Ratio of Outside Directors	38% (5/13 persons)
Target of the ratio of women and foreign nationals	8% (1/13 persons)

Currently, the Company’s Board of Directors consists of 13 Directors with international experience, including five Outside Directors (one of whom is a female director) who have extensive experience at other companies, broad insight, and an international perspective, and who supervise our business execution from an independent standpoint.

Based on the Company’s management philosophy, management strategies, and management policies, the Company identifies skills that are representative of the knowledge, experience, and abilities that the Board of Directors as a whole should possess.

Nominations of candidates for Directors will be made by the Board of Directors after deliberations by our voluntary Nomination and Compensation Committee, of which the majority of members are independent outside officers. The candidates will be determined by taking into consideration the combination of skills of the entire Board of Directors, as well as diversity aspects such as gender, who can appropriately perform their duties as Directors, have a wealth of experience in management, and are internationally minded and of good character and insight.

We are also considering setting targets to further increase the diversity of the Board of Directors, with the goal of increasing the ratio of Outside Directors on the Board of Directors as well as the ratio of female officers to the Board of Directors to at least 30% by FY2030.

Officer Remuneration System

The Company stipulates that the remuneration of the Company’s Directors shall be appropriate to attract and retain talented individuals who will practice the realization of the Company’s corporate philosophy and motivate them to adequately fulfill their expected roles for the sustainable enhancement of the Company’s corporate value and shareholder value.

In addition, the content of remuneration for Directors is designed to be rational, objective, and transparent in terms of both the content of remuneration and the decision-making process, in order to adequately fulfill accountability to shareholders and other stakeholders.

The standard total remuneration consists of fixed remuneration, with the standard amount based on position and other relevant factors, paid monthly in cash, and performance-linked remuneration. Furthermore, the performance-linked remuneration is structured into cash bonuses paid based on annual performance, and stock-based remuneration (restricted stock), which is incentive remuneration that fluctuates based on performance, provided with the intention to share a sense of profit with shareholders and to motivate them to achieve medium- and long-term goals.

Directors who are Audit and Supervisory Committee Members, Outside Directors, and foreign national Directors who receive an annual salary are paid only fixed remuneration and are not subject to company or individual performance evaluation.

Cash bonuses, which are short-term performance-linked remuneration, are paid annually at a predetermined time after the end of the relevant fiscal year, in an amount determined according to the level of performance against the target consolidated ordinary profit for each fiscal year set out in the Midterm Management Plan.

As non-monetary remuneration, the Company has introduced stock-based remuneration (restricted stock), which is an incentive remuneration that fluctuates based on performance, with a restricted transfer period of 25 years.

Stock-based remuneration (restricted stock) is granted at a certain time each year in the number of shares determined based on factors such as position, responsibilities, and stock price.

The following table shows the ratio of remuneration by type.

Officer classification	Composition of officer remuneration			Total
	Monetary remuneration		Stock-based remuneration	
	Fixed remuneration	Short-term performance-linked (bonus)	Long-term performance-linked	
Director	63%	24%	13%	100%

With respect to officer remuneration, a distinction is made between Directors (excluding those who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members. Remuneration for Directors (excluding those who are Audit and Supervisory Committee Members) shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee. Remuneration for Directors who are Audit and Supervisory Committee Members is determined after deliberation by the Audit and Supervisory Committee.

Evaluation of the Board of Directors' Effectiveness

In order to increase the effectiveness of the Board of Directors, the Company conducts a self-evaluation survey and collates the results, and is developing the system and operations to further improve the quality of the Board of Directors by allowing for deeper discussions on problems and issues.

The summary of the results of the Board of Directors effectiveness evaluation for FY2023 is as follows.

1. Evaluation process

A survey consisting of 25 questions across five evaluation items was conducted on all of the Directors and Audit and Supervisory Committee Members.

[Evaluation items]

- (1) Composition and operation of the Board of Directors, (2) Management strategy and business strategy,
- (3) Corporate ethics and risk/crisis management, (4) Performance monitoring and evaluation of management,
- (5) Dialogue with shareholders, etc.

2. Evaluation results

(1) Overview of the evaluation results

"The effectiveness of the Board of Directors is being secured."

- 1 The size and composition of the Board of Directors is well-balanced and made up of diverse personnel, and a system has been established to exercise its supervisory function over management.
- 2 Free and open discussions are held at Board of Directors meetings, with all members actively and substantively discussing matters.
- 3 Outside directors are briefed on the agenda at least one day in advance of Board of Directors meetings to ensure that sufficient deliberations can take place.
- 4 The Board of Directors meets once a month in principle, and in accordance with the Board of Directors Regulations, it deliberates important matters in a timely and appropriate manner, including important management and business strategies aimed at improving corporate value over the medium to long term.
- 5 The results of dialogue with shareholders are reported to the Board of Directors by the relevant division as appropriate.

(2) Future themes for improvement

[Countermeasures based on overall evaluation]

We will provide beneficial orientation and training to new Directors.

[Countermeasures based on individual evaluations]

In order to effectively utilize management resources and achieve returns that exceed the cost of capital in the medium to long term, we will hold thorough discussions on whether matters such as the review of the business portfolio, capital investment and human resource investment are being conducted in strategic and planned manner.

[Countermeasures based on evaluation of important topics]

We will hold thorough discussions on matters related to human capital management, including a dynamic personnel portfolio and diversity, equity and inclusion.

[Countermeasures based on evaluation comments]

- We will hold effective discussions related to synergy effects, such as the status of PMI and clarifying the division of roles between the two companies.
- We will conduct effective discussions on operational matters such as corporate ethics and risks.
- We will increase the proportion of time spent on important management issues.

[Comprehensively considered countermeasures]

We will hold regular SR interviews to ascertain market valuations in a timely manner and to assist management decisions.

Cross-Shareholdings

(1) Cross-shareholdings policy

With a view to enhancing corporate value over the medium to long term, the Company has a policy of holding cross-shareholdings where the necessity and rationality of holding them is recognized, taking into consideration a comprehensive range of factors, including the importance to business strategy and the effectiveness in promoting stronger relationships with business partners. Regarding the verification of holdings, we make a comprehensive judgment each year on the necessity and rationality of each stock held, taking into consideration factors such as the benefits and risks associated with holding the stock and the market value of the relevant stock, and also taking into account our cost of capital. We reduce our holdings if we feel that there is no necessity or rationality for holding the stock. In addition, regarding cross-shareholdings overall, we will continue to make efforts to reduce our holdings through dialogue with the issuing companies, taking into consideration the balance with our net assets.

(2) Standards for exercising voting rights related to cross-shareholdings

Regarding the exercise of voting rights for the shares we hold, in cases where a company's performance has been sluggish for a long period of time or where a scandal has occurred, we will carefully examine the content of the proposals, with consideration given to the company's circumstances, and exercise our voting rights appropriately after determining whether the proposals will contribute to increasing shareholder value.

Skills Matrix

Based on the Company's management philosophy, management strategies, and management policies, the Company identifies skills that are representative of the knowledge, experience, and abilities that the Board of Directors as a whole should possess.

Nominations of candidates for Directors will be made by the Board of Directors after deliberations by our voluntary Nomination and Compensation Committee, of which the majority of members are independent outside officers. The candidates will be determined by taking into consideration the combination of skills of the entire Board of Directors, as well as diversity aspects such as gender, who can appropriately perform their duties as Directors, have a wealth of experience in management, and are internationally minded and of good character and insight.

		Main areas in which Directors are expected to have experience						
		Corporate management	Global experience	Risk management / Legal affairs / Governance	Finance / Accounting	Innovation / R&D	Manufacturing / Safety / Quality / Technology / Environment	Marketing / Sales
Directors	Yasunori Maekawa	○	○					○
	Teruo Takahashi	○	○		○	○	○	
	Motonori Wakabayashi	○	○	○	○			
	Hidehiro Sakaba	○	○	○	○		○	
	Masaaki Fujita	○	○	○	○			○
	Zhongliang Yang	○	○		○	○	○	
	Eiji Hirano	Outside	○	○	○	○		
Masako Kurosawa	Outside		○	○				
Directors who are Audit and Supervisory Committee Members	Kouei Watanabe	○	○			○	○	
	Hiroto Koeba	○		○	○			
	Osamu Honda	Outside	○	○	○			
	Hiroki Kimura	Outside	○	○	○			
Tatsuya Sakuma	Outside			○	○			

Note: The above list does not represent the entire expertise of each Director.

Reasons for Selection of Each Skills Matrix Item

Skill item	Reason for selection
Corporate management	In order to formulate and supervise management strategies to sustainably enhance corporate value amid the drastically changing environment surrounding the Company, we need Directors with management experience and a proven track record in management not only in manufacturing, sales, and technology closely related to the Company's current business, but also in various fields, regardless of industry or business type.
Global experience	In order to execute global management operations, we need Directors with overseas business management experience, familiarity with foreign customs and cultures, and the ability and judgment that can maximize the value of management resources (people, goods, money, information, etc.).
Risk management / Legal affairs / Governance	In order to achieve "Innovation" and "Challenge," and to the New Stage," the main theme of the Company's Midterm Management Policy, we need Directors with solid knowledge and experience in risk management, in order to be more proactive and take healthy risks. In addition, the establishment of an appropriate corporate governance system based on compliance and risk management serves as the foundation for the sustainable enhancement of corporate value, and as such, we need Directors with solid knowledge and experience in laws, regulations, and risk management related to the Company, in order to enhance the management and supervisory functions of the Board of Directors.
Finance / Accounting	In order to build a stronger financial base and promote growth strategies and investments aimed at the sustainable enhancement of corporate value, we need Directors with solid knowledge and experience in finance and accounting.
Innovation / R&D	In order to continue with the evolution of technological development leading to the creation of new value and the creation of new businesses while utilizing the Company's core technologies cultivated to date, we need Directors with a proven track record of promoting innovation and solid knowledge and experience in technology, product development, and new business creation.
Manufacturing / Safety / Quality / Technology / Environment	In order to further evolve the Company's advanced technological development and solid manufacturing technology, and to provide high-quality products in a short period of time and at low cost that will serve to strengthen our competitiveness, we need Directors with extensive knowledge and experience of the manufacturing industry, namely, manufacturing, safety, quality, technology, and the environment, etc.
Marketing / Sales	In order to further expand our line of business and expand sales for the sustainable enhancement of corporate value, we need Directors with solid knowledge and experience in sales strategy and sales management, who are well versed in business management from a global perspective and are capable of developing sales strategies based on a high level of marketing insight.

Risk Management

Basic Approach

For the purpose of business continuity, corporate survival, sustainable enhancement of corporate value, and securing the trust of stakeholders, the Group has established a basic policy for business continuity management (BCM) and risk management-related regulations, and is taking systematic actions. These actions are designed to minimize the risk of losses, and include preparing appropriate countermeasures in advance according to the size of the risk and the likelihood of its occurrence.

Basic Policy on Business Continuity Management (Excerpt)

1. Basic Policy

The Group will establish a Business Continuity Management (BCM) system for emergency situations to minimize risks such as customer impact and loss of corporate reputation due to interruption of important operations in the event that management and production activities are disrupted and business continuity is extremely difficult due to various events (emergencies) such as earthquake, fire, windstorm, flood, infectious disease, cyber attack, or power shortage, or if the same events are expected to last for a prolonged period of time.

Under the BCM system, we will formulate a Business Continuity Plan (BCP) that defines initiative policies, procedures, organizations, and systems for business continuity and early recovery/resumption of business in the event of a disaster, and periodically review the plan to ensure that an appropriate management system is maintained.

2. Business Continuity Management Policy for Emergency Situations

Respect for human life

In implementing business continuity management in the event of an emergency, the Group recognizes that respect for human life is the highest priority, and will respond accordingly.

Implementation of business continuity management

Recognizing the importance of business continuity management in the event of an emergency, the Group will establish and maintain a BCP and a system for its appropriate implementation and operation. We also strive to raise the awareness and capabilities of each and every employee with regard to business continuity and to enhance the effectiveness of the BCP through dialogue with stakeholders.

Implementation of continuous improvement

The Group will formulate, implement, and operate a BCP for business continuity management, which will be periodically reviewed and continuously improved.

Coexistence with society and contribution to society

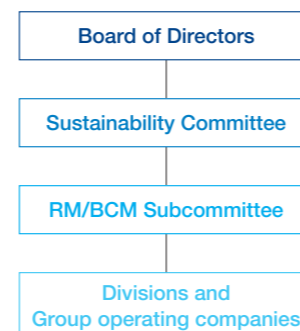
In formulating and reviewing the BCP, the Group will strive to fulfill its socially required roles, such as preventing secondary disasters, contributing to and living in harmony with the community, and disclosing a wide range of information, while also taking into consideration coexistence with society and regional reconstruction.

Risk Management and Emergency Response System

The Risk Management/Business Continuity Management (RM/BCM) Subcommittee was established under the Sustainability Committee, chaired by the COO, to build a risk management system for the entire Group and to implement appropriate risk responses. The subcommittee promotes activities necessary to manage risks and to ensure that business continuity plans are firmly in place and thoroughly implemented.

Led by the RM/BCM Subcommittee, risks in the Group are identified and assessed each year, prioritized, and a risk response plan is developed. Each division takes action on any risks or problems that arise, and progress is reported to the Board of Directors.

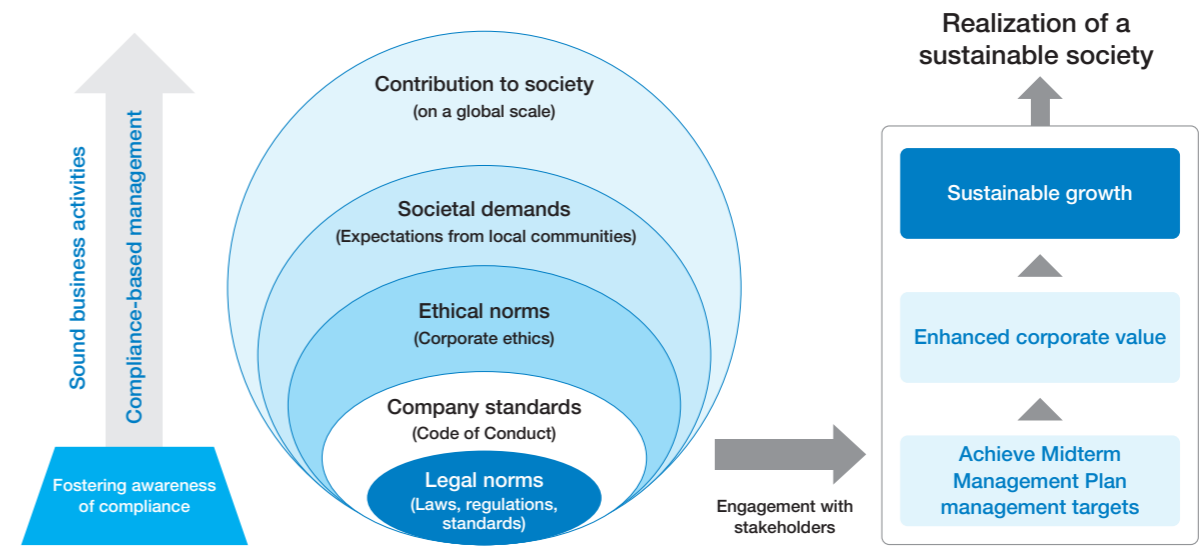
Furthermore, we will strive to prevent large-scale accidents, disasters, and scandals from occurring at ordinary times, and in the unlikely event that a situation occurs that directly and significantly affects the management and production activities and is expected to cause damage to the Company or the Group, an emergency response organization headed by the President (or the President's designee) will be established to deal with the situation.



Compliance

Basic Approach

The compliance activities that the NPR-RIKEN Group aims to undertake are activities that will enable each of us to continue to conduct sound business activities in harmony with the expectations of local communities and societal demands by complying with legal norms (laws, regulations, standards), company standards (Code of Conduct, etc.), and ethical norms (corporate ethics). We aim to achieve sustainable corporate growth while also implementing compliance-based management.



Compliance Promotion System

In order to establish a management system trusted by society, a Compliance Subcommittee has been established within the Sustainability Committee, a company-wide committee chaired by the COO, to promote various activities necessary to ensure that compliance is firmly established and thoroughly implemented. The Audit Division conducts periodic internal audits to ascertain the actual status of the Company's business operations, and investigates and verifies whether all business operations are conducted properly, appropriately, and reasonably in accordance with laws and regulations, the Articles of Incorporation, and internal regulations, and whether the Company's systems, organization, and various regulations are proper and appropriate. The results of the audits are reported to the President and the Audit and Supervisory Committee.

Compliance Education

We conduct education that consists of a combination of rank-based education such as new employee education and supervisor education, workplace-based (group) education, e-Learning, and occupation-based education.

Training	Target participants	Overview of education
Rank-based education	New employees, mid-career recruits, newly appointed assistant managers, managers, general managers, and officers	Deepen the knowledge of compliance that is necessary for each rank and raise awareness of legal compliance
Workplace-based education	Group employees	Deepen the basic understanding of compliance through periodic compliance training in the workplace and reading through the Code of Conduct
e-Learning	Group employees	Deepen the knowledge of compliance through e-Learning and test-based training
Occupation-based education	Sales divisions, procurement divisions, etc.	Deepen the basic knowledge and understanding of laws and regulations related to sales and procurement divisions (Anti-Monopoly Act, Subcontract Act, etc.)

Internal Whistleblower System

Each Group company has set up a whistleblowing hotline for employees to seek advice on compliance or report misconduct, etc., and we are working to ensure thorough awareness of the system. Six reports were received in FY2023.

The details of reports are investigated after ensuring that the person making the report is thoroughly protected, including strictly adhering to the principle of non-retaliation, so that the person is not identified and does not feel any anxiety. If a problem is confirmed, we deal with it swiftly and take appropriate measures in accordance with the Employment Regulations and other company rules.

We are currently preparing to standardize the hotlines throughout the Group.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	FY2023		FY2023
Assets		Liabilities	
Current assets		Current liabilities	
Cash and deposits	24,440	Notes and accounts payable - trade	10,915
Notes and accounts receivable - trade, and contract assets	38,709	Electronically recorded obligations - operating	9,148
Merchandise and finished goods	22,736	Short-term borrowings	7,816
Work in process	7,348	Current portion of long-term loans payable	2,404
Raw materials and supplies	7,497	Income taxes payable	1,587
Other	3,680	Provision for bonuses	2,794
Allowance for doubtful accounts	(63)	Other	9,999
Total current assets	104,348	Total current liabilities	44,668
Non-current assets		Non-current liabilities	
Property, plant and equipment		Long-term borrowings	9,565
Buildings and structures, net	16,108	Retirement benefit liability	3,835
Machinery, equipment and vehicles, net	19,703	Provision for product warranties	285
Land	8,623	Provision for retirement benefits for directors (and other officers)	189
Construction in progress	1,986	Deferred tax liabilities	7,921
Other, net	3,773	Other	2,947
Total property, plant and equipment	50,195	Total non-current liabilities	24,745
Intangible assets		Total liabilities	69,413
Leased assets	1,247	Net assets	
Goodwill	5,073	Shareholders' equity	
Other	1,232	Share capital	5,061
Total intangible assets	7,553	Capital surplus	25,590
Investments and other assets		Retained earnings	89,884
Investment securities	40,401	Treasury shares	(6)
Deferred tax assets	1,443	Total shareholders' equity	120,530
Retirement benefit asset	13,412	Accumulated other comprehensive income	
Other	1,252	Valuation difference on available-for-sale securities	7,750
Allowance for doubtful accounts	(26)	Deferred gains or losses on hedges	(111)
Total investments and other assets	56,482	Foreign currency translation adjustment	6,116
Total non-current assets	114,232	Remeasurements of defined benefit plans	6,147
		Total accumulated other comprehensive income	19,902
		Share acquisition rights	118
		Non-controlling interests	8,615
		Total net assets	149,166
Total assets	218,580	Total liabilities and net assets	218,580

Consolidated Statements of Income (Millions of yen)

	FY2023
Net sales	138,586
Cost of sales	108,602
Gross profit	29,983
Selling, general and administrative expenses	
Freight and packing costs	2,781
Sales commission	244
Provision for retirement benefits for directors (and other officers)	15
Provision for bonuses	1,243
Remuneration, salaries and allowances for directors (and other officers)	5,682
Retirement benefit expenses	142
Research and development expenses	2,458
Other	8,651
Total selling, general and administrative expenses	21,219
Operating profit	8,764
Non-operating income	
Interest and dividend income	873
Share of profit of entities accounted for using equity method	1,465
Foreign exchange gains	348
Other	530
Total non-operating income	3,217
Non-operating expenses	
Interest expenses	167
Other	179
Total non-operating expenses	347
Ordinary profit	11,635
Extraordinary income	
Gain on sale of non-current assets	12
Gain on sale of investment securities	197
Gain on bargain purchase	19,182
Total extraordinary income	19,391
Extraordinary losses	
Loss on retirement of non-current assets	246
Loss on sale of non-current assets	19
Impairment losses	933
Loss on sale of investment securities	62
Loss on valuation of investment securities	9
Total extraordinary losses	1,272
Profit before income taxes	29,753
Income taxes - current	2,745
Income taxes - deferred	740
Total income taxes	3,486
Profit	26,267
Loss attributable to non-controlling interests	(56)
Profit attributable to owners of parent	26,324

Consolidated Statements of Comprehensive Income (Millions of yen)

	FY2023
Profit	26,267
Other comprehensive income	
Valuation difference on available-for-sale securities	5,978
Deferred gains or losses on hedges	(114)
Foreign currency translation adjustment	1,659
Remeasurements of defined benefit plans, net of tax	3,642
Share of other comprehensive income of entities accounted for using equity method	1,144
Total other comprehensive income	12,308
Comprehensive income	38,575
Comprehensive income attributable to	
owners of parent	38,439
non-controlling interests	137

Consolidated Statements of Cash Flows (Millions of yen)

	FY2023
Cash flows from operating activities	
Profit before income taxes	29,753
Depreciation	6,763
Impairment losses	933
Share of loss (profit) of entities accounted for using equity method	(1,465)
Increase (decrease) in retirement benefit liability	(808)
Decrease (increase) in retirement benefit asset	(6,351)
Increase (decrease) in allowance for doubtful accounts	(17)
Interest and dividend income	(873)
Interest expenses	167
Gain on bargain purchase	(19,182)
Loss (gain) on sale of investment securities	(134)
Loss on retirement of non-current assets	246
Loss (gain) on sale of non-current assets	7
Decrease (increase) in accounts receivable - trade, and contract assets	1,013
Decrease (increase) in inventories	1,857
Increase (decrease) in trade payables	(458)
Other, net	7,265
Subtotal	18,717
Interest and dividends received	1,732
Interest paid	(167)
Income taxes paid	(1,785)
Net cash provided by (used in) operating activities	18,496
Cash flows from investing activities	
Net decrease (increase) in time deposits	1,600
Purchase of property, plant and equipment	(5,834)
Proceeds from sale of property, plant and equipment	140
Purchase of intangible assets	(257)
Purchase of investment securities	(0)
Proceeds from sale and redemption of investment securities	1,088
Loan advances	(712)
Proceeds from collection of loans receivable	757
Purchase of shares of subsidiaries	(9,530)
Other payments	(889)
Other proceeds	89
Net cash provided by (used in) investing activities	(13,548)
Cash flows from financing activities	
Proceeds from short-term borrowings	4,706
Repayments of short-term borrowings	(5,535)
Proceeds from long-term borrowings	3,000
Repayments of long-term borrowings	(6,310)
Repayments of lease liabilities	(136)
Purchase of treasury shares	(8)
Proceeds from disposal of treasury shares	0
Dividends paid	(1,477)
Dividends paid to non-controlling interests	(157)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,697)
Net cash provided by (used in) financing activities	(8,615)
Effect of exchange rate change on cash and cash equivalents	513
Net increase (decrease) in cash and cash equivalents	(3,153)
Cash and cash equivalents at beginning of period	25,414
Cash and cash equivalents at end of period	22,261

Company Data and Stock Information

Company Profile (as of March 31, 2024)

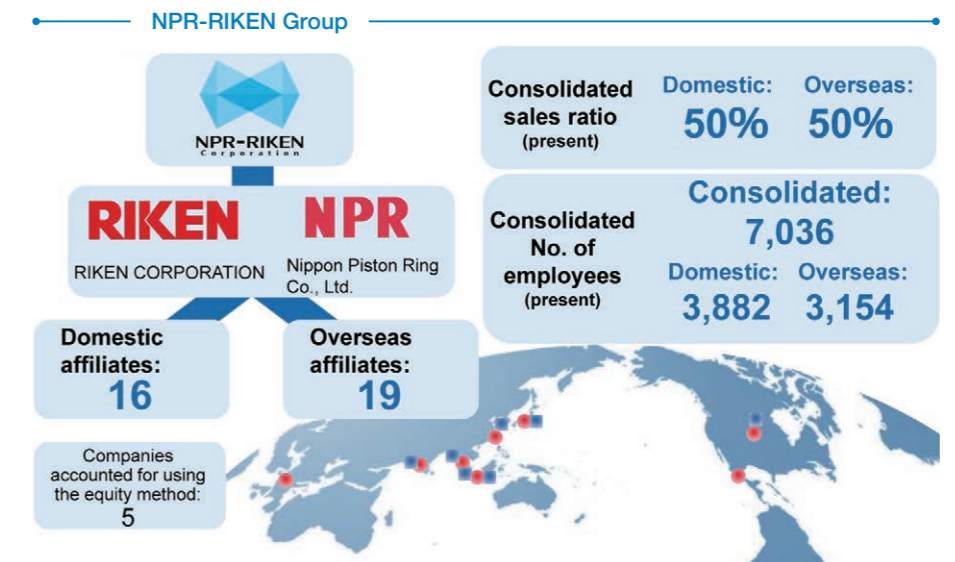
Trade Name	NPR-RIKEN CORPORATION
Head Office Address	8-1, Sanbancho, Chiyoda-ku, Tokyo
Established	October 2, 2023
Capital	5,061 million yen
Number of Employees	Consolidated: 7,036 (as of March 31, 2024)

Shares (as of March 31, 2024)

Total number of authorized shares	59,935,000
Total number of shares issued	28,141,360
Number of shareholders	19,299

List of Group Companies (Domestic)

Riken Corporation / Head office	Nippon Piston Ring Co., Ltd. / Head office
Riken Corporation / Kashiwazaki Plant (Kashiwazaki)	Manufacture of automotive parts such as piston rings, drive and chassis parts
Riken Corporation / Kashiwazaki Plant (Tsurugi)	Manufacture of piston rings
Riken Castec Co., Ltd.	Manufacture of camshafts, design and manufacture of dies
Riken Kikai Co., Ltd.	Manufacture and processing of automotive parts
Riken EP Corporation	Manufacture of engineered plastic products
Nihon Mekki Industry Co., Ltd.	Surface treatment processing of piston rings
Kashiwazaki Piston Ring Co., Ltd.	Manufacture of marine piston rings
Riken Corporation / Kumagaya Plant	Manufacture of automotive parts
Riken Environmental System Co., Ltd.	Manufacture and sale of anechoic chamber equipment
RIKEN HEAT TECHNO Corporation	Manufacture and sale of heating elements, manufacture and sale of industrial furnaces
Riken Kumagaya Kikai Co., Ltd.	Processing of automotive parts
CK Riken JV Co., Ltd.	Manufacture of fittings and piping products
RIKEN Brother Precision Industry Corporation	Manufacture and sale of parts for automotive, marine, and industrial machinery
NIPPON PIPE FITTING Corp.	Manufacture of fittings and piping products
Nippon Piston Ring Co., Ltd. / Tochigi Plant	Manufacture of assembled sintered camshafts, valve train parts, piston rings for land and marine use, MIM products, etc.
Nippon Piston Ring Co., Ltd. / Nogi Branch of Tochigi Plant	Manufacture of automotive piston rings and MIM products
NPR Fukushima Works Co., Ltd.	Manufacture of valve seats, cylinder liners, etc.
NPR Iwate Co., Ltd. / Ichinoseki Plant	Manufacture of automotive/land and marine piston rings, rotary engine parts, etc.
NPR Iwate Co., Ltd. / Senmaya Plant	Manufacture of automotive/land and marine piston rings
RKE Co., Ltd.	Shinwa Vanes Co., Ltd.
Riken Trading Co., Ltd.	Normeca Asia Co., Ltd.
Yaesu Trading Co., Ltd.	



List of Group Companies (Overseas)

Production and R&D bases	
RIKEN MEXICO, S.A. DE C.V.	Manufacture and sale of automotive parts
XIAMEN RIKEN IND. CO., LTD.	Manufacture and sale of cast products for automobiles and motorcycles, including piston rings and camshafts
RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD.	Manufacture and sale of automotive parts such as piston rings
RIKEN SEAL PRODUCTS (WUHAN) CO., LTD.	Manufacture of engineered plastic products
Riken Power System (Nanjing) Co., Ltd.	Manufacture and sale of automotive parts such as piston rings
Shenglong Riken New Energy (Ningbo) Co., Ltd.	R&D of automotive parts, etc.
SIAM RIKEN IND. CO., LTD.	Manufacture and sale of piston rings
P.T. PAKARTI RIKEN INDONESIA	Manufacture and sale of cast products such as camshafts
SHRIRAM PISTONS & RINGS LTD.	Manufacture and sale of piston rings, pistons, and engine valves
NPR of America, Inc. / Kentucky Manufacturing Plant	Manufacture of piston rings
NPR of America, Inc. / Michigan Manufacturing Plant	Manufacture of valve seats
NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.	Manufacture and sale of piston rings, etc.
NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd.	Manufacture of valve seats
PT.NT Piston Ring Indonesia	Manufacture of piston rings and valve seats
PT.NPR Manufacturing Indonesia	Manufacture of cast iron piston rings
SIAM NPR Co., Ltd.	Manufacture and sale of valve seats, etc.
NPR AUTO PARTS MANUFACTURING INDIA PRIVATE LIMITED	Manufacture and sale of valve seats

Sales bases	
RIKEN OF AMERICA, INC.	NPR of Europe GmbH.
TAIWAN RIKEN IND. CO., LTD.	NPR SINGAPORE PTE. LTD.
PT. RIKEN OF ASIA	E.A ASSOCIATES SDN. BHD.
RIKEN SALES AND TRADING (THAILAND) CO., LTD.	SIAM NPR Co., Ltd. / Bangkok Office
EURO-RIKEN GMBH	NPR AUTO PARTS MANUFACTURING INDIA PRIVATE LIMITED / Gurgaon Office
NPR of America, Inc. / Los Angeles Sales Office	NPR Korea Representative Office
NPR of America, Inc. / Detroit Sales Office	