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It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the issuer is located in Japan and some or all of its officers and directors reside outside of the United States. You may not be able to sue a Japanese company or its officers or directors in a Japanese court for violations of the U.S. securities laws. It may be difficult to compel a Japanese company and its affiliates to subject themselves to a U.S. court's judgment. You should be aware that the issuer may purchase securities otherwise than under the joint share transfer, such as in the open market or through privately negotiated purchases.

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(Stock Exchange Code 6461)

June 8, 2023

(Electronic Provision Measures Commencement Date: June 1, 2023)

**To Shareholders with Voting Rights:**

Teruo Takahashi  
President  
NIPPON PISTON RING CO., LTD.  
Head Office: 5-12-10,  
Honmachi-Higashi, Chuo-ku,  
Saitama City, Saitama Prefecture

**NOTICE OF CONVOCAION OF  
THE 129th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 129th Annual General Meeting of Shareholders of NIPPON PISTON RING CO., LTD. (the "Company"). The meeting will be held for the purposes as described below.

The Company takes measures for electronic provision in performing the convocation procedures for the 129th General Meeting of Shareholders. The matters concerning such electronic provision measure with regards to the convocation of this meeting of shareholders are posted on the Company's website below.

[The Company's website]  
<https://www.npr.co.jp/english/ir/ir0206.html>

(Please access the above website and refer to "129th Annual General Meeting of Shareholders (FY2022)" under "General Shareholders Meetings.")

In addition to the above, the information is also posted on the following website.

[Tokyo Stock Exchange's website (Listed Company Search)]  
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

(Please access the Tokyo Stock Exchange's website above, enter "Nippon Piston Ring" in the "Issue name (company name)" field or "6461" (half width) in the stock exchange "Code" field, click "Search," click "Basic information," go to the "Documents for public inspection/PR information" tab, and select the "Notice

of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting” under “Filed information available for public inspection” section.)

[Convocation Notice via the Internet]

This Convocation Notice can be viewed on your computer, smartphone, or a tablet device. Please find the details from the link below.

<https://s.srdb.jp/6461/>

**If you are unable to attend the meeting, you can exercise your voting rights by mail or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders posted on our website as the matters concerning the electronic provision measures, and exercise your voting rights by 5:30 p.m. on Thursday, June 22, 2023, Japan time.**

- 1. Date and Time:** Friday, June 23, 2023 at 10:00 a.m. Japan time
- 2. Place:** 2F Hall, NPR Yono Building (the Company's Head Office Building) located at 5-12-10, Honmachi-Higashi, Chuo-ku, Saitama City, Saitama Prefecture, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 127th Fiscal Year (April 1, 2022 - March 31, 2023) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company's 127th Fiscal Year (April 1, 2022 - March 31, 2023)
- Proposals to be resolved:**
- Proposal 1:** Approval of Share Transfer Plan
- Proposal 2:** Appropriation of Surplus
- Proposal 3:** Election of Six Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
- Proposal 4:** Election of Three Directors Who Are Audit & Supervisory Committee Members
- Proposal 5:** Election of One Substitute Director Who Is an Audit & Supervisory Committee Member

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Request to our shareholders:

- When attending the meeting, please submit the Voting Rights Exercise Form sent along with this Notice to the reception desk. In order to save resources, please bring this Notice with you to the meeting.
- If there is no indication of your vote for or against the proposals on the Voting Rights Exercise Form, it will be treated in the same manner as if you have indicated your approval.
- These documents also serve as the documents stating the matters concerning the electronic provision measures which are provided in response to any request for delivery of documents. Please note that the following documents are not provided in this Notice in accordance with the provisions of laws and regulations as well as Article 15 of the Company's Articles of Incorporation. The Business Report, the Consolidated Financial Statements and Non-consolidated Financial Statements included in these documents were among the documents that the Accounting Auditor and the Audit & Supervisory Committee audited upon preparing the respective of the accounting audit report and the audit report.
  - The Systems for Ensuring the Properness of Business Activities in the Business Report;
  - Basic Policy on the Control over the Company in the Business Report;
  - Notes to Consolidated Financial Statements;
  - Notes to Non-consolidated Financial Statements; and
  - "Details of financial statements of Riken's final fiscal year (Fiscal year ended March 31, 2023)" under "5. Matters related to Riken" under Proposal 1 "Approval of Share Transfer Plan."
- Should electronic provision measures matters require revisions, such revisions will be posted on the Company's respective websites.

## <Procedures for Exercising Voting Rights via the Internet >

When exercising your voting rights via the Internet, please confirm the following items before exercising your voting rights.

If you are attending the meeting, you do not need to exercise your voting rights by mail (Voting Rights Exercise Form) or via the Internet.

### 1. Website for exercising your voting rights

- (1) Exercise of voting rights via the Internet is only available by accessing the Voting Rights Exercise Website designated by the Company (<https://evote.tr.mufg.jp/>) from a computer or smartphone. (Please note that the service is not available from 2:00 a.m. to 5:00 a.m. every day.)
- (2) Exercise of voting rights via the Internet may not be available depending on your internet environment, such as when you use a firewall, anti-virus software or proxy server, or you have not specified TLS encrypted communication.
- (3) Exercise of voting rights via the Internet will be accepted until 5:30 p.m. on Thursday, June 22, 2023. Please exercise your voting rights as early as possible, and if you have any questions, please contact the Help Desk.

### 2. How to exercise your voting rights via the Internet

- (1) From a computer
  - On the Voting Rights Exercise Website (<https://evote.tr.mufg.jp/>), please enter the “Login ID” and “Temporary Password” provided in the Voting Rights Exercise Form, and enter your approval or disapproval by following the instructions on the screen.
  - In order to prevent unauthorized access (i.e. spoofing) by third parties other than shareholders and falsification of contents of the exercised voting rights, shareholders will be asked to change their “Temporary Password” on the Voting Rights Exercise Website.
- (2) From a smartphone
  - By scanning the “Login QR Code” on the Voting Rights Exercise Form with your smartphone, you can automatically connect to the Voting Rights Exercise Website and exercise your voting rights. (You do not need to enter your “Login ID” or “Temporary Password.”)
  - Depending on the smartphone model, you may not be able to log in with the QR code. If you are unable to log in using the QR code, please exercise your voting rights using a computer as described in 2. (1) above.

\* QR code is a registered trademark of DENSO WAVE INCORPORATED.

### 3. Handling of Voting Rights when exercised more than once

- (1) If you exercise your voting rights both by mail and via the Internet, your voting rights exercised via the Internet will be considered valid.
- (2) If you exercise your voting rights more than once via the Internet, the last vote exercised during the voting right exercise period will be considered valid.

### 4. Costs incurred when accessing the Voting Rights Exercise Website

You will be responsible for any costs incurred in accessing the Voting Rights Exercise Website (Internet connection fees, etc.).

For inquiries regarding the system, please contact:  
Stock Transfer Agent Department, Mitsubishi UFJ Trust and Banking Corporation (Help Desk)  
Tel: 0120-173-027 (Open hours: 9:00-21:00, toll-free)

## **Reference Documents for the General Meeting of Shareholders**

### **Proposal 1: Approval of Share Transfer Plan**

The details of the proposal are described in the “Supplement to Proposal 1 of the Reference Documents for the General Meeting of Shareholders.”

## **Proposal 2:       Appropriation of Surplus**

It is proposed that the surplus be appropriated as indicated below.

### **1.   Matters Concerning Year-End Dividend**

It is proposed that the year-end dividend for the 127th fiscal year be as follows, taking into consideration matters such as business results for the fiscal year under review and future business development.

#### **(1)   Type of dividend**

Cash

#### **(2)   Matters concerning allotment of property to be distributed and total amount thereof**

50 yen per share of the Company's common stock will be distributed, and the total dividend will be 400,806,450 yen. The annual dividend including the interim dividend will be ¥70 per share for the 127th fiscal year.

#### **(3)   Effective date of dividend of surplus**

June 26, 2023

### **2.   Matters Concerning Other Appropriation of Surplus**

Not applicable.

**Proposal 3: Election of Six Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)**

As the terms of six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members), Mr. Teruo Takahashi, Mr. Yuji Sakamoto, Mr. Masaaki Fujita, Mr. Zhongliang Yang, Mr. Nobuyasu Nara, and Ms. Hiromi Nakazawa will expire at the conclusion of this General Meeting of Shareholders, the Company proposes to elect six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members).

The candidates for Directors (excluding Director who are Audit & Supervisory Committee Members) are as follows.

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Name<br>(Date of birth)                                       | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of<br>shares of the<br>Company<br>held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Teruo Takahashi<br>(February 10, 1959)<br><br>[Reappointment] | <p>April 1981    Joined the Company</p> <p>April 2005    General Manager, Product Engineering Department II</p> <p>June 2006    Executive Officer and General Manager, Product Engineering Department II, Development Division</p> <p>June 2009    Director and General Manager, Product Engineering Department II, in charge of Research and Development Department</p> <p>June 2016    Managing Director, in charge of Research and Development Department</p> <p>June 2020    Representative Director and President, in charge of Internal Auditors Office (present position)</p> | 15,300                                        |
| <p>[Reason for nomination as Director]</p> <p>Mr. Teruo Takahashi has led corporate management and contributed to the Company's sustainable growth and medium- to long-term corporate value enhancement through various business developments. We nominated him to continue as a Director based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p> |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                               |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Name<br>(Date of birth)                                    | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of<br>shares of the<br>Company<br>held |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yuji Sakamoto<br>(October 22, 1957)<br><br>[Reappointment] | <p>July 1977    Joined the Company</p> <p>April 2001    General Manager, Tokyo East Sales Department</p> <p>April 2004    Executive Officer and General Manager, Tokyo Sales Department, Sales Division</p> <p>June 2006    Director, Deputy General Manager, Sales Division, and General Manager, Sales Planning Department, Sales Division</p> <p>June 2013    Managing Director, in charge of sales departments</p> <p>June 2020    Representative Director, Managing Director, in charge of sales departments</p> <p>June 2021    Representative Director, Senior Managing Executive Officer, in charge of Production Control Department, Global Procurement Department and Tochigi Plant</p> <p>April 2023    Representative Director, Executive Vice President, in charge of Production Control Department, Global Procurement Department and Tochigi Plant (present position)</p> <p>[Significant concurrent positions]<br/>Director and Chairman, NPR Singapore Pte. Ltd.<br/>Director, NPR of Europe GmbH</p> | 19,780                                        |
| <p>[Reason for nomination as Director]<br/>Mr. Yuji Sakamoto has extensive knowledge of all aspects of management and has contributed to the Company's sustainable growth and enhancement of its corporate value over the medium- to long-term. We nominated him to continue as a Director based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p> |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                               |



| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)                             | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of<br>shares of the<br>Company<br>held |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Masaaki Fujita<br>(May 30, 1961)<br>[Reappointment] | <p>April 1984    Joined the Company</p> <p>April 2005    General Manager, Corporate Planning Department</p> <p>June 2006    President of NPR of America, Inc.</p> <p>July 2012    Operating Officer, President of NPR of America, Inc.</p> <p>June 2013    President of NPR of America, Inc.</p> <p>June 2021    Director, General Manager, Corporate Planning<br/>Department in charge of Corporate Planning<br/>Department and Overseas Operation Control<br/>Department</p> <p>September<br/>2022    Director, Managing Executive Officer (present<br/>position) in charge of Corporate Planning<br/>Department and Accounting and Finance Department</p> <p>April 2023    In charge of Corporate Planning Department,<br/>Accounting and Finance Department, and Related<br/>Business Department (present position)</p> <p>[Significant concurrent positions]<br/>Komisaris, PT. NT Piston Ring Indonesia<br/>Komisaris, PT. NPR Manufacturing Indonesia<br/>Director, NPR of America, Inc.</p> | 13,924                                        |
| <p>[Reason for nomination as Director]<br/>Mr. Masaaki Fujita holds a high level of expertise in the corporate planning and corporate management fields and has contributed to the Company's sustainable growth and medium- to long-term enhancement of corporate value. We nominated him to continue as a Director based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p> |                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                               |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Name<br>(Date of birth)                                   | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of<br>shares of the<br>Company<br>held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Zhongliang Yang<br>(July 20, 1962)<br><br>[Reappointment] | <p>April 1995    Joined the Company</p> <p>April 2007    Overseas Operation Control Division<br/>Plant Manager, NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.</p> <p>May 2011    Chairman and President, NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.</p> <p>December 2012    Chairman and President, NPR Powdered Metals Manufacturing (Yizheng) Co., Ltd.</p> <p>July 2013    Executive Officer<br/>Chairman and President, NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd.</p> <p>June 2016    Director in charge of manufacturing and production departmentsg</p> <p>June 2020    Chairman and President, NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd. (present position)</p> <p>June 2021    Director and Managing Executive Officer in charge of Production Engineering Department I, Production Engineering Department II and Production Engineering Department III (present position)</p> <p>[Significant concurrent positions]<br/>President, NPR Iwate Co., Ltd.<br/>President, NPR Fukushima Works Co., Ltd.<br/>Director, NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.<br/>Director, NPR of America, Inc.</p> | 10,223                                        |
| <p>[Reason for nomination as Director]<br/>Mr. Zhongliang Yang has a high degree of expertise in technologies and manufacturing departments and has contributed to the Company's sustainable growth and medium- to long-term corporate value. We nominated him to continue as a Director based on his extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p> |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Name<br>(Date of birth)                                         | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of<br>shares of the<br>Company<br>held |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Nobuyasu Nara<br>(September 21,<br>1963)<br><br>[Reappointment] | <p>April 1986    Joined The Long-Term Credit Bank of Japan, Limited (presently SBI Shinsei Bank, Limited)</p> <p>April 2014    Executive Officer, Executive Officer in charge of Institutional Business and General Manager of Osaka Branch, Shinsei Bank, Limited (presently SBI Shinsei Bank, Limited; the same applies hereinafter)</p> <p>November 2016    Executive Officer, General Manager, Institutional Credit Management Division, Shinsei Bank, Limited</p> <p>December 2019    Retired from Shinsei Bank, Limited</p> <p>January 2020    Joined the Company Advisor</p> <p>June 2020    Director in charge of Corporate Management Department, General Affairs Department and Information System Department</p> <p>October 2020    In charge of Corporate Management Department, General Affairs Department, Information System Department and Safety and Health Promotion Department</p> <p>June 2021    Director and Managing Executive Officer (present position)<br/>In charge of Corporate Management Department, General Affairs Department, Information System Department and Safety and Health Promotion Department</p> <p>April 2023    In charge of General Affairs Department, Information System Department and Safety and Health Promotion Department (present position)</p> <p>[Significant concurrent positions]<br/>Director, NPR Iwate Co., Ltd.<br/>Director, NPR Fukushima Works Co., Ltd.<br/>Director and Chairman, SIAM NPR Co., Ltd.</p> | 9,740                                         |
| <p>[Reason for nomination as Director]<br/>Mr. Nobuyasu Nara has contributed to the Company's sustainable growth and medium- to long-term corporate value enhancement through his expertise in a wide range of areas, including general affairs, human resources, and information systems. We nominated him to continue as a Director based on his extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p> |                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                               |

| No.                                                                                                                                                                                                                                                                                                                                | Name<br>(Date of birth)                                                               | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of<br>shares of the<br>Company<br>held |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 6                                                                                                                                                                                                                                                                                                                                  | Masako Kurosawa<br>(July 23, 1962)<br>[Newly appointed]<br>[Outside]<br>[Independent] | <p>November 1991 Research Fellow, Institute for Research on Higher Education, University of Pennsylvania, Philadelphia, USA</p> <p>September 1994 Visiting Assistant Professor, Economics Department, Barnard College, New York, USA</p> <p>April 1995 Associate Professor, Josai University, Department of Economics</p> <p>April 1998 Visiting Associate Professor, The Open University of Japan, Industry and Technology</p> <p>April 2002 Associate Professor, Meiji Gakuin University, Department of Economics</p> <p>April 2004 Professor of National Graduate Institute for Policy Studies (present position)<br/>Director, Tokyo Foundation for Employment Services (present position)</p> <p>April 2005 Faculty Fellow, Research Institute of Economy, Trade and Industry</p> <p>April 2012 Member of the Managing Council, Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (present position)</p> <p>April 2015 Visiting Fellow, Columbia Business School, Centre on Japanese Economy and Business</p> <p>April 2020 Chair of the Committee Investigation the Integration of the National Trades Skill Test, Skill Assessment Office, Human Resources Development Division, Ministry of Health, Labour and Welfare (present position)</p> <p>April 2021 Director and Vice President, National Graduate Institute for Policy Studies (present position)</p> <p>April 2022 Standing Member of Productivity Committee, Japan Productivity Center (present position)</p> <p>April 2023 Member of Employment Security Committee, Labour Policy Council, Employment Security Bureau, Ministry of Health, Labor and Welfare (present position)</p> <p>[Significant concurrent positions]<br/>Member, Board of Trustees, Vice President and professor, The National Graduate Institute for Policy Studies</p> | 0                                             |
| <p>[Reason for nomination as Outside Director]<br/>Ms. Masako Kurosawa has not been involved in the management of a company in the past, but we nominated her as an Outside Director because she has a high level of expertise in labor economics as a scholar and is expected to contribute to the management of the Company.</p> |                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                               |

(Notes)

1. There are no special interests between the candidates for Directors and the Company.
2. Ms. Masako Kurosawa is a candidate for Outside Director. If the appointment of Ms. Kurosawa is approved as proposed, the Company intends to report her as an independent director in accordance with the rules of Tokyo Stock Exchange, Inc.
3. Limited liability agreement with the candidate for Director  
If the appointment of Ms. Kurosawa is approved as proposed, the Company intends to enter into an agreement with her in accordance with Article 427, Paragraph 1 of the Companies Act to limit her liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.
4. The Company plans to take out a directors and officers liability insurance policy as defined under Article 430-3, Paragraph 1 of the Companies Act, from an insurance company, to ensure that the legally liable damages and associated litigation cost incurred by the insured person will be indemnified under such insurance policy. All candidates shall be covered as the insured person under

this insurance policy. The Company intends to renew such insurance policy with the same terms and conditions at its next renewal.

5. The name of Ms. Masako Kurosawa in the family register is Ms. Masako Hayashi.

**Proposal 4: Election of Three Directors Who Are Audit & Supervisory Committee Members**

As the terms of three (3) Directors who are Audit & Supervisory Committee Members, Mr. Hiroto Koeba, Mr. Hiroki Kimura, and Mr. Yoshihide Hino will expire at the conclusion of this General Meeting of Shareholders, the Company proposes to elect 3 Directors who are Audit & Supervisory Committee Members.

The Audit & Supervisory Committee has previously given its approval to this proposal.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows.

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Name<br>(Date of birth)         | Past experience, positions, responsibilities<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of<br>shares of the<br>Company<br>held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Hiroto Koeba<br>(April 4, 1965) | April 1988    Joined the Company<br>April 2012    General Manager, Accounting and Finance<br>Department<br>July 2016    Executive Officer, General Manager, Accounting and<br>Finance Department<br>July 2018    Executive Officer, Assistant to Officer Responsible<br>for Accounting and Finance Department<br>June 2020    Audit & Supervisory Board Member<br>June 2021    Directors who is Audit & Supervisory Committee<br>Member (present position)<br>[Significant concurrent positions]<br>Audit & Supervisory Board Member, NPR Iwate Co., Ltd.<br>Audit & Supervisory Board Member, NPR Fukushima Works Co.,<br>Ltd.<br>Audit & Supervisory Board Member, Normeca Asia Co., Ltd. | 1,882                                         |
| [Reason for nomination as Director who is an Audit & Supervisory Committee Member]<br>Mr. Hiroto Koeba has a high level of expertise, mainly in the accounting field, and has contributed to ensuring the Company's soundness of management by auditing the execution of duties by Directors from an objective and fair standpoint. We nominated him as a Director who is an Audit & Supervisory Committee Member because we expect him to supervise the management and fully audit the execution of duties by Directors in order to achieve the Company's sustainable growth and medium- to long-term corporate value enhancement. |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                               |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)                                               | Past experience, positions, responsibilities<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Number of<br>shares of the<br>Company<br>held |
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| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Hiroki Kimura<br>(January 19, 1962)<br><br>[Outside]<br>[Independent] | <p>April 1984    Joined Asahi Mutual Life Insurance Company</p> <p>April 2012    Executive Officer, Head of Finance and Real Estate<br/>Division, Asset Management Administration<br/>Division, Asahi Mutual Life Insurance Company</p> <p>July 2013    Director, Executive Officer and Head of Asset<br/>Management Administration Division, Asahi Mutual<br/>Life Insurance Company</p> <p>June 2014    Outside Auditor, Kanto Denka Kogyo Co., Ltd.</p> <p>April 2015    Director, Managing Executive Officer in charge of<br/>Asset Management Planning Department and<br/>Securities Management Department, Asahi Mutual<br/>Life Insurance Company</p> <p>April 2016    Director, Managing Executive Officer in charge of<br/>Corporate Planning Department and Finance<br/>Department, Asahi Mutual Life Insurance Company</p> <p>June 2016    Audit &amp; Supervisory Board Member (Outside) of the<br/>Company</p> <p>April 2017    President and Representative Director, Asahi Mutual<br/>Life Insurance Company (present position)</p> <p>March 2019    Audit &amp; Supervisory Board Member (Outside), The<br/>Yokohama Rubber Co., Ltd.</p> <p>June 2020    Audit &amp; Supervisory Board Member (External), Zeon<br/>Corporation (present position)</p> <p>June 2021    Outside Director who is Audit &amp; Supervisory<br/>Committee Member of the Company (present<br/>position)</p> <p>March 2023    Member of the Board, Member of the Audit &amp;<br/>Supervisory Committee (Outside) of The Yokohama<br/>Rubber Co., Ltd. (present position)</p> <p>[Significant concurrent positions]<br/>President and Representative Director, Asahi Mutual Life Insurance<br/>Company<br/>Member of the Board and Member of the Audit &amp; Supervisory<br/>Committee (Outside), The Yokohama Rubber Co., Ltd.<br/>Audit &amp; Supervisory Board Member (External), Zeon Corporation</p> | 0                                             |
| <p>[Reason for nomination as Outside Director who is an Audit &amp; Supervisory Committee Member]<br/>Mr. Hiroki Kimura has extensive experience and broad insight in overall management in the life insurance industry and has contributed to ensuring the Company's soundness of management by auditing the execution of duties by Directors from an objective and fair standpoint. We nominated him as an Outside Director who is an Audit &amp; Supervisory Committee Member because we expect him to supervise the management and fully audit the execution of duties by Directors in order to achieve the Company's sustainable growth and medium- to long-term corporate value enhancement.</p> |                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                               |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Name<br>(Date of birth)                                              | Past experience, positions, responsibilities<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of<br>shares of the<br>Company<br>held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Yoshihide Hino<br>(August 2, 1962)<br><br>[Outside]<br>[Independent] | <p>April 1990 Registered as Attorney-at-Law<br/>Joined Sakano Seo Hashimoto Law Office (presently Tokyo Hatchobori Law Office)</p> <p>April 2000 Partner, Tokyo Hatchobori Law Office (present position)</p> <p>October 2013 Part-time Judge, Tokyo District Court (Civil Mediator)</p> <p>March 2015 Substitute Auditor, LOOK HOLDINGS INCORPORATED (present position)</p> <p>April 2016 Mediation Commissioner, Tokyo Summary Court (present position)</p> <p>April 2017 Chairperson, Administration Committee, Committee for Housing Dispute Settlement Agency, Daini Tokyo Bar Association</p> <p>April 2018 Housing Dispute Resolution Body Examination Committee Member, Japan Federation of Bar Associations (present position)</p> <p>January 2020 Human Rights Volunteer, Ministry of Justice (present position)</p> <p>June 2020 Audit &amp; Supervisory Board Member of the Company (Outside)</p> <p>June 2021 Outside Director who is an Audit &amp; Supervisory Committee Member of the Company (present position)</p> <p>November 2022 Special Committee Member, Central Construction Work Disputes Committee, Ministry of Land, Infrastructure, Transport and Tourism (present position)</p> <p>[Significant concurrent positions]<br/>Partner, Tokyo Hatchobori Law Office</p> | 0                                             |
| <p>[Reason for nomination as an Outside Director who is an Audit &amp; Supervisory Committee Member]<br/>Mr. Yoshihide Hino has an extensive experience and broad insights as a lawyer familiar with corporate legal affairs and has contributed to ensuring the Company's soundness of management by auditing the execution of duties by Directors from an objective and fair standpoint. We nominated him as an Outside Director who is an Audit &amp; Supervisory Committee Member because we expect him to supervise the management and fully audit the execution of duties by Directors in order to achieve the Company's sustainable growth and medium- to long-term corporate value enhancement.</p> |                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                               |

(Notes)

1. There are no special interests between Mr. Hiroto Koeba and the Company.
2. There are no special interests between Mr. Yoshihide Hino and the Company.
3. Mr. Hiroki Kimura is President and Representative Director of Asahi Mutual Life Insurance Company. Although said company holds 259,200 shares of the Company, there are no special interests between Mr. Hiroki Kimura and the Company.
4. Messrs. Hiroki Kimura and Yoshihide Hino are presently Outside Directors of the Company. The term of Mr. Hiroki Kimura as Outside Director who is an Audit & Supervisory Committee Member will be two (2) years as of the conclusion of this General Meeting of Shareholders. The term of Mr. Yoshihide Hino as Outside Director who is an Audit & Supervisory Committee Member will be two (2) years as of the conclusion of this General Meeting of Shareholders. The Company reported them as independent directors in accordance with the rules of Tokyo Stock Exchange, Inc. If their appointment is approved, they will continue to be reported as independent directors.
5. Limited liability agreement with the candidates for Directors who are Audit & Supervisory Committee Members  
The Company has entered into an agreement with Messrs. Hiroki Kimura and Yoshihide Hino in accordance with Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to



Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If the appointment of Messrs. Hiroki Kimura and Yoshihide Hino under this proposal is approved as proposed, the Company plans to continue such agreement with them.

6. The Company plans to take out a directors and officers liability insurance policy as defined under Article 430-3, Paragraph 1 of the Companies Act, from an insurance company, to ensure that the legally liable damages and associated litigation cost incurred by the insured person will be indemnified under such insurance policy. All candidates shall be covered as the insured person under this insurance policy. The Company intends to renew such insurance policy with the same terms and conditions at its next renewal.

(Reference)

**Areas of expertise and experience possessed by the candidates for Directors, and Executive Officers (skill matrix)**

- The candidates for Directors have expertise and experience in the following areas.

| Name            | Position                                             | Independence (Outside) | Particular areas of specialty where the individuals can excel |                      |                                                   |                   |                                       |                               | Nomination and Remuneration Advisory Committee |
|-----------------|------------------------------------------------------|------------------------|---------------------------------------------------------------|----------------------|---------------------------------------------------|-------------------|---------------------------------------|-------------------------------|------------------------------------------------|
|                 |                                                      |                        | Corporate management Business strategies                      | Finance & Accounting | Manufacturing, Safety, Technologies & Environment | Sales & Marketing | Innovation & Research and Development | Governance, Risk & Compliance |                                                |
| Teruo Takahashi | Representative Director and President                |                        | •                                                             | •                    | •                                                 |                   | •                                     |                               | •                                              |
| Yuji Sakamoto   | Representative Director and Executive Vice President |                        | •                                                             |                      | •                                                 | •                 |                                       | •                             | •                                              |
| Masaaki Fujita  | Director and Managing Executive Officer              |                        | •                                                             | •                    |                                                   | •                 |                                       | •                             |                                                |
| Zhongliang Yang | Director and Managing Executive Officer              |                        | •                                                             | •                    | •                                                 |                   | •                                     |                               |                                                |
| Nobuyasu Nara   | Director and Managing Executive Officer              |                        | •                                                             | •                    | •                                                 |                   |                                       | •                             |                                                |
| Masako Kurosawa | Director                                             | •                      |                                                               |                      |                                                   |                   |                                       | •                             | •                                              |
| Hiroto Koeba    | Director and Audit & Supervisory Committee Member    |                        | •                                                             | •                    |                                                   |                   |                                       | •                             |                                                |
| Hiroki Kimura   | Director and Audit & Supervisory Committee Member    | •                      | •                                                             | •                    |                                                   |                   |                                       | •                             | •                                              |
| Yoshihide Hino  | Director and Audit & Supervisory Committee Member    | •                      |                                                               | •                    |                                                   |                   |                                       | •                             | •                                              |

- The Company has introduced a delegated executive officer system as of June 24, 2021. Areas of expertise and experience possessed by the Executive Officers who do not concurrently serve as Directors, and are scheduled to be appointed at the Board of Directors' meeting to be held immediately after the conclusion of this Annual General Meeting of Shareholders are as follows

| Name            | Position                   | Independence (Outside) | Particular areas of specialty where the individuals excel |                      |                                                   |                   |                                       |                               | Nomination and Remuneration Advisory Committee |
|-----------------|----------------------------|------------------------|-----------------------------------------------------------|----------------------|---------------------------------------------------|-------------------|---------------------------------------|-------------------------------|------------------------------------------------|
|                 |                            |                        | Corporate management Business strategies                  | Finance & Accounting | Manufacturing, Safety, Technologies & Environment | Sales & Marketing | Innovation & Research and Development | Governance, Risk & Compliance |                                                |
| Makoto Kajiwara | Managing Executive Officer |                        |                                                           |                      | •                                                 |                   | •                                     | •                             |                                                |
| Takao Kishitani | Managing Executive Officer |                        |                                                           |                      | •                                                 | •                 | •                                     |                               |                                                |
| Nobunori Tsuda  | Executive Officer          |                        | •                                                         | •                    |                                                   | •                 |                                       |                               |                                                |
| Eiichi Chiyo    | Executive Officer          |                        | •                                                         | •                    |                                                   |                   |                                       | •                             |                                                |

[Reasons for Nomination in Each Skill Matrix Area]

| Area of expertise                                          | Reasons for nomination                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate management<br>Business strategies                | As the business environment surrounding the Company is changing drastically, the development of business strategies for sustainable corporate value improvement requires Directors with management experience and business strategies in the areas of manufacturing, sales, and technologies. In addition, in order to carry out global management operations, it is necessary to have Directors who have experience in international business management, knowledge of foreign customs and cultures, and the ability to maximize the value of management resources (people, goods, money, information, etc.), as well as decision-making ability. |
| Finance &<br>Accounting                                    | In order to build a stronger financial foundation and promote growth strategies and investments for sustainable corporate value enhancement, the Company needs Directors with credible knowledge and experience in the fields of finance and accounting.                                                                                                                                                                                                                                                                                                                                                                                           |
| Manufacturing,<br>Safety,<br>Technologies &<br>Environment | The Company needs Directors with abundant knowledge and experience in safety, quality, technologies, and the environment in order to further advance the Company's technological development and reliable manufacturing technologies that provide high-quality products in a short period of time with low cost, which will strengthen the competitiveness of the current business.                                                                                                                                                                                                                                                                |
| Sales &<br>Marketing                                       | The Company needs Directors with solid knowledge and experience in sales strategy, sales management, etc. They are also well versed in business management from a global perspective and can develop sales strategies from a deep insight into marketing                                                                                                                                                                                                                                                                                                                                                                                           |
| Innovation &<br>Research and<br>development                | In order to continue the progress of technological development that leads to the creation of new value and new businesses while utilizing the Company's core technologies that have been cultivated, the Company needs Directors who have been successfully promoting innovation and possess solid knowledge and experience in technologies, quality, and the environment                                                                                                                                                                                                                                                                          |
| Governance,<br>Risk &<br>Compliance                        | The establishment of an appropriate corporate governance system based on compliance and risk management is fundamental to sustainable improvement of corporate value, and Directors with in-depth knowledge and experience in laws, regulations, and risk assessment related to the Company are necessary to enhance the management and supervisory functions of the Board of Directors.                                                                                                                                                                                                                                                           |

## **Proposal 5: Election of One Substitute Director Who Is an Audit & Supervisory Committee Member**

The Company proposes to elect one (1) substitute Director who is an Audit & Supervisory Committee Member to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls short of the level required by laws and regulations.

Such substitute Director who is an Audit & Supervisory Committee Member shall be appointed subject to the number of Directors who are Audit & Supervisory Committee Members falling short of the level required by laws and regulations, and his or her term of office shall be the remaining term of office of his or her predecessor.

The effectiveness of the election under this proposal could be negated only before the assumption of office by such substitute Director who is an Audit & Supervisory Committee Member and by the resolution of the Board of Directors upon the consent of the Audit & Supervisory Committee.

The Audit & Supervisory Committee has given its prior approval to this proposal.

The candidate for substitute Director who is an Audit & Supervisory Committee Members is as follows.

| Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Past experience, positions, responsibilities,<br>and significant concurrent positions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of<br>shares of the<br>Company<br>held |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Osamu Takai<br>(November 3, 1947)<br><br>[Outside]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>April 1992 Professor, School of Engineering, Nagoya University</p> <p>April 2012 Professor Emeritus, Nagoya University (present position)</p> <p>Professor, College of Engineering, Kanto Gakuin University</p> <p>Vice Director, Materials &amp; Surface Engineering Research Institute, Kanto Gakuin University</p> <p>June 2013 External Audit &amp; Supervisory Board Member, JCU CORPORATION</p> <p>June 2014 Audit &amp; Supervisory Board Member (Outside)</p> <p>April 2018 Director, Materials &amp; Surface Engineering Research Institute, Kanto Gakuin University (present position)</p> <p>[Significant concurrent positions]</p> <p>Professor Emeritus, Nagoya University</p> <p>Director, Materials &amp; Surface Engineering Research Institute, Kanto Gakuin University</p> | 0                                             |
| <p>[Reason for nomination as a substitute Director who is an Audit &amp; Supervisory Committee Member]</p> <p>Mr. Osamu Takai has been engaged in research on materials and surface engineering closely related to the technologies of the Company's products for many years and has contributed to ensuring the Company's soundness of management by auditing the execution of duties by Directors from an objective and fair standpoint. We nominated him as a substitute Director who is an Audit &amp; Supervisory Committee Member because we expect him to supervise the management and fully audit the execution of duties by Directors in order to achieve the Company's sustainable growth and medium- to long-term corporate value enhancement.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                               |

(Notes)

1. There are no special interests between Mr. Osamu Takai and the Company.
2. Mr. Osamu Takai is a candidate for substitute Outside Director who is an Audit & Supervisory Committee Member. The Company has nominated him as a substitute Director who is an Audit & Supervisory Committee Member since the 127th Annual General Meeting of Shareholders held on June 24, 2021. If he assumes office as Outside Director who is an Audit & Supervisory Committee Member, the Company intends to report him to Tokyo Stock Exchange, Inc. as an independent director.
3. Limited liability agreement with the candidate for Director  
If Mr. Osamu Takai is appointed as Director who is an Audit & Supervisory Committee Member, the Company intends to enter into an agreement with him in accordance with Article 427, Paragraph 1 of the Companies Act to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.
4. The Company plans to take out a directors and officers liability insurance policy as defined under Article 430-3, Paragraph 1 of the Companies Act, from an insurance company, to ensure that the legally liable damages and associated litigation cost incurred by the insured person will be

indemnified under such insurance policy. If Mr. Osamu Takai assumes office as Director who is an Audit & Supervisory Committee Member, he shall be covered as the insured person under such insurance policy.

## Business Report

Fiscal year under review:  
( April 1, 2022 to March 31, 2023 )

### **1. Outlook of the Company**

#### **(1) Business Status for the Fiscal Year**

##### **① Progress and Results of the Business**

During the fiscal year under review, the global economy continued to recover moderately amid the progress of normalization of economic activities based on the assumption of the new norm to coexist with COVID-19. However, due to reasons such as international instability caused by the prolonged conflict in Ukraine, the surge in resource and energy prices worldwide, continuous interest rate hikes, and the bankruptcy of financial institutions in the United States, the situation continued to be unstable.

In Japan, although affected by the seventh to eighth waves of COVID-19, there were signs of recovery due to the easing of restrictions on activities and the effects of various policies. On the other hand, the rapid depreciation of the yen due to the widening interest rate differential between Japan and the United States led to higher commodity prices, and the pace of recovery remained slow.

In the automobile industry, in which the Company operates, the impact of the shortage of in-vehicle semiconductors and the stagnant supply of parts continued, but there was a recovery trend from the same period of the previous fiscal year when we were compelled major production adjustments, and the global automobile production volume increased.

Within such business environment, the Company recorded net sales of 58,524 million yen (up 15.2% year-on-year), due to the effects of the depreciation of yen and the capture of demand in line with customer trends, in addition to the effects mentioned above.

In terms of profit and loss, although various cost increases associated with soaring raw materials and fuel costs and the depreciation of the yen were offset by price increases and cost reductions, operating income was 2,385 million yen (down 9.2% year-on-year), ordinary income was 2,755 million yen (down 9.9% year-on-year), and profit attributable to owners of parent was 1,808 million yen (down 6.3% year-on-year).

In the financial position, interest-bearing debt decreased by 1,911 million yen from the end of the previous fiscal year to 13,107 million yen. Shareholders' equity was 36,091 million yen and shareholder's equity ratio was 52.4%.

Our business results by segment for the fiscal year under review are as follows.

##### **(A) Automotive Products Segment**

In the automotive products segment, despite the continued impact of in-vehicle semiconductors shortage and stagnant supply of parts, global automobile production increased year-on-year, and with the effect of the depreciation of the yen and the capture of demand in line with customer trends, net sales amounted to 49,853 million yen, up 13.6% year-on-year.

###### **(a) Piston Rings**

Net sales increased 14.8% year-on-year to 29,611 million yen, mainly due to an increase in automobile production.

###### **(b) Valve Seats**

Net sales was 10,427 million yen (up 12.7% year-on-year), mainly due to an increase in automobile production.

###### **(c) Other Automotive Products**

Net sales for other automotive products was 9,814 million yen (up 11.0% year-on-year).

##### **(B) Products for Marine Engine and Other Products Segment**

Net sales in products for marine engine and other products segment was 2,241 million yen (down 4.9% year-on-year), due to a decrease in demand for products for industrial equipment, which temporarily increased in the previous fiscal year.

(C) Others

Net sales in other segments, including merchandise sales business, was 6,429 million yen (up 41.5% year-on-year), mainly due to the consolidation of Normeca Asia Co., Ltd.

(Note) “(C) Others” includes net sales 2,608 million yen as “bearing parts” and net sales 1,170 million yen as “RV-related products.”

**② Status of Capital Expenditures**

Capital expenditures totaled 3,058 million yen in the fiscal year under review.

**③ Status of Funding**

In the fiscal year under review, the Company repaid 2,633 million yen in long-term loans.

**④ Status of Business Transfer, Absorption-type Split or Incorporation-type Split**

Not applicable.

**⑤ Status of Business Acquisitions of Other Companies**

Not applicable.

**⑥ Status of Succession of Rights and Obligations Related to the Business of Other Corporations, etc. Through Absorption-type Merger or Absorption-type split**

Not applicable.

**⑦ Status of Acquisition or Disposal of Shares, Other Equity Interests, Stock Acquisition Rights, etc. of Other Companies**

Not applicable.

**(2) Status of Assets, Profit and Loss**

(Yen in millions unless otherwise stated)

| Classification                                | 124th<br>(fiscal year<br>ended March<br>2020) | 125th<br>(fiscal year<br>ended March<br>2021) | 126 <sup>th</sup><br>(fiscal year<br>ended March<br>2022) | 127 <sup>th</sup><br>(fiscal year under<br>review)<br>(fiscal year ended<br>March 2023) |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Net sales                                     | 54,881                                        | 45,276                                        | 50,783                                                    | 58,524                                                                                  |
| Ordinary income                               | 1,776                                         | 355                                           | 3,058                                                     | 2,755                                                                                   |
| Profit<br>Attributable to<br>Owners of Parent | 490                                           | (813)                                         | 1,928                                                     | 1,808                                                                                   |
| Basic earnings per<br>share (yen) (Note)      | 59.96                                         | (102.56)                                      | 250.40                                                    | 232.90                                                                                  |
| Total assets                                  | 63,608                                        | 61,809                                        | 67,349                                                    | 68,843                                                                                  |
| Net assets                                    | 31,289                                        | 30,267                                        | 35,099                                                    | 38,117                                                                                  |

(Note) The Company introduced the “Trust-Type Employee Shareholding Incentive Plan (E-Ship)” in November 2020.

The number of shares of common stock held by the “E-Ship Trust Account” is deducted from the average number of shares of common stock during the fiscal year under review, which is used to calculate basic earnings per share for the 125th fiscal year (fiscal year ended March 2021), 126th fiscal year (fiscal year ended March 2022) and 127th fiscal year (fiscal year ended March 2023).

### (3) Status of Significant Subsidiaries

#### ① Status of Significant Subsidiaries

| Company name                                                          | Capital/<br>Investments in<br>capital | Ownership<br>ratio of<br>voting rights | Main business                                      |
|-----------------------------------------------------------------------|---------------------------------------|----------------------------------------|----------------------------------------------------|
| NPR Fukushima Works Co., Ltd.                                         | 1,612 million<br>JPY                  | 100 %                                  | Manufacture of automotive parts, etc.              |
| NPR Iwate Co., Ltd.                                                   | 490 million JPY                       | 100 %                                  | Manufacture of automotive parts, etc.              |
| Noermeca Asia Co., Ltd.                                               | 99 million JPY                        | 100 %                                  | Sales of disaster emergency medical products, etc. |
| NPR of America, Inc.                                                  | 40 USD                                | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| SIAM NPR Co., Ltd.                                                    | 95,000 thousand<br>THB                | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| NPR of Europe GmbH (Note 3)                                           | 2,500 thousand<br>EUR                 | 70 %                                   | Sales of automotive parts, etc.                    |
| PT.NT Piston Ring Indonesia                                           | 19,900 thousand<br>USD                | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.                      | 140,049,000<br>CNY                    | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| NPR Singapore Pte. Ltd. (Note 4)                                      | 118 million yen                       | 90 %                                   | Packaging and sales of automotive parts, etc.      |
| PT.NPR Manufacturing Indonesia                                        | 13,000 thousand<br>USD                | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| NPR Auto Parts Manufacturing India Pvt. Ltd.                          | 1,000 million<br>INR                  | 100 %                                  | Manufacture and sales of automotive parts, etc.    |
| NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd. (Note 5) | 54,630,000CNY                         | 50 %                                   | Manufacture of automotive parts, etc.              |

(Note) 1. Capital / Investments in capital is the amount as of March 31, 2023.

2. The Company's ownership ratio of voting rights includes indirect ownership.

3. Daido Metal Co., Ltd. has contributed 30% of the capital / investments in capital of NPR of Europe GmbH's capital.

4. Local individual shareholders have contributed 10% of the capital / investments in capital of NPR Singapore Pte. Ltd.

5. Yizheng Yaxinke Shuanghuan Piston Ring Co., Ltd. has contributed 50% of the capital / investments in capital of NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd.

#### ② Status of Specified Wholly owned Subsidiaries as of the Fiscal Year-end

Not applicable.

#### (4) Issues to be Addressed

The automotive industry is in the midst of a once-in-a-century transformation, and the environment in which the Company's core engine parts business is located is expected to change drastically in the amid the popularization of EVs. We believe that the development of environmentally friendly engine parts is our mission as long as internal combustion engine vehicles continue to be the main vehicles in the world, even though environmental issues are attracting global attention. At the same time, we strongly recognize that it is necessary to actively expand into new business domains that capture global trends such as SDGs, ESG, and decarbonization, without being bound by internal combustion engine peripheral components.

Under these conditions, in fiscal year ending March 2024 is the final year of the Eighth Mid-term Management Plan, we will simultaneously strengthen the profitability of existing businesses, nurture and establish new business fields, and promote sustainability management based on the results of our efforts to date. In addition, in order to address management issues more effectively and efficiently with an eye to the future, we have been discussing and studying specific matters toward the management integration with Riken Corporation. We will strive to further enhance our corporate value by gaining the understanding of our shareholders and realizing synergies as a new group at an early stage.

#### ■ Eighth Mid-term Management Plan (FY2021 - FY2023)

<Policy>



“Change as Chance” – Change brings opportunity –

<Targets (FY2023)>

(Management Target)

Net sales: 54 billion yen or more, operating income margin: 8% or more; percentage net sales from non-automobile engine sales: 15% or more

(Environmental Target)

CO<sub>2</sub> emissions: -25% (compared to FY2013)

<Priority Measures>

- (1) Build an overall optimized product manufacturing system
- (2) Promote technical solution proposal-oriented sales through utilizing the core technologies and products
- (3) Strengthen the development and creation of new products and business
- (4) Conduct structural reforms of people and organizations (awareness reforms)
- (5) Take a leap forward toward becoming a sustainable company

<Action Guidelines>

|            |         |                                                            |
|------------|---------|------------------------------------------------------------|
| New Five S | Speed   | Speed of responding to changes                             |
|            | Skill   | Skill for planning and carrying out strategies             |
|            | Science | Taking decisions scientifically based on data              |
|            | Spirit  | Enthusiasm to want to improve the organization             |
|            | Safety  | A safe and secure working environment and safety awareness |

## (5) Main Business (as of March 31, 2023)

The Company consists of 14 companies, including the Company and 13 subsidiaries, and manufactures and sells automobile-related products (piston rings, valve seats and other automobile-related products) and products for marine engine and other products, and engages in businesses related thereto.

| Classification                                |                                   | Major products                                                                          |
|-----------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------|
| Automobile-related products                   | Piston ring                       | Piston rings for automobiles, motorcycles and other various internal combustion engines |
|                                               | Valve seat                        | Valve seats for automobiles, motorcycles and other various internal combustion engines  |
|                                               | Other automobile-related products | Composite camshafts, cast iron camshafts and cylinder liners                            |
| Products for marine engine and other products |                                   | Marine engine components, stationary engine components, and home appliance components   |
| Others                                        |                                   | Merchandise                                                                             |

## (6) Significant Sales Offices and Production Bases (as of March 31, 2023)

### ① The Company's Significant Sales Offices and Production Bases

| Business site             | Location                                                                                                                                         |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Head office               | Saitama City, Saitama, Japan                                                                                                                     |
| Sales departments/offices | Tokyo (Saitama City, Saitama), Nagoya City (Aichi), Osaka City (Osaka), Hiroshima City (Hiroshima), Fukuoka City (Fukuoka), Sendai City (Miyagi) |
| Production Base           | Nogi-machi, Shimotsuga-gun, Tochigi                                                                                                              |

### ② Subsidiaries

| Name of subsidiary            | Location                            |
|-------------------------------|-------------------------------------|
| NPR Fukushima Works Co., Ltd. | Kawamata-machi, Date-gun, Fukushima |
| NPR Iwate Co., Ltd.           | Ichinoseki City, Iwate              |
| Normeca Asia Co., Ltd.        | Koshigaya City, Saitama             |
| NPR of America, Inc.          | Bardstown, Kentucky, USA            |

|                                                              |                                                |
|--------------------------------------------------------------|------------------------------------------------|
| SIAM NPR Co., Ltd.                                           | Saraburi, Thailand                             |
| NPR of Europe GmbH                                           | Korntal-Münchingen, Baden-Württemberg, Germany |
| PT.NT Piston Ring Indonesia                                  | Karawang, Jawa Barat, Indonesia                |
| NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.             | Yizheng, Jiangsu, China                        |
| NPR Singapore Pte. Ltd.                                      | Singapore                                      |
| PT.NPR Manufacturing Indonesia                               | Pasuruan, Jawa Timur, Indonesia                |
| E.A Associates Sdn. Bhd.                                     | Subang Jaya, Selangor, Malaysia                |
| NPR Auto Parts Manufacturing India Pvt. Ltd.                 | Kolar, Karnataka, India                        |
| NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd. | Yizheng, Jiangsu, China                        |

## (7) Status of Employees (as of March 31, 2023)

### ① Status of Employees of the Company

| Number of employees | Increase (Decrease) from the end of FY2021 |
|---------------------|--------------------------------------------|
| 3,036 people        | + 9 people                                 |

(Note) The above figures does not include temporary workers, etc.

### ② Status of Employees of the Company

| Number of employees | Increase (Decrease) from end of FY2022 | Average age    | Average duration of service |
|---------------------|----------------------------------------|----------------|-----------------------------|
| 656 people          | - 22 people                            | 42.3 years old | 18.4 years                  |

(Note) The above figures does not include temporary workers, etc.

## (8) Status of Major Lenders (as of March 31, 2023)

| Lenders                             | Amount borrowed (yen in millions) |
|-------------------------------------|-----------------------------------|
| SBI Shinsei Bank, Limited           | 3,223                             |
| MUFG Bank, Ltd.                     | 1,048                             |
| Sumitomo Mitsui Banking Corporation | 1,112                             |
| Saitama Resona Bank, Limited        | 1,787                             |
| Development Bank of Japan Inc.      | 680                               |

## (9) Other Significant Matters Regarding the Status of the Company

Not applicable.

## 2. Outlook of the Company

### (1) Status of Shares (as of March 31, 2023)

- ① Total number of shares authorized 19,545,000 shares
- ② Total number of shares issued 8,374,157 shares
- ③ Number of shareholders 10,540
- ④ Major shareholders

| Name of shareholders                                                                                        | Number of shares<br>(1,000 shares) | Percentage of<br>shareholding (%) |
|-------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                                        | 597                                | 7.45                              |
| Nippon Piston Ring Employee Shareholding Association                                                        | 283                                | 3.53                              |
| Tokio Marine & Nichido Fire Insurance Co., Ltd.                                                             | 267                                | 3.33                              |
| Custody Bank of Japan, Ltd. (Trust account)                                                                 | 263                                | 3.28                              |
| Asahi Mutual Life Insurance Company                                                                         | 259                                | 3.23                              |
| The Nomura Trust and Banking Co., Ltd. (Nippon Piston Ring Employee Shareholding Association Trust Account) | 225                                | 2.82                              |
| Nippon Piston Ring Business Partners Shareholding Association                                               | 188                                | 2.35                              |
| SBI Shinsei Bank, Limited                                                                                   | 165                                | 2.06                              |
| Mitsubishi UFJ Trust and Banking Corporation                                                                | 148                                | 1.85                              |
| INTERACTIVE BROKERS LLC                                                                                     | 124                                | 1.56                              |

(Note) 1. The shareholding ratio is calculated after deducting the number of shares of treasury stock (358,000 shares) and is rounded to the third decimal place.

2. 358,028 shares of treasury stock does not include the 225,700 shares of the Company owned by The Nomura Trust and Banking Co., Ltd. (Nippon Piston Ring Employee Shareholding Association Trust Account).

⑤ Status of shares delivered to officers of the Company as remuneration for the execution of duties during the fiscal year under review

The details of the share-based remuneration delivered during the fiscal year under review are as follows.

| Position                                                                                            | Number of shares | Number of officers to<br>whom shares were issued |
|-----------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------|
| Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) | 11,050 shares    | Five (5) people                                  |

## (2) Status of Stock Acquisition Rights

Status of stock acquisition rights issued to and held by officers of the Company as remuneration for the execution of duties (as of March 31, 2023)

| Name of stock acquisition rights<br>(Date of issuance resolution) | Number of holders of stock acquisition rights | Number of stock acquisition rights | Class and number of shares to be issued or transferred upon exercise of stock acquisition rights | Amount to be paid in for stock acquisition rights (per share) | Amount of assets to be contributed upon exercise of stock acquisition rights (per share) | Exercise period                 |
|-------------------------------------------------------------------|-----------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------|
| 1st stock acquisition rights (June 27, 2008)                      | One (1) Director of the Company               | 18                                 | 1,800 common shares                                                                              | 1,450 yen                                                     | 1 yen                                                                                    | August 1, 2008 to July 31, 2033 |
| 2nd stock acquisition rights (June 27, 2013)                      | Three (3) Directors of the Company            | 38                                 | 3,800 common shares                                                                              | 1,460 yen                                                     | 1 yen                                                                                    | August 1, 2013 to July 31, 2038 |
| 3rd stock acquisition rights (June 27, 2014)                      | Three (3) Directors of the Company            | 34                                 | 3,400 common shares                                                                              | 2,040 yen                                                     | 1 yen                                                                                    | August 1, 2014 to July 31, 2039 |
| 4th stock acquisition rights                                      | Three (3) Directors of                        | 35                                 | 3,500 common                                                                                     | 1,900 yen                                                     | 1 yen                                                                                    | August 1, 2015 to July 31, 2040 |

|                                              |                                   |     |                      |           |       |                                 |
|----------------------------------------------|-----------------------------------|-----|----------------------|-----------|-------|---------------------------------|
| (June 25, 2015)                              | the Company                       |     | shares               |           |       |                                 |
| 5th stock acquisition rights (June 29, 2016) | Four (4) Directors of the Company | 80  | 8,000 common shares  | 1,203 yen | 1 yen | July 30, 2016 to July 29, 2041  |
| 6th stock acquisition rights (June 29, 2017) | Four (4) Directors of the Company | 56  | 5,600 common shares  | 1,885 yen | 1 yen | August 1, 2017 to July 31, 2042 |
| 7th stock acquisition rights (June 27, 2018) | Four (4) Directors of the Company | 64  | 6,400 common shares  | 1,927 yen | 1 yen | August 1, 2018 to July 31, 2043 |
| 8th stock acquisition rights (June 26, 2019) | Four (4) Directors of the Company | 112 | 11,200 common shares | 1,175 yen | 1 yen | August 1, 2019 to July 31, 2044 |

(Note) 1. Directors does not include Directors who are Audit & Supervisory Committee Members or Outside Directors.

2. The conditions to exercise the stock acquisition rights are as follows.

- ① A holder of stock acquisition rights may exercise his/her stock acquisition rights for a limited period of 10 days from the day following the date on which he/she loses his/her position as a Director of the Company.
- ② In the event that the holder of stock acquisition rights passes away, his/her heir may exercise his/her stock acquisition rights. The conditions for the exercise of stock acquisition rights by the heir shall be as set forth in the agreement of ③ below.
- ③ Other conditions shall be stipulated in the “Agreement on Allotment of Stock Acquisition Rights” to be entered into between the Company and the holders of stock acquisition rights based on the resolution of the Board of Directors.

### (3) Status of Officers

#### ① Status of Directors (as of March 31, 2023)

| Position                                                         | Name            | Area of responsibility or status of significant concurrent positions                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director and President (Representative Director)                 | Teruo Takahashi | Internal Auditors Office                                                                                                                                                                                                                                                                                                                                                                                   |
| Representative Director                                          | Yuji Sakamoto   | In charge of Production Control Department, Global Procurement Department and Tochigi Plant, Director and Chairman at NPR Singapore Pte. Ltd., and Director at NPR of Europe GmbH                                                                                                                                                                                                                          |
| Director                                                         | Masaaki Fujita  | In charge of Corporate Planning Department, Accounting and Finance Department and Related Operations Control Businesses Department, Komisaris at PT. NT Piston Ring Indonesia, Komisaris at PT. NPR Manufacturing Indonesia, and President at NPR of America, Inc.                                                                                                                                         |
| Director                                                         | Zhongliang Yang | In charge of Production Engineering Department I, Production Engineering Department II and Production Engineering Department III, President at NPR Iwate Co., Ltd., President at NPR Fukushima Works Co., Ltd., Director at NPR Auto Parts Manufacturing (Yizheng) Co., Ltd., Chairman and President at NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd., and Director at NPR of America, Inc. |
| Director                                                         | Nobuyasu Nara   | In charge of Corporate Management Department, General Affairs Department, Information System Department and Safety and Health Promotion Department, Director at NPR Iwate Co., Ltd., Director at NPR Fukushima Works Co., Ltd., and Director and Chairman at SIAM NPR Co., Ltd.                                                                                                                            |
| Director                                                         | Hiromi Nakazawa | Directors Who Are Audit & Supervisory from outside the Company at RICOH LEASING COMPANY, LTD.                                                                                                                                                                                                                                                                                                              |
| Director who is a full-time Audit & Supervisory Committee Member | Hiroto Koeba    | Audit & Supervisory Board Member at NPR Iwate Co., Ltd., Audit & Supervisory Board Member at NPR Fukushima Works Co., Ltd., and Audit & Supervisory Board Member at Noermeca Asia Co., Ltd.                                                                                                                                                                                                                |
| Director who                                                     | Hiroki Kimura   | President and Representative Director at Asahi Mutual Life                                                                                                                                                                                                                                                                                                                                                 |

|                                                         |                |                                                                                                                                                                                                                                           |
|---------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| is an Audit & Supervisory Committee Member              |                | Insurance Company, Councilor at The Institute of Medical Science, Asahi Life Foundation, Audit & Supervisory Board Member (Outside) at The Yokohama Rubber Co., Ltd., and Audit & Supervisory Board Member (External) at Zeon Corporation |
| Director who is an Audit & Supervisory Committee Member | Yoshihide Hino | Partner at Tokyo Hatchobori Law Office                                                                                                                                                                                                    |

- (Notes) 1. Among the Directors, Ms. Hiromi Nakazawa, Mr. Hiroki Kimura and Mr. Yoshihide Hino are Outside Directors. The Company has reported Ms. Hiromi Nakazawa, Mr. Hiroki Kimura and Mr. Yoshihide Hino as independent directors who does not have conflicts of interest with shareholders and investors, in accordance with the rules of Tokyo Stock Exchange, Inc.
2. The Company has appointed Mr. Hiroto Koeba as Full-time Audit & Supervisory Committee Member. The reasons for the selection is to enhance the effectiveness of the activities of the Audit & Supervisory Committee by establishing an auditing environment and sharing information among all Audit & Supervisory Committee Members obtained through attending important meetings, regular hearing of business reports from business execution departments, as well as collaborations with the Accounting Auditor and the Internal Audit Department, etc.
3. The Audit & Supervisory Committee Members' knowledge of finance and accounting is as follows.
- Mr. Hiroto Koeba, Full-time Audit & Supervisory Committee Member, has many years of experience in the Accounting and Finance Department of the Company and has considerable knowledge of finance and accounting.
- Mr. Hiroki Kimura, Outside Audit & Supervisory Committee Member, has extensive experience in overall management in the life insurance industry and has considerable knowledge of finance and accounting.

## ② Overview of the Limited Liability Agreement

The Company has entered into an agreement with the respective Outside Directors (including Directors who are Audit & Supervisory Committee Members) in accordance with Article 427, Paragraph 1 of the Companies Act to limit his/her liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.

## ③ Overview of the Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as defined under Article 430-3, Paragraph 1 of the Companies Act, to ensure that the legally liable damages and associated litigation cost incurred by the insured person in the event of a claim for damages made against the insured person during the insurance period due to acts performed by him/her based on his/her position will be indemnified under such insurance policy. However, the Company takes measures to ensure that the appropriateness of the execution of duties by Directors and officers is not impaired by exempting compensation for damages caused by criminal acts such as bribery or intentional violations. In addition, there is a provision for an exemption amount in the insurance contract and damages up to the exemption amount are not covered.

The insured persons under the directors and officers' liability insurance policy are Directors of the Company and its subsidiaries (including Outside Directors and Directors who are Outside Audit & Supervisory Committee Members), Audit & Supervisory Board Members, Executive Officers, important employees (such as managers appointed by the Board of Directors), retiring officers, and the Company pays the full amount of the insurance premium for all insured persons.

## ④ Policy for Determining the Details of Remuneration for Individual Directors

- (a) Method for Determining the Policy for Determining the Amount of Remuneration for Directors

As for the basic policy for determining the amount of remuneration for Directors of the Company, Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members are distinguished, and the policy for determining the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined upon the resolution of the Board of Directors based on the

deliberations and reports of Nomination and Remuneration Advisory Committee, and the policy for determining the remuneration of Directors who are Audit & Supervisory Committee Members is determined by discussion of the Audit & Supervisory Committee.

(b) Basic Policy for Determining the Amount of Remuneration for Directors

The remuneration of the Company's Directors is appropriate for attracting and maintaining excellent human resources who practice the realization of the Company's Corporate philosophy and are arousing their motivation to thoroughly fulfill their expected roles in the sustainable enhancement of corporate and shareholder value. Specifically, remuneration for Directors responsible for business execution consists of basic remuneration, performance-based remuneration, and share-based remuneration. Remuneration for Directors who are Audit & Supervisory Committee Members and Outside Directors responsible for supervisory functions consists of basic remuneration only.

In order to fulfill the accountability to shareholders and other stakeholders with regard to the content of remuneration for Directors, the Company ensures rationality, objectivity, and transparency in both the content of remuneration and the decision-making process.

(c) Remuneration Structure for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

The remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of basic remuneration, which is a fixed remuneration, and performance-based remuneration and share-based remuneration, which fluctuate depending on business performance. The ratio of basic remuneration, performance-based remuneration and share-based remuneration is approximately 7:2:1.

i. Basic Remuneration

Basic remuneration is a monetary fixed remuneration paid on a monthly basis. The amount of basic remuneration shall be determined according to the position, responsibility, and other factors, and shall be reviewed as appropriate and based on deliberations and reports by the Remuneration Advisory Committee in consideration of performance, remuneration packages at other companies, social conditions, etc.

ii. Performance-based Remuneration

• Details of the Performance Indicator and the Reasons for Their Selection

In order to realize sustainable enhancement of corporate value, the Company strives to improve growth potential and efficiency, and for performance-based remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors), ordinary income (consolidated) is used as an indicator taking into account the characteristics of the Company's business.

• Method for Calculating the Amount or Number of Performance-based Remuneration

The Company introduced performance-based remuneration into monetary remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors). Performance-based remuneration under monetary remuneration is paid at a certain time every year, up to a maximum of 100 million yen, calculated using the consolidated ordinary income of each fiscal year as an indicator in order to raise awareness of performance improvement, and based on points corresponding to each Director's position based on the following formula determined by the Board of Directors. The reason for using consolidated ordinary income as an indicator is based on the judgment that non-operating profits and losses, such as interest costs and incomes and foreign exchange profits and losses, for which risk control should be carried out in the course of management, should also be taken into consideration.

Changes in ordinary income (consolidated) including the fiscal year under review are as described in "(2) Status of Assets, Profit and Loss," under "1. Status of the Company" and the payment month is June.

#### Method of Calculation for Performance-based Remuneration

Consolidated ordinary income (rounded down to the nearest million yen)  $\times 1.2\% = a$   
(rounded down to the nearest million yen)

$a \times \text{each Director's points} / \text{Total points of Directors}$

Number and points of Directors by position

| Position                                                      | Number of persons | Points | Total points |
|---------------------------------------------------------------|-------------------|--------|--------------|
| Representative Director and President                         | 1                 | 100    | 100          |
| Representative Director and Executive Vice President          | 0                 | 82     | 0            |
| Representative Director and Senior Managing Executive Officer | 1                 | 77     | 77           |
| Director and Managing Executive Officer                       | 3                 | 68     | 204          |
| Total                                                         | 5                 | -      | 381          |

(Notes) The above figures are calculated based on the number of Directors as of March 31 2023.

(Other Considerations)

- Directors are executive officers as stipulated in Article 34, Paragraph 1, Item 3 of the Corporation Tax Act.
- The consolidated ordinary income (“indicators on profits” as stipulated in Article 34, Paragraph 1, Item 3 (a) of the Corporation Tax Act) used in the above formula is the consolidated ordinary income before performance-based remuneration is recorded as expenses.
- The “defined amount” as stipulated in Article 34, Paragraph 1, Item 3 (a) (1) of the Corporation Tax Act is limited to 100 million yen.
- The difference due to the rounding of individual payments is deducted from the amount paid to the Representative Director and President.
- In the event that a Director leaves office during the period of execution of his/her duties due to unavoidable circumstances, remuneration is paid based on the number of months the Director has been enrolled in during the period of execution of his/her duties (rounded up to one month).

#### iii. Non-monetary Remuneration

For the purpose of providing an incentive to further share value with shareholders and to improve medium- to long-term business performance by having Directors who are responsible for business execution acquire and hold a certain amount of shares during their term, the Company grants such Directors restricted stocks with a transfer restriction period of 25 years at a certain time each year. The number of shares to be granted is determined based on the position, responsibilities, share price, and other factors.

#### (d) Reasons for the Board of Directors to Determine that the Contents of the Remuneration for Individual Directors are in Line with the Policy

In determining the content of the remuneration, etc. for individual Directors, the Nomination and Remuneration Advisory Committee, which the majority of its members are comprised of Outside Directors, examines the draft from various angles, including the consistency with the decision policy. The Board of Directors also thoroughly considers the draft to be in line with the decision policy based on the report of the Advisory Committee.

**⑤ Matters Related to Resolutions of the General Meeting of Shareholders with Respect to Remuneration for Directors**

At the 127th Annual General Meeting of Shareholders held on June 24, 2021, the remuneration ceiling for Directors (excluding Directors who are Audit & Supervisory Committee Members) was approved at “not more than 280 million yen per annum (including officers’ bonuses)” (of which, the portion for Outside Directors is within 30 million yen per annum), and the remuneration ceiling for Directors who are Audit & Supervisory Committee Members was approved at not more than 53 million yen per annum.

However, the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) does not include salaries as employees of Directors who concurrently serve as employees.

In addition, at said Annual General Meeting of Shareholders, it has been separately approved that transfer restricted share-based remuneration be introduced for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and that the ceiling of monetary claims thereto is 70 million yen or less per year.

There were six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members) at the conclusion of the said General Meeting of Shareholders (including one (1) Outside Director) and three (3) Directors who are Audit & Supervisory Committee Members (including two (2) Outside Directors).

**⑥ Amount of Remuneration for Directors**

| Category of officer                                                                                        | Total amount of remuneration (million yen) | Total amount of remuneration by type of remuneration (million yen) |                                |                           | Number of eligible officers |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------|--------------------------------|---------------------------|-----------------------------|
|                                                                                                            |                                            | Basic remuneration                                                 | Performance-based remuneration | Non-monetary remuneration |                             |
| Directors (excluding Directors who are Audit & Supervisory Committee Members) (of which Outside Directors) | 157<br>(7)                                 | 110<br>(7)                                                         | 33<br>(N/A)                    | 14<br>(N/A)               | 6<br>(1)                    |
| Directors who are Audit & Supervisory Committee Members (of which Outside Directors)                       | 30<br>(12)                                 | 30<br>(12)                                                         | N/A<br>(N/A)                   | N/A<br>(N/A)              | 3<br>(2)                    |
| Total                                                                                                      | 187                                        | 140                                                                | 33                             | 14                        | 9                           |

(Note) 1. The amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) does not include salaries as employees of Directors who concurrently serve as employees.

**⑦ Matters Related to Outside Officers**

**(a) Significant Concurrent Positions of the Outside Officers and Relationship with the Company**

| Name                                                | Significant concurrent positions                                                                                                                                                                                           | Relationship with the Company and the companies where Outside Officers hold a significant concurrent position                                                                                  |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outside Director<br>Hiromi Nakazawa                 | Directors Who Are Audit & Supervisory from outside the Company at RICOH LEASING COMPANY, LTD.                                                                                                                              | There are no significant transactions or other relationships with the company where Ms. Hiromi Nakazawa holds a significant concurrent position.                                               |
| Outside Director<br>(Audit & Supervisory Committee) | President and Representative Director, Asahi Mutual Life Insurance Company Councilor at The Institute of Medical Science, Asahi Life Foundation, Audit & Supervisory Board Member (Outside), The Yokohama Rubber Co., Ltd. | Asahi Mutual Life Insurance Company holds 259,000 shares of the Company. There are no significant transactions or other relationships with the other companies where Mr. Hiroki Kimura holds a |



|                                                                                             |                                                                  |                                                                                                                                                 |
|---------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Member)<br>Hiroki<br>Kimura                                                                 | Audit & Supervisory Board Member<br>(External), Zeon Corporation | significant concurrent position.                                                                                                                |
| Outside<br>Director<br>(Audit &<br>Supervisory<br>Committee<br>Member)<br>Yoshihide<br>Hino | Partner, Tokyo Hatchobori Law Office                             | There are no significant transactions or other relationships with the company where Mr. Yoshihide Hino holds a significant concurrent position. |

(b) Major Activities for the Fiscal Year Under Review

| Name                                                                                        | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outside<br>Director<br>Hiromi<br>Nakazawa                                                   | She attended all 14 meetings of the Board of Directors held during the fiscal year under review. From the viewpoint of an accounting expert, she has provided advice and opinions as appropriate to ensure the appropriateness and reasonableness of decision-making by the Board of Directors. In addition to the above, she served as a member of the Nomination and Remuneration Advisory Committee of the Company and attended all meetings held in the fiscal year under review. By expressing opinions from an independent and objective standpoint, she played an important role in deliberating on the nomination of and remuneration for Directors and other officers and reporting it to the Board of Directors.                   |
| Outside<br>Director<br>(Audit &<br>Supervisory<br>Committee<br>Member)<br>Hiroki<br>Kimura  | He attended 13 meetings out of all 14 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Committee held in the fiscal year under review. From the viewpoint of a company manager, he has expressed his opinions as appropriate to ensure the appropriateness of business operations. In addition to the above, he served as a member of the Nomination and Remuneration Advisory Committee of the Company and attended all meetings held in the fiscal year under review. By expressing opinions from an independent and objective standpoint, he played an important role in deliberating on the nomination of and remuneration for Directors and other officers and reporting it to the Board of Directors. |
| Outside<br>Director<br>(Audit &<br>Supervisory<br>Committee<br>Member)<br>Yoshihide<br>Hino | He attended all 14 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Committee held during the fiscal year under review. He expressed opinions as appropriate to ensure the adequacy of business operations mainly from a legal point of view. In addition to the above, he served as a member of the Nomination and Remuneration Advisory Committee of the Company and attended all meetings held in the fiscal year under review. By expressing opinions from an independent and objective standpoint, he played an important role in deliberating on the nomination of and remuneration for Directors and other officers and reporting it to the Board of Directors.                                      |

(4) Status of Accounting Auditor

① Name of Accounting Auditor

Ernst & Young ShinNihon LLC

② Compensation to Accounting Auditor

|                                                                                              | Amount paid (million yen) |
|----------------------------------------------------------------------------------------------|---------------------------|
| Compensation to Accounting Auditor for the fiscal year under review                          | 55                        |
| Total amount of cash and other property benefits payable by the Company and its subsidiaries | 61                        |

(Notes) 1. The Audit & Supervisory Committee closely examined the Accounting Auditor's audit plan (the number of audit days, the number of auditors, the verification and evaluation of performance against the audit plan for the previous fiscal year, the appropriateness of the performance of audits by the Accounting Auditor, basis for calculating the estimated compensation and others) for which explanation was received from the Accounting Auditor and changes in the compensations to accounting auditors, and thereupon decided that the amount of compensation to the Accounting Auditor is appropriate and agreed thereto pursuant to Article 399, Paragraph 1 of the Companies Act.

2. The Company's significant overseas subsidiaries are audited by certified public accountants or

audit firms other than the Company's Accounting Auditor.

3. The audit agreement between the Accounting Auditor and the Company does not distinguish between the compensation for auditing services under the Financial Instruments and Exchange Act and the Companies Act, as it is practically impossible to distinguish them. Therefore, the amount of remuneration to be paid to the Accounting Auditor is the aggregate amount of the aforementioned remunerations.

**③ Details of Non-audit Services Provided by the Accounting Auditor**

Not applicable.

**④ Policy Regarding Decisions on the Dismissal or Non-reappointment of the Accounting**

**Auditor**

If the Board of Directors determines that a situation has arisen in which the Accounting Auditor is materially impairing the Company's auditing services, the Board of Directors will propose the dismissal or non-reappointment of the Accounting Auditor at a general meeting of shareholders with the consent of the Audit & Supervisory Committee Members or at the request of the Audit & Supervisory Committee as described below. If the Audit & Supervisory Committee determines that a situation has arisen in which the Accounting Auditor is materially impairing the Company's auditing services, it will request the Board of Directors to submit a proposal for the dismissal or non-reappointment of the Accounting Auditor at a general meeting of shareholders. In the event that the Accounting Auditor is determined to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee will dismiss the Accounting Auditor upon the unanimous consent of the Audit & Supervisory Committee Members after discussing within the Audit & Supervisory Committee.

In this case, the Audit Supervisory Committee Member chosen by the Audit Committee will report the dismissal of the Accounting Auditor and the reasons thereof at the first general meeting of shareholders convened after the dismissal.

**⑤ Description on Limited Liability Agreement**

Not applicable

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Figures reported in the Business Report are rounded down to the nearest unit, except for the ratios stated in “① Progress and Results of the Business” under “(1) Business Status for the Fiscal Year” under “1. Outlook of the Company” and “④ Major shareholders” under “Status of Shares” under “2. Outlook of the Company.”

Consolidated Balance Sheets

(As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	32,654	Current liabilities	22,416
Cash and deposits	5,606	Notes and accounts payable-trade	3,725
Notes receivable-trade, accounts receivable-trade, and contract assets	11,719	Electronically recorded obligations	4,326
Merchandise and products	7,614	Short-term loans payable	5,940
Work in progress	2,612	Current portion of long-term loans payable	2,720
Raw materials and supplies	3,078	Lease liabilities	142
Other	2,048	Accrued Income taxes	380
Allowance for doubtful accounts	(24)	Notes payable-equipments	116
Fixed assets	36,188	Non-operating electronically recorded obligations	1,034
Property, plant, and equipments	28,382	Other	4,029
Buildings and structures	7,351	Fixed liabilities	8,309
Machinery and transport equipments	13,715	Long-term loans payable	3,939
Land	5,784	Lease liabilities	364
Construction in progress	723	Deferred tax liabilities	1,034
Other	807	Defined benefit plan liabilities	2,819
Intangible fixed assets	930	Other	151
Goodwill	231	Total liabilities	30,725
Other	698	(Net Assets)	
Investment and other assets	6,875	Shareholders' equity	31,417
Investment securities	5,198	Capital stock	9,839
Defined benefit plan assets	1,408	Capital surplus	6,080
Deferred tax assets	95	Retained earnings	16,265
Other	175	Treasury shares	(767)
Allowance for doubtful accounts	(2)	Accumulated other comprehensive income	4,673
		Other securities valuation differences	2,743
		Foreign currency translation adjustment	3,060
		Accumulated remeasurements of defined benefit plan	(1,130)
		Share options	67
		Non-controlling interests	1,958
		Total net assets	38,117
Total assets	68,843	Total liabilities and net assets	68,843

(Note) Stated amounts are rounded down to the nearest million yen.

Consolidated Profit and Loss Statement

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount
Net sales	58,524
Cost of sales	46,271
Gross profit	12,252
Selling, general, and administrative expenses	9,867
Operating profit	2,385
Non-operating revenue	607
Interest income	12
Dividend income	156
Foreign exchange gains	80
Subsidy income	64
Government grant income	85
Gain on sale of scrap	88
Other	120
Non-operating expenses	237
Interest payable	93
Loss on disposal of fixed assets	9
Commitment fees	10
Depreciation of assets for rent	32
Other	91
Ordinary profit	2,755
Extraordinary profit	104
Gain on sale of investment securities	104
Extraordinary loss	35
Impairment loss	35
Profit before tax	2,824
Income taxes-current	898
Income taxes-deferred	30
Profit	1,895
Profit attributable to non-controlling interests	87
Profit attributable to owners of parent	1,808

(Note) Stated amounts are rounded down to the nearest million yen.

Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' Equity					Total Shareholders' Equity	
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares			
Balance at beginning of period	9,839	6,080	14,885	(835)	29,969		
Cumulative effect of changes in accounting policies			136		136		
Balance at beginning of period reflecting changes to accounting policies	9,839	6,080	15,021	(835)	30,105		
Changes of items during period							
Dividends of surplus			(560)		(560)		
Profit attributable to owners of parent			1,808		1,808		
Acquisition of treasury shares				(0)	(0)		
Disposal of treasury shares		(4)		68	64		
Transfer of loss on disposal of treasury shares		4	(4)		—		
Changes of items other than shareholders' equity (net)							
Total changes of items during period	—	—	1,243	68	1,312		
Balance at end of period	9,839	6,080	16,265	(767)	31,417		
	Accumulated Other Comprehensive Income				Share Options	Non-Controlling Interests	Total Net Assets
	Other Securities Valuation Differences	Foreign Currency Translation Adjustment	Accumulated Remeasurements of Defined Benefits Plan	Total Accumulated Other Comprehensive Income			
Balance at beginning of period	3,351	838	(1,018)	3,171	67	1,798	35,006
Cumulative effect of changes to accounting policies		8	(52)	(43)			92
Balance at beginning of period reflecting changes to accounting policies	3,351	846	(1,070)	3,127	67	1,798	35,099
Changes of items during period							
Dividends of surplus							(560)
Profit attributable to owners of parent							1,808
Acquisition of treasury shares							(0)
Disposal of treasury shares							64
Transfer of loss on disposal of treasury shares							—
Changes of items other than shareholders' equity (net)	(607)	2,213	(60)	1,545	—	160	1,705

Total changes of items during the period	(607)	2,213	(60)	1,545	—	160	3,018
Balance at end of period	2,743	3,060	(1,130)	4,673	67	1,958	38,117

(Note) Stated amounts are rounded down to the nearest million yen.

Non-Consolidated Balance Sheets

(As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	17,013	Current liabilities	18,740
Cash and deposits	407	Notes payable-trade	93
Notes receivable-trade	1,428	Electronically recorded obligations	2,391
Accounts receivable-trade	7,848	Accounts payable-trade	6,538
Merchandise and products	1,582	Short-term loans payable	4,770
Work in progress	1,154	Current portion of long-term loans payable	2,560
Raw materials and supplies	586	Lease liabilities	62
Prepaid expenses	85	Accounts payable-other	252
Advance payments	23	Accrued expenses	1,085
Short-term loans to related companies	2,629	Advances received	4
Accounts receivable-other	1,004	Accrued income taxes	171
Other	262	Deposits	287
Fixed assets	39,107	Notes payable-equipment	52
Property, plant, and equipment	13,706	Non-operating electronically recorded obligations	469
Buildings	3,564	Fixed liabilities	5,099
Structures	125	Long-term loans payable	3,699
Machinery and equipment	5,768	Lease liabilities	172
Vehicles and transport equipment	4	Deferred tax liabilities	1,163
Tools, instruments, and furnishings	243	Other	63
Land	3,764	Total liabilities	23,839
Construction in progress	235	(Net assets)	
Intangible fixed assets	186	Shareholders' equity	29,470
Software	181	Capital stock	9,839
Other	4	Capital surplus	5,810
Investment and other assets	25,215	Capital reserves	5,810
Investment securities	5,198	Retained earnings	14,587
Related company shares	16,276	Other retained earnings	14,587
Capital contributions	1	Reserve for reduction entry of fixed assets	6
Capital contributions to related companies	2,536	Special reserve	1,600
Long-term loans to related companies	260	Retained earnings brought forward	12,981
Prepaid pension expenses	822	Treasury shares	(767)
Other	121	Valuation and translation differences	2,743
Allowance for doubtful accounts	(2)	Other securities valuation differences	2,743
		Share options	67
		Total net assets	32,280
Total assets	56,120	Total liabilities and net assets	56,120

(Note) Stated amounts are rounded down to the nearest million yen.

Non-Consolidated Profit and Loss Statement

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount
Net sales	34,945
Cost of sales	28,755
Gross profit	6,190
Selling, general, and administrative expenses	5,906
Operating profit	283
Non-operating revenue	1,796
Interest income	22
Dividend income	1,508
Rent income	37
Foreign exchange gains	152
Other	75
Non-operating expenses	209
Interest payable	94
Loss on disposal of fixed assets	7
Depreciation of assets for rent	32
Other	75
Ordinary profit	1,870
Extraordinary profit	104
Gains on sale of investment securities	104
Profit before tax	1,974
Income taxes-current	342
Income taxes-deferred	(57)
Profit	1,689

(Note) Stated amounts are rounded down to the nearest million yen.



Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' Equity							
	Capital Stock	Capital Surplus			Retained Earnings			
		Capital Reserves	Other Capital Surplus	Total Capital Surplus	Other Retained Earnings			Total Retained Earnings
					Reserve for Reduction Entry of Fixed Assets	Special Reserve	Retained Earnings Brought Forward	
Balance at beginning of period	9,839	5,810	—	5,810	6	1,600	11,855	13,461
Changes of items during period								
Reversal of reserve for reduction entry of fixed assets					(0)		0	—
Dividends of surplus							(560)	(560)
Profit							1,689	1,689
Acquisition of treasury shares								
Disposal of treasury shares			(4)	(4)				—
Transfer of loss on disposal of treasury shares			4	4			(4)	(4)
Changes of items other than shareholders' equity (net)								
Total changes of items during period	—	—	—	—	(0)	—	1,126	1,125
Balance at end of period	9,839	5,810	—	5,810	6	1,600	12,981	14,587

  

	Shareholders' Equity		Valuation and Translation Differences		Share Options	Total Net Assets
	Treasury Shares	Total Shareholders' Equity	Other Securities Valuation Differences	Total Valuation and Translation Differences		
Balance at beginning of period	(835)	28,276	3,351	3,351	67	31,694
Changes of items during period						
Reversal of reserve for reduction entry of fixed assets						—
Dividends of surplus		(560)				(560)
Profit		1,689				1,689
Acquisition of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	68	64				64
Transfer of loss on disposal of treasury shares						—
Changes of items other than shareholders' equity (net)			(607)	(607)		(607)
Total changes of items during period	68	1,193	(607)	(607)	—	586
Balance at end of period	(767)	29,470	2,743	2,743	67	32,280

(Note) Stated amounts are rounded down to the nearest million yen.

Independent Auditor's Report  
(English Translation\*)

May 17, 2023

To the Board of Directors of Nippon Piston Ring Co., Ltd.

Ernst & Young ShinNihon LLC

Tokyo Head Office

Designated  
Limited Liability  
Partner  
Engagement  
Partner

CPA

Yuji Mukaide

Designated  
Limited Liability  
Partner  
Engagement  
Partner

CPA

Masaki Yoshioka

Opinion

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of profit and loss, the consolidated statements of changes in net assets and the notes to consolidated financial statements, of Nippon Piston Ring Co., Ltd. (the "Company") for the fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the financial performance of the Company and its consolidated subsidiaries for the period covered by the consolidated financial statements in accordance with the accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the relevant professional ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the Business Report and its accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information and the Audit & Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the descriptions in other information and we do not express any form of opinion thereon.

Our responsibility in connection with our audit of the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the course of the audit or otherwise pay close attention to appearances of material misstatements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the auditing standards generally accepted in Japan, and for the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the appropriateness of use of the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with the auditing standards generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the performance of duties of the Directors in the design and operation of the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an opinion in a report from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances when assessing the risks, while the purpose of the consolidated financial statements audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their applications which management adopted, and the reasonableness of the accounting estimates and the appropriateness of the related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists with respect to the going concern basis, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Assess whether the presentation of the consolidated financial statements and the related disclosures therein are prepared in accordance with the auditing standards generally accepted in Japan, as well as whether the presentations, compositions, and contents of the consolidated financial statements and related disclosures therein properly present the transactions and accounting events on which the consolidated financial statements are based.
- Obtain sufficient and appropriate audit evidence about the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision, and implementation of the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters required by the auditing standards, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant professional ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to remove or reduce the risk of matters which may deteriorate our independence.

#### Interests required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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#### \* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the readers.

Independent Auditor's Report  
(English Translation\*)

May 7, 2023

To the Board of Directors of Nippon Piston Ring Co., Ltd.

Ernst & Young ShinNihon LLC

Tokyo Head Office

Designated

Limited

Liability Partner CPA

Yuji Mukaide

Engagement

Partner

Designated

Limited

Liability Partner CPA

Masaki Yoshioka

Engagement

Partner

Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, statement of profit and loss, statement of changes in net assets and notes to the financial statements, and the supplementary schedules (the "Financial Statements") of Nippon Piston Ring Co., Ltd. (the "Company") for the 127th fiscal year from April 1, 2022 to March 31, 2023.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position and the financial performance of the Company for the period covered by the Financial Statements in accordance with the accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules section of our report. We are independent of the Company in accordance with the relevant professional ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the Business Report and its accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information and the Audit & Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operation of the reporting process of the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of opinion thereon.

Our responsibility in connection with our audit of the Financial Statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of audit or otherwise pay close attention to appearances of material misstatements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the auditing standards generally accepted in Japan, and for the design and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the Financial Statements that are free from material misstatements, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the appropriateness of use of the going concern basis of accounting, and disclosing, as applicable, matters related to going concern in accordance with the auditing standards generally accepted in Japan.

The Audit & Supervisory Committee is responsible for overseeing the performance of duties of the

Directors in the design and operation of the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an opinion in a report from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances when assessing the risks, while the purpose of the Financial Statements audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and their applications which management adopted, and the reasonableness of the accounting estimates and the appropriateness of the related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists with respect to the going concern basis, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Assess whether the presentation of the Financial Statements and the related disclosures therein are prepared in accordance with the auditing standards generally accepted in Japan, as well as whether the presentations, compositions, and contents of the Financial Statements and related disclosures therein properly present the transactions and accounting events on which the Financial Statements are based.

We communicate with the Audit & Supervisory Committee regarding, among other matters required by the auditing standards, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant professional ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, if applicable, related safeguards in order to remove or reduce the risk of matters which may deteriorate our independence.

#### Interests required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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#### \* Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the readers.

## Audit Report

The Audit & Supervisory Committee has audited the execution of duties by the Directors of Nippon Piston Ring Co., Ltd. (the "Company") during the 127th fiscal year from April 1, 2022 to March 31, 2023, and reports on its methods and results as follows.

### 1. Methods and Contents of Audit

The Audit & Supervisory Committee received regular reports from Directors, employees, etc. regarding the details of the resolutions of the Board of Directors concerning matters listed in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the design and operation of the internal control system established based on such resolutions, requested explanations as necessary, expressed opinions, and conducted audits in the following manner.

- ① Based on the Audit & Supervisory Committee Rules adopted by the Audit & Supervisory Committee, in accordance with audit policies and assignment of duties and in cooperation with the internal audit department of the Company, the Audit & Supervisory Committee attended the meetings of the Board of Directors and other important meetings in person or online, and requested explanations as necessary, and thoroughly understood the progress and results of deliberations on matters to be discussed and reported. The Audit & Supervisory Committee also reviewed important approval documents and surveyed operations and assets at the Company's head office and major business sites. Furthermore, the Audit & Supervisory Committee attended the meeting of the Board of Directors and other important meetings of the subsidiaries in person or online, exchanged opinions and information with the Directors and Audit & Supervisory Committee Members thereof, and received reports on business from them, as necessary.
- ② With regard to the basic policy set forth in Article 118, Item 3(a) of the Regulations for Enforcement of the Companies Act of Japan and the respective initiatives set forth in (b) of the same item, as well as the matters noted in Article 118, Item 5 (a) and the judgement and reason set forth in (b) of the same item, which are all described in the Business Report, the details were examined based on the status of deliberations at meetings of the Board of Directors and other meetings.
- ③ The Audit & Supervisory Committee monitored and verified whether the Accounting Auditor maintained its independence and conducted appropriate audits and received reports from the Accounting Auditor on the status of the execution of their duties and requested explanations as necessary. The Audit & Supervisory Committee also received notice from the Accounting Auditor and requested explanations as necessary confirming that the "systems for ensuring that the performance of the duties of financial auditor are being carried out correctly" (as described in each item of Article 131 of the Regulations on Corporate Accounting of Japan) in accordance with the Standard on Quality Control for Audits (Business Accounting Council, October 28, 2005) has been properly designed.

Based on the aforementioned methods, the Audit & Supervisory Committee considered the Business Report and its supplementary schedules, financial statements (balance sheet, statement of profit and loss, statement of changes in net assets and notes to non-consolidated financial statements) and their supplementary schedules as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of changes in net assets, and notes to consolidated financial statements).

### 2. Results of Audit

#### (1) Audit Results Concerning the Business Report

- ① The Business Report and its supplementary schedules accurately represent the Company's situation as required by laws and regulations and the Articles of Incorporation.
- ② No irregularity or significant violation of applicable laws or regulations or the Articles of Incorporation was found with respect to the execution of duties by the Directors.
- ③ Resolutions of the Board of Directors concerning the internal control system are appropriate. The Audit & Supervisory Committee has nothing to point out concerning the descriptions in the Business Report or the execution of duties by the Directors with respect to the internal control system.
- ④ No matters to be pointed out with regard to the basic policy on the persons who control decisions on the Company's financial and business policies were found in the Business Report. The Audit & Supervisory Committee acknowledges that Article 118, Item 3(b) of the Regulations for Enforcement of the Companies Act of Japan described in the Business Report

is in line with the said basic policy and are not detrimental to the common interests of the Company's shareholders, nor are they intended to maintain the status of the Company's corporate officers.

(2) Audit Results Concerning Non-consolidated Financial Statements and its Supplementary Schedules

The auditing method of Ernst & Young ShinNihon LLC, the Accounting Auditor, and the results of the audit, are appropriate.

(3) Audit Results of Consolidated Financial Statements

The auditing method of Ernst & Young ShinNihon LLC, the Accounting Auditor, and the results of the audit, are appropriate.

May 22, 2023

Audit & Supervisory Committee of Nippon Piston Ring Co., Ltd.

Full-time Audit & Supervisory Committee Member	Hiroto Koeba	(seal)
Outside Audit & Supervisory Committee Member	Hiroki Kimura	(seal)
Outside Audit & Supervisory Committee Member	Yoshihide Hino	(seal)

Note: Hiroki Kimura and Yoshihide Hino, who are Audit & Supervisory Committee Members, are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act of Japan.

**(NOTICE OF CONVOCAION OF THE 129th ANNUAL GENERAL MEETING OF  
SHAREHOLDERS)**

**Reference Documents for the General Meeting of Shareholders  
Supplement to Proposal 1**

**NIPPON PISTON RING CO., LTD.**



## **Proposal 1: Approval of Share Transfer Plan**

The Company and Riken Corporation (hereinafter referred to as “Riken”; the Company and Riken referred to collectively as “both companies”) agreed to enact a joint share transfer (hereinafter the “Joint Share Transfer”) to establish NPR-RIKEN CORPORATION (hereinafter the “Joint Holding Company”), which will become a wholly owning parent company of both companies effective October 2, 2023 (hereinafter the “Effective Date”) and upon resolutions of their respective Board of Directors at the meeting held on May 23, 2023, jointly prepared a share transfer plan as of the same date.

Therefore, we request your approval of the share transfer plan (hereinafter the “Joint Share Transfer Plan”) to effect the Joint Share Transfer.

The reason for carrying out the Joint Share Transfer, an overview of the contents of the Joint Share Transfer Plan, and other matters related to this proposal are shown below.

### **1. Reason for the Joint Share Transfer**

#### **(1) Background of the Joint Share Transfer**

The Company was established in 1934, and has been supplying high-performance, high-quality internal combustion engine parts including piston rings, valve seats, and camshafts based on our own technology, and in this way, we have contributed to the progress of motorization globally.

Riken was founded in 1927 with the aim of bringing research results from the Institute of Physical and Chemical Research to the market, and since then, it has continued refining its surface treatment technologies, processing technologies, and material technologies for its main products including piston rings. In this way, Riken has contributed to the development of the global automobile industry for over 90 years.

The automobile industry is undergoing a once-in-a-century transformation, and market awareness of engine parts has become more severe. At the same time, while people are focusing more on environmental issues, internal combustion engines will continue to be the main powertrains for the foreseeable future, so it is the mission of both companies to develop engine parts that are environmentally friendly. Both companies believe that it is necessary to increase investment in new business areas in addition to internal combustion engine peripheral parts based on global trends such as SDGs, ESG, and decarbonization.

As a first step toward future development, the Company and Riken will utilize their brands that have been established over many decades through management integration. Both companies recognize that by properly allocating management resources and developing new core business under integrated governance, it will be possible to accelerate efforts to achieve decarbonization as both companies generate powerful synergies, and evolve into a completely new business entity, which will result in sustainable growth and improve the corporate value for both companies. By sharing this recognition, the two companies jointly prepared the Joint Share Transfer Plan under the conviction that such decision is the optimal choice for the shareholders, employees, and all stakeholders of both companies.

#### **(2) Purpose of the Joint Share Transfer and expected synergistic effect**

Under this Joint Share Transfer, both companies will endeavor to integrate and utilize the management resources of both companies by creating synergies in order to strengthen the profitability of existing businesses, especially automobile engine parts, and will work with a sense of urgency on new core businesses and creation of new products in the area of non-automotive engine parts including marine engine, hydrogen, new energy business, thermal engineering, EMC (electromagnetic compatibility) business, metamolds (metal powder injection molding), medical equipment, and axial gap type motors (thin, disk-shape high-torque motors). The aim of both companies is to achieve global development of unique functional parts and key components that can be applied to the proprietary technologies of both companies with the goal of further improving corporate value by evolving into a completely new type of leading company.

##### **(i) Strengthening existing businesses by shifting management resources and quickly developing new core products**

Companies in the automobile industry have been forced to improve their technical capabilities and reform their organizations in recent years in response to newly developed fields such as CASE and MaaS. Both companies must collaborate with external institutions and research facilities to develop

technological capabilities that will result in differentiation, and ensure resources for creating innovation. The purpose of the Joint Share Transfer is to achieve the following:

[Strengthen ability to generate cash flow in existing businesses]

Both companies will work to improve business efficiency and strengthen development capabilities by adjusting the capital investment level, optimizing production over a wide area, and by centralizing and effectively utilizing development themes. Based on such efforts, earning power will be improved and our ability to generate cash flow will strengthen while also meeting the expectations of customers for high-quality, low-cost products.

[New core businesses and creation of new products]

Improving the efficiency of existing businesses will make it possible to integrate resources that had been allocated to the development of internal combustion engines for making a bold shift to new core businesses and new product fields. We will accelerate investment in effective new product development, promote sharing between technologies and bases, and quickly develop new products that have high added value and cost competitiveness.

(ii) Strengthening ability to respond in an increasingly decarbonized society

The world is moving toward a decarbonized society. Therefore, both companies must respond to global environmental issues. By combining and developing the technologies and resources related to products and production cultivated by both companies, it will be possible to develop technologies in the environmental field and accelerate product decarbonization. We will actively work to reduce carbon dioxide emissions throughout the supply chain and actively contribute toward realizing a sustainable society.

(iii) Reducing cost through shared resource usage including infrastructure

By improving productivity throughout the supply chain, from purchasing and production to sales, and by standardizing the in-house production processes of both companies, we will reduce outflow costs, reduce procurement costs through joint purchasing, and improve efficiency by eliminating duplicate systems and indirect operations, resulting in better operational efficiency and cost reduction while ensuring competitive advantage.

(iv) Reducing manufacturing costs through better production efficiency based on complementary products, and timely and appropriate responses to supply responsibilities

By taking advantage of the technologies and infrastructure owned by both companies, it will be possible to promote shared use of factories and optimize production bases beyond the conventional framework with the goal of realizing significant productivity improvements, expanding the system for supplying high-quality products, and reducing fixed costs. We also intend to fulfill supply responsibilities to customers in a timely and appropriate manner by establishing a sustainable production system.

(v) Enhancing human skills by exchanging people and technologies

Actively exchanging the knowledge and technologies possessed by executives and employees in both companies will produce opportunities in various areas and positions for creating new ideas that leverage the strengths of both companies. We will therefore endeavor to establish an environment in each workplace that allows for greater employee engagement.

## 2. Overview of the Joint Share Transfer Plan

The following “Share Transfer Plan (Copy)” provides details on the Joint Share Transfer Plan.

### Share Transfer Plan (Copy)

Riken Corporation (hereinafter referred to as the “First Party”) and Nippon Piston Ring Co., Ltd. (hereinafter referred to as the “Second Party”) have agreed to carry out a share transfer through a joint share transfer, and have jointly prepare this Share Transfer Plan (hereinafter referred to as the “Plan”) according to the following.

#### Article 1 (Share transfer)

According to the provisions of this Plan, the First and Second Parties shall establish a wholly owning parent company (hereinafter referred to as the “New Company”) via by means of a joint share transfer that causes the New Company to acquire all of the issued shares of the First Party and Second Party on the date of establishment (as defined in Article 7; the same shall apply hereinafter) by means of a share transfer

(hereinafter referred to as the “share transfer”), and the First and Second Parties shall become wholly owned subsidiaries of the New Company.

Article 2 (Purpose of the New Company, trade name, location of head office, total number of authorized shares, and other matters stipulated in the Articles of Incorporation)

1. The purpose, trade name, location of the head office and total number of authorized shares of the New Company shall be according to the following items.
  - (1) Purpose  
The purpose of the New Company shall be as described in Article 2 of the Articles of Incorporation in Attachment 1.
  - (2) Trade name  
The trade name of the New Company shall be リケン NPR 株式会社, and the name in English shall be NPR-RIKEN CORPORATION.
  - (3) Location of head office  
The head office of the New Company shall be located in Chiyoda-ku, Tokyo, and the address of the head office shall be 8-1, Sanbancho, Chiyoda-ku, Tokyo.
  - (4) Total number of authorized shares  
The total number of authorized shares of the New Company shall be 59,935,000 shares.
2. In addition to the matters listed in the preceding paragraphs, matters stipulated in the Articles of Incorporation of the New Company shall be as stated in Attachment 1 of the Articles of Incorporation.

Article 3 (Names of Directors and names of Accounting Auditors at the time the New Company is established)

1. The names of the Directors at the time the New Company is established (excluding Directors at the time of incorporation who are Audit and Supervisory Committee members at the time of incorporation) shall be according to the following.

Director (Plan to appoint Representative Director, Chairman and CEO)	Yasunori Maekawa
Director (Plan to appoint Representative Director, President and COO)	Teruo Takahashi
Director	Kaoru Itoh
Director	Yuji Sakamoto
Director	Hidehiro Sakaba
Director	Masaaki Fujita
Outside Director (Part-time)	Eiji Hirano
Outside Director (Part-time)	Masako Kurosawa
2. The names of the Directors at the time of establishment who serve as Audit and Supervisory Committee members at the time the New Company is established shall be according to the following.

Director (Audit and Supervisory Committee Member)	Kouei Watanabe
Director (Audit and Supervisory Committee Member)	Hiroto Koeba
Outside Director (Audit and Supervisory Committee Member) (Part-time)	Osamu Honda
Outside Director (Audit and Supervisory Committee Member) (Part-time)	Hiroki Kimura
Outside Director (Audit and Supervisory Committee Member) (Part-time)	Tatsuya Sakuma
3. The names of the Accounting Auditor at the time the New Company is established shall be according to the following.

Deloitte Touche Tohmatsu LLC

Article 4 (Matters related to the number of shares of the New Company to be issued upon the share transfer, and their allotment)

1. For shareholders of the First and Second Parties just prior to the time that all of the issued shares of the First and Second Parties are acquired (hereinafter referred to as the “base time”), at the time of the share transfer, the New Company shall issue common stock of the New Company (hereinafter referred to as “issued shares”) equal to the total number obtained by multiplying the total number of common shares issued by the First Party at the time of the base time by 2, and the total number of common shares issued by the Second Party at the time of the base time multiplied by 1.02 in place of the common shares of the First and Second Parties held respectively by them.
2. The New Company shall allocate the shares to be issued according to the provisions of the preceding paragraph to the shareholders of the First and Second Parties at the time of the base time according to following ratio (hereinafter referred to as the “share transfer ratio”).
  - (1) For shareholders of the First Party, two shares of common stock of the New Company for each share of common stock of the First Party held

- (2) For shareholders of the Second Party, 1.02 shares of common stock of the New Company for each share of common stock of the Second Party held
3. For the calculations in the preceding two paragraphs, fractions of less than one share shall be handled in accordance with Article 234 of the Companies Act and other related laws and regulations.

Article 5 (Matters related to the amount of capital and reserves of the New Company)

The amount of capital and reserves on the date the New Company is established shall be according to the following.

- (1) Amount of capital: 5,000,000,000 yen
- (2) Amount of legal capital surplus: 1,250,000,000 yen
- (3) Amount of legal reserved surplus: 0 yen
- (4) Amount of capital surplus: This shall be the amount obtained by subtracting the total amount of (1) and (2) above from the change in shareholders equity as stipulated in Article 52, Paragraph 1 of the Regulations on Corporate Accounting.

Article 6 (Stock acquisition rights to be issued upon share transfer and their allocation)

1. Issuance of Stock Acquisition Rights

- (1) At the time of the share transfer, the New Company shall issue the stock acquisition rights listed in Column 2 for the New Company that are equal to the total number of the relevant stock acquisition rights as of the time of the base time to persons with stock acquisition rights for each stock acquisition right issued by the First Party listed in ① to ④ of Column 1 in the following table as of the time of the base time in place of the stock acquisition rights of the First Party owned by each party.

Column 1			Column 2	
	Name	Contents	Name	Contents
①	Riken Corporation Issuance of Stock Acquisition Rights in June 2014 (Stock Compensation-type Stock Options)	Attachment 2 1-①	NPR-RIKEN CORPORATION 1st Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-①
②	Riken Corporation Issuance of Stock Acquisition Rights in June 2015 (Stock Compensation-type Stock Options)	Attachment 2 1-②	NPR-RIKEN CORPORATION 2nd Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-②
③	Riken Corporation Issuance of Stock Acquisition Rights in June 2016 (Stock Compensation-type Stock Options)	Attachment 2 1-③	NPR-RIKEN CORPORATION 3rd Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-③
④	Riken Corporation Issuance of Stock Acquisition Rights in June 2017 (Stock Compensation-type Stock Options)	Attachment 2 1-④	NPR-RIKEN CORPORATION 4th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-④

- (2) At the time of the share transfer, the New Company shall issue the stock acquisition rights listed in Column 2 for the New Company that are equal to the total number of the relevant stock acquisition rights as of the time of the base time to persons with stock acquisition rights for each stock acquisition right issued by the Second Party listed in ① to ⑧ of Column 1 in the following table as of the time of the base time in place of the stock acquisition right of the Second Party owned by each party.

Column 1			Column 2	
	Name	Contents	Name	Contents
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2008 (Stock Compensation-type Stock Options)	Attachment 3 1-①	NPR-RIKEN CORPORATION 5th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-①
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition	Attachment 3 1-②	NPR-RIKEN CORPORATION 6th Stock Acquisition Rights of	Attachment 3 2-②

Column 1			Column 2	
	Name	Contents	Name	Contents
	Rights in June 2013 (Stock Compensation-type Stock Options)		2023 (Stock Compensation-type Stock Options)	
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2014 (Stock Compensation-type Stock Options)	Attachment 3 1-③	NPR-RIKEN CORPORATION 7th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-③
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2015 (Stock Compensation-type Stock Options)	Attachment 3 1-④	NPR-RIKEN CORPORATION 8th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-④
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2016 (Stock Compensation-type Stock Options)	Attachment 3 1-⑤	NPR-RIKEN CORPORATION 9th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑤
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2017 (Stock Compensation-type Stock Options)	Attachment 3 1-⑥	NPR-RIKEN CORPORATION 10th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑥
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2018 (Stock Compensation-type Stock Options)	Attachment 3 1-⑦	NPR-RIKEN CORPORATION 11th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑦
	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2019 (Stock Compensation-type Stock Options)	Attachment 3 1-⑧	NPR-RIKEN CORPORATION 12th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑧

2. Allotment of Stock Acquisition Rights

- (1) When Stock Transfer is performed, for one stock acquisition right listed in ① to ④ of Column 1 of the table in (1) of the preceding paragraph owned by persons with stock acquisition rights of the First Party at the time of the base time, the New Company shall allocate one stock acquisition right of the New Company listed in Column 2, respectively.
- (2) When Stock Transfer is performed, for one stock acquisition right listed in ① to ⑧ of Column 1 of the table in (2) of the preceding paragraph owned by persons with stock acquisition rights of the Second Party at the time of the base time, the New Company shall allocate one stock acquisition right of the New Company listed in Column 2, respectively.

Article 7 (Date of establishment of the New Company)

The date on which the establishment of the New Company is registered (hereinafter referred to as the “establishment date”) shall be October 2, 2023. However, this may be changed upon mutual agreement between the First and Second Parties due to necessary proceedings related to the share transfer and other reasons.

Article 8 (Shareholders meetings for approval of the Share Transfer Plan)

1. The First Party shall convene a general meeting of shareholders on June 23, 2023 for gaining approval of the Plan and passing resolutions for matters necessary for the share transfer.
2. The Second Party shall convene a general meeting of shareholders on June 23, 2023 for gaining approval of the Plan and passing resolutions for matters necessary for the share transfer.
3. If necessary for share transfer procedures or other reasons, the date of each General Meeting of Shareholders for gaining approval of the Plan stipulated in the preceding two paragraphs and for

resolutions on the matters necessary for the share transfer may be changed based on mutual agreement after consultation.

Article 9 (Stock listing and administrator of shareholder registry for the New Company)

1. On the establishment date, the New Company plans to list the common stock to be issued on the prime market of the Tokyo Stock Exchange, and necessary procedures for the listing shall be performed with mutual cooperation based on consultation between the First and Second Parties.
2. The First and Second Parties shall cooperate with each other to carry out necessary procedures for maintaining the listing of common stock issued by the New Company on the Prime Market of the Tokyo Stock Exchange.
3. Sumitomo Mitsui Trust Bank, Limited shall be the shareholder register administrator at the time of the establishment of the New Company.

Article 10 (Dividends of surplus)

1. Dividends of surplus up to 60 yen per share may be paid by the First Party to shareholders or registered pledgees of shares listed or recorded in the final shareholder registry as of March 31, 2023. In addition, if the date of establishment of the New Company is on or after October 1, 2023, the First Party may pay interim dividends up to 60 yen per share to the shareholders or registered pledgees of shares listed or recorded in the final shareholder register as of September 30, 2023.
2. Dividends of surplus up to 50 yen per share may be paid by the Second Party to shareholders or registered pledgees of shares listed or recorded in the final shareholder registry as of March 31, 2023. In addition, if the date of establishment of the New Company is on or after October 1, 2023, the Second Party may pay interim dividends up to 35 yen per share to the shareholders or registered pledgees of shares listed or recorded in the final shareholder register as of September 30, 2023.
3. Except for cases specified in the preceding two paragraphs, after the creation of this Plan, the First and Second Parties shall not adopt any resolution for dividends of surplus with a record date prior to the establishment date of the New Company. However, this shall not apply in cases where an agreement has been made after consultation between the First and Second Parties.

Article 11 (Cancellation of treasury stock)

Based on a resolution of their respective boards of directors held by the day before the establishment date of the New Company, the First and Second Parties shall cancel all of the treasury stock held by each party at the base time (including treasury stock acquired in response to a request from dissenting shareholders for purchase of shares as specified in Article 806, Paragraph 1 of the Companies Act issued at the stock transfer).

Article 12 (Management of company assets, etc.)

1. After the creation of this Plan, the First and Second Parties shall execute their business and manage and operate their assets with the care of a good manager until the establishment date of the New Company, and shall have their subsidiaries execute their duties and manage and operate property with the care of a good manager. Unless otherwise specified in this Plan, the First and Second Parties shall consult in advance and obtain the consent of the other party before taking any action that could have a significant impact on their property or rights and obligations, or have the other party execute it.
2. During the period from the creation of the Plan until the establishment date of the New Company, if the First or Second Parties finds any reason or event that may have a significant negative effect on the execution of the share transfer or the rationality of the share transfer ratio, the First and Second Parties shall promptly notify the other party to that effect in writing, and the First and Second Parties shall discuss the matter in good faith.

Article 13 (Effectiveness of this plan)

This Plan shall become invalid if the First Party or Second Party is not able to obtain approval of the Plan and resolutions on matters necessary for the share transfer at the general meeting of shareholders as stipulated in Article 8, or if permission or approval required for the implementation of the share transfer is not obtained from the relevant government agencies by the establishment date of the New Company, or if the share transfer is canceled pursuant to the following article.

Article 14 (Change in the share transfer terms or cancellation of the share transfer)

The First Party and Second Party may change the contents of this Plan or the terms and conditions of the share transfer, etc. or cancel this Plan if a significant change occurs in the financial or management status of either the First Party or Second Party during the period from the creation of this Plan until the establishment date of

the New Company, or if a serious obstacle to the implementation of the share transfer arises or becomes apparent, or if it becomes extremely difficult to achieve the objectives of the Plan.

Article 15 (Consultation in good faith)

Matters not stipulated in this Plan and other matters necessary for the share transfer shall be determined based on mutual consent after consultation in good faith between the First and Second Parties in accordance with the purpose of the Plan.

In witness whereof, the parties hereto certify that this Plan has been prepared in duplicate as described above with each party retaining one copy after affixing their name and seal.

May 23, 2023

(First Party)

8-1, Sanbancho, Chiyoda-ku, Tokyo

Riken Corporation

Representative Director and President Yasunori Maekawa

(Second Party)

5-12-10, Honmachi-Higashi, Chuo-ku, Saitama City, Saitama

Nippon Piston Ring Co., Ltd.

Representative Director and President Teruo Takahashi

NPR-RIKEN CORPORATION Articles of Incorporation

Chapter 1 General Rules

(Trade name)

Article 1 The name of the Company shall be Riken NPR kabushiki-gaisha, and the name in English shall be NPR-RIKEN CORPORATION.

(Purpose)

Article 2 The purpose of the Company shall be to manage the business activities of the following companies by operating the following businesses and owning shares or equity in the companies that operate these businesses.

- (1) Development, manufacture and sale of precision machine parts
- (2) Development, manufacture and sale of parts for transportation, construction machinery, agricultural machinery, ships and aircraft
- (3) Development, manufacture and sale of plumbing equipment
- (4) Development, manufacture and sale of heating wires and heating equipment
- (5) Development, manufacture and sale of electrical, communication and electronic equipment and parts
- (6) Development, manufacture and sale of medical and disaster emergency equipment, machinery, instruments and related products such as parts and materials
- (7) Development and installation of industrial furnaces and incinerators
- (8) Development and installation of electromagnetic environment testing facilities, sale of such testing equipment, and measurement services
- (9) Development, manufacture and sale of equipment and parts for renewable energy and decarbonization, and power generation services
- (10) Construction, real estate, transportation, temporary staffing, sale of goods, fuel sales, insurance sales, operation of sports facilities, financial services, etc.
- (11) Any businesses incidental or related to the preceding items

(Location of head office)

Article 3 The head office of the Company shall be located in Chiyoda-ku, Tokyo.

(Institution)

Article 4 As a company with an Audit and Supervisory Committee, the Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.

- (1) Board of Directors
- (2) Audit and Supervisory Committee
- (3) Accounting Auditor

(Publishing method)

Article 5 The Company's method for public notice shall be electronic public notice. However, if it is not possible to make an electronic public notice due to some accident or other unavoidable reason, it shall be published in the Nihon Keizai Shimbun.

Chapter 2 Shares

(Total number of shares that can be issued)

Article 6 The total number of authorized shares of the Company shall be 59,935,000 shares.

(Acquisition of treasury shares)

Article 7 According to the provision of Article 165, Paragraph 2 of the Companies Act, the Company may acquire its own shares through market transactions, etc. based on a resolution by the Board of Directors.

(Share unit number)

Article 8 The share unit number of the Company shall be 100 shares.

(Rights regarding fractional shares)



Article 9 Company shareholders may not exercise rights other than the rights listed below regarding shares held by the Company that constitute less than one unit (hereinafter referred to as “fractional unit shares”).

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act.
- (2) Right to make requests under Article 166, Paragraph 1 of the Companies Act.
- (3) Right to receive an allotment of shares for subscription and allotment of stock acquisition rights for subscription based on the number of shares held by shareholders
- (4) Right to make requests shown in the following article

(Demand for sale of fractional unit shares)

Article 10 According to the provisions in the Rules for Handling Shares, Company shareholders may request the sale of the number of shares that, together with the fractional unit shares held by the Company, constitute the share unit number.

(Rules for Handling Shares)

Article 11 In addition to stipulations in laws and regulations or the Articles of Incorporation, the handling of Company shares and fees shall be according to the Rules for Handling Shares established by the Board of Directors.

(Shareholder Registry Administrator)

Article 12 The Company shall appoint a Shareholder Registry Administrator.

2 The Shareholder Registry Administrator and their place of business shall be determined by a resolution of the Board of Directors and shall be announced publicly.

3 The Shareholder Registry Administrator shall be entrusted with the preparation and maintenance of the Company shareholder registry and stock acquisition rights registry, as well as other clerical work related to shares and stock acquisition rights, and such shall not be handled by the Company.

### Chapter 3 General Meeting of Shareholders

(Convocation)

Article 13 The Company’s Ordinary General Meeting of Shareholders shall be convened in June of each year, and extraordinary general meetings of shareholders shall be convened whenever necessary.

(Record Date for Ordinary General Meeting of Shareholders)

Article 14 The record date for voting rights at the Company’s Ordinary General Meeting of Shareholders shall be March 31 of each year.

(Convenor and Chairman)

Article 15 General Meetings of Shareholders shall be convened and chaired by the Representative Director based on a resolution of the Board of Directors.

2 If there is more than one Representative Director, General Meetings of Shareholders shall be convened and chaired according to the order predetermined by the Board of Directors.

3 If there is an accident involving the Representative Director, another Director shall convene the General Meeting of Shareholders according to the order predetermined by the Board of Directors and act as the chairperson.

(Electronic provision measures, etc.)

Article 16 When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.

2 Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.

(Method of Resolutions)

Article 17 Unless otherwise provided for by laws and regulations or the Articles of Incorporation, resolutions of a General Meeting of Shareholders shall be made by a majority of the votes of the shareholders who are present at the meeting and entitled to exercise their votes at such meetings.

2 Resolutions of a General Meeting of Shareholders as prescribed in Article 309, Paragraph 2 of the Companies Act shall be made by at least two-thirds of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.

(Exercise of voting rights by proxy)

Article 18A shareholder of the Company may exercise their voting rights by authorizing one (1) other shareholder of the Company with voting rights to act as a proxy.

However, a letter of proxy must be submitted to the Company for each General Meeting of Shareholders.

(Meeting minutes)

Article 19A summary of the progress of the agenda of the General Meeting of Shareholders and the results thereof, along with other matters provided for by laws and regulations shall be specified or recorded in the meeting minutes.

## Chapter 4 Directors and Board of Directors

(Number of members)

Article 20The Company shall have no more than ten Directors (excluding Directors who are Audit and Supervisory Committee Members), and shall have no more than six Directors who are Audit and Supervisory Committee Members.

(Method of appointment)

Article 21Directors shall be elected at the General Meeting of Shareholders and distinguished as Directors who are Audit and Supervisory Committee Members and other Directors.

2 Elections of Directors shall be resolved by a majority of the votes of the shareholders present at the meeting where shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.

3 The election of Directors shall not be conducted by cumulative voting.

(Term of office)

Article 22The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one year after their election.

2 The term of office of Directors who are Audit and Supervisory Committee Members shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within two years after their election.

3 The term of office of Directors who are Audit and Supervisory Committee Members elected as a substitute for a Director who is an Audit and Supervisory Committee Member and resigned before the expiration of their term of office shall be until the expiration of the term of office of the retired Director who is an Audit and Supervisory Committee Member.

4 Unless shortened by such resolution, the effective period of the resolution for the appointment of a Substitute Audit and Supervisory Committee Member shall be until the commencement of the Ordinary General Meeting of Shareholders for the last business year ending within two years after such resolution.

(Representative Director and Executive Director)

Article 23The Board of Directors shall elect a Representative Director from among the Directors (excluding Directors who are Audit and Supervisory Committee Members) by means of a resolution.

2 The Company may, by resolution of the Board of Directors, appoint one President, as well as one Chairperson and a small number of Vice Presidents as needed from among the Directors (excluding Directors who are Audit and Supervisory Committee Members).

(Convener and Chairperson of the Board of Directors, Authority of Directors)

Article 24Board of Director Meetings shall be convened and chaired by a Director selected by a resolution of the Board of Directors, excluding particular instances stipulated in laws and regulations.

2 In cases where the Chairperson of the Board of Directors meeting stipulated in the preceding paragraph is prevented from acting due to absence or an accident, another Director designated according an order of priority determined in advance by the Board of Directors shall so act.

(Notice of Convocation of Board of Directors)

Article 25 Notices of convocation of meetings of the Board of Directors shall be issued to each Director at least two days prior to the date of the meeting. However, this period may be shortened in cases of emergency.  
2 If agreed upon by all Directors, a meeting of the Board of Directors may be held without going through the convocation procedures.

(Method of Resolutions by the Board of Directors)

Article 26 A resolution of the Board of Directors shall be adopted by a majority vote at a session with an attendance of a majority of Directors eligible for voting.

(Omission of Board Resolution)

Article 27 For passing a matter to be resolved, it shall be deemed that the resolution of the Board of Directors has been passed for passing the matter to be resolved when all directors agree in writing or electronically on matters to be resolved by the Board of Directors.

(Minutes of the Board of Directors)

Article 28 The minutes of Board of Directors meetings shall be prepared in writing or in an electronic record as stipulated by laws and regulations, and the Directors present shall write and seal their names or provide an electronic signature.

(Delegation to Directors)

Article 29 In accordance with Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate all or part of a decision regarding execution of important duties that should be resolved at a Board of Directors meeting to a Director by resolution of the Board of Directors (excluding matters set forth in items of Paragraph 5 of the same Article).

(Remuneration, etc.)

Article 30 Remuneration, bonuses and other property benefits received by Directors from the Company in exchange for the execution of duties shall be determined by a resolution of the General Meeting of Shareholders after distinguishing according to Directors who are Audit and Supervisory Committee Members and other Directors.

(Contract for Limitation of Liability of Directors)

Article 31 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into contracts with Directors (excluding those are Executive Directors, etc.) that will limit their liabilities specified in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount as specified in applicable laws and regulations.

(Board of Directors Regulations)

Article 32 Matters concerning the Board of Directors shall be governed by laws and regulations, these Articles of Incorporation, and the Board of Directors Regulations established by the Board of Directors.

## Chapter 5 Audit and Supervisory Committee

(Full-Time Audit and Supervisory Committee Members)

Article 33 The Audit and Supervisory Committee may, by its resolution, elect full-time Audit and Supervisory Committee Members.

(Notice of Convocation of Audit and Supervisory Committee)

Article 34 Notices of Audit and Supervisory Committee meetings shall be issued to each Audit and Supervisory Committee Member at least two days prior to the date set for such meeting. However, this period may be shortened in cases of emergency.

2 If agreed upon by all Audit and Supervisory Committee Members, a meeting of the Audit and Supervisory Committee may be held without going through the convocation procedures.

(Audit and Supervisory Committee Regulations)

Article 35 Matters related to the Audit and Supervisory Committee shall be governed by Regulations on the Audit and Supervisory Committee stipulated by the Audit and Supervisory Committee, in addition to laws and regulations and these Articles of Incorporation.

## Chapter 6 Accounting Auditor

(Method of appointment)

Article 36 Accounting Auditors shall be appointed by means of a resolution at a General Meeting of Shareholders.

(Term of office)

Article 37 The term of office of Accounting Auditors shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within one year after their election.

2 Unless otherwise resolved at the Ordinary General Meeting of Shareholders in the preceding paragraph, the Accounting Auditor shall be deemed to have been reelected at such Ordinary General Meeting of Shareholders.

(Remunerations, etc.)

Article 38 Remuneration, etc. for Accounting Auditors shall be determined by the Representative Director based on the consent of the Audit and Supervisory Committee.

## Chapter 7 Calculation

(Business Years)

Article 39 The business year of the Company shall commence on April 1st of each year and end on March 31st of the following year.

(Record Date for Year-end Dividends of Surplus)

Article 40 The record date of the year-end dividends of the Company shall be March 31st of each year.

2 The record date for interim dividends of the Company shall be September 30th of each year.

3 In addition to the preceding paragraphs, the Company may set other record dates and distribute dividends of surplus.

(Institution for Determining Dividends of Surplus, etc.)

Article 41 Unless otherwise provided for by laws and regulations, the Company may, by resolution of the Board of Directors, determine dividends of surplus and other matters set forth in the items of Article 459, Paragraph 1 of the Companies Act.

(Exemption period for dividends, etc.)

Article 42 In cases where the dividend property is monetary and the dividends have not been received after the lapse of three full years from the date of commencement of payment thereof, the Company shall be exempt from the obligation to pay such dividends. No interest shall accrue on the unpaid dividend property.

## Supplementary Provisions

(First year of business)

Article 1 Notwithstanding the provisions in Article 39, the first year of business of the Company shall be from the Company establishment date until March 31, 2024.

(Initial remunerations for Directors, etc.)

Article 2 Notwithstanding the provisions in Article 30, within the remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members) from the Company establishment date until the conclusion of the first Ordinary General Meeting of Shareholders, the total amount paid in cash shall be no more than 400,000,000 yen.

2 Notwithstanding the provisions in Article 30, the total amount of remuneration, etc. for Directors who are Audit and Supervisory Committee Members from the Company establishment date until the conclusion of the first Ordinary General Meeting of Shareholders shall be no more than 60,000,000 yen.

3 Notwithstanding the provisions of Article 30, the total amount of monetary compensation to be paid as compensation, etc. related to restricted stock allocated as stock compensation (hereinafter referred to as the "Restricted Stock") as part of the remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereinafter referred to as "Eligible Directors") from the Company establishment date until the conclusion of the first Ordinary General Meeting of Shareholders

shall be no more than 100,000,000 yen, with a maximum of 100,000 shares in allocated stock, as described below.

- (1) Eligible Directors who receive an allotment of Restricted Stock may not, in relation to such Restricted Stock, transfer, establish a pledge of rights, establish a security interest, gift while alive, bequest or undertake any other form of disposal to a third party during the period from the day when the allotment was received until the day of retirement from office as both the Director and Executive Officer of the Company and its subsidiaries (hereinafter referred to as “Restriction Period”).
- (2) The Company shall naturally acquire the Restricted Stock allotted to Eligible Directors without contribution, if Eligible Directors who received an allotment of Restricted Shares have retired from office as both the Director and Executive Officer of the Company and its subsidiaries by the day preceding the day on which the Company’s first Ordinary General Meeting of Shareholders is held following the commencement of the Restriction Period, except in cases where the Company’s Board of Directors acknowledge the reason as being justified. In addition, the Company shall naturally acquire any allotted Restricted Stock for which Transfer Restrictions have not been removed in accordance with the provisions of the removal of transfer restrictions without contribution when the Restriction Period has expired.
- (3) The Company shall pay Eligible Directors the monetary compensation within the scope of the aforementioned per annum amount as compensation for Restricted Shares in accordance with the resolution of the Board of Directors, and each Eligible Director shall receive an allotment of Restricted Shares with all such monetary compensation provided using the investment in kind method.
- (4) The payment amount for Restricted Shares shall be determined by the Board of Directors to the extent not particularly favorable to the Eligible Directors subscribing to such Restricted Shares on the basis of the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Board of Directors (if no trades are made on this day, the closing price on the most recent day of trading before that) pertaining to such issue or disposal. In addition, the payment of the aforementioned monetary compensation is subject to Eligible Directors agreeing to the aforementioned investment in kind and executing a restricted stock allotment agreement.

(Deletion of supplementary provisions)

Article 3 These supplementary provisions shall be deleted at the conclusion of the Company’s first Ordinary General Meeting of Shareholders.

Attachment 2

1. Stock Acquisition Rights issued by Riken Corporation

① Details of stock acquisition rights (stock compensation-type stock options) issued by Riken Corporation in June 2014

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From July 15, 2014 to July 14, 2044
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

② Details of stock acquisition rights (stock compensation-type stock options) issued by Riken Corporation in June 2015

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From July 15, 2015 to July 14, 2045
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

③ Details of stock acquisition rights (stock compensation-type stock options) issued by Riken Corporation in June 2016

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From July 14, 2016 to July 13, 2046
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5

Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6
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④ Details of stock acquisition rights (stock compensation-type stock options) issued by Riken Corporation in June 2017

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From July 13, 2017 to July 12, 2047
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

(Notes)

1 Number of shares to be issued upon exercise of stock acquisition rights

The number of shares to be issued upon exercise of stock acquisition rights (hereinafter referred to as the “number of allotted shares”) shall be 100 shares. However, if Riken Corporation conducts a stock split of [Riken Corporation] common stock (including gratis allotment of Riken Corporation common stock; the same applies to the description of the stock split hereinafter) or a stock merger which affects the number of allotted shares according to the following formula, any fractions of less than one share resulting from the adjustment shall be rounded down.

Number of allotted shares after adjustment = Number of allotted shares before adjustment × Ratio of stock split or stock merger

The number of allotted shares after adjustment shall apply from the next day of the record date of the stock split in the case of a stock split (if the record date is not set, from the effective date), and from the effective date of the stock merger in case of a stock merger. However, when a stock split is performed with the condition that a proposal to reduce the amount of surplus and increase capital or reserves is approved at the General Meeting of Shareholders, if the record date for the split is determined to be a day prior to the date of the conclusion of the relevant General Meeting of Shareholders, the number of allotted shares after the adjustment shall be applied retroactively to the day after the record date after the day following the date of the conclusion of the General Meeting of Shareholders.

Moreover, if Riken Corporation performs a merger or company split and it is necessary to adjust the number of allotted shares in accordance with such cases, Riken Corporation may adjust the number of allotted shares as appropriate within a reasonable degree.

When adjusting the number of allotted shares, Riken Corporation shall notify or give public notice to the holders of each stock acquisition right recorded in the stock acquisition rights ledger (hereinafter referred to as “holders of stock acquisition rights”) by the day before the date when the number of allotted shares after adjustment is applied. However, if notice or public notice cannot be made by the day before the applicable date, notice or public notice shall be made promptly thereafter.

2 Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be contributed upon the exercise of each stock acquisition right shall be determined by multiplying the per-share value by the number of allotted shares, where the value per share to be received by the exercise of each stock acquisition right shall be ¥1.

- 3 Matters concerning the amount of capital and legal capital surplus to be increased if the Company issues shares upon exercise of stock acquisition rights
  - (i) The amount of capital to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be one-half of the amount of the maximum limit on the increase in capital as calculated according to Article 17, Paragraph 1 of the Regulations on Corporate Accounting. Any fraction of less than one yen resulting from the calculation mentioned above shall be rounded up to the nearest yen.
  - (ii) The amount of legal capital surplus to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be obtained by deducting the amount of capital to be increased as set forth in the above (i) from the amount of the maximum limit on the increase in capital provided in the above (i).
  
- 4 Conditions for the exercise of stock acquisition rights
  - (i) Holders of stock acquisition rights may exercise their stock acquisition rights from the day following the day on which they cease to hold the office of Director and Executive Officer of Riken Corporation.
  - (ii) The above (i) is not applicable to a successor who acquires the stock acquisition rights through inheritance.
  - (iii) Holders of stock acquisition rights who have abandoned their stock acquisition rights cannot exercise such stock acquisition rights.
  
- 5 Acquisition terms of the stock acquisition rights
 

Riken Corporation may acquire the stock acquisition rights without compensation on the date separately prescribed by the Riken Corporation's Board of Directors, in the case that one of the following agenda items (i), (ii), (iii), (iv) or (v) is approved at a General Meeting of Shareholders of Riken Corporation (or, if approval of the General Meeting of Shareholders is not required, is resolved at the Riken Corporation's Board of Directors or determined by an executive officer delegated in accordance with the provisions of Article 416, Paragraph 4 of the Companies Act).

  - (i) A merger agreement under which Riken Corporation shall be extinguished.
  - (ii) An absorption-type company split agreement or an incorporation-type company split plan, under which Riken Corporation shall be split.
  - (iii) A share exchange agreement or a share transfer plan, under which Riken Corporation shall become a wholly owned subsidiary.
  - (iv) An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of shares issued by Riken Corporation shall require the approval of Riken Corporation.
  - (v) An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of any class shares to be issued upon exercise of the stock acquisition rights shall require the approval of Riken Corporation or by which Riken Corporation may acquire all of the class shares to be issued upon exercise of the stock acquisition rights by a General Meeting of Shareholders.
  
- 6 Treatment of stock acquisition rights upon Company reorganization
 

If Riken Corporation performs a merger (limited to the case where Riken Corporation is to be extinguished as a result of the merger), absorption-type company split or incorporation-type company split (limited to the case where Riken Corporation becomes a split company), a share exchange or a share transfer (limited to the case where Riken Corporation becomes a wholly owned subsidiary respectively) (hereinafter collectively referred to as "acts of structural reorganization"), stock acquisition rights of the companies listed in (a) to (e) of Article 236, Paragraph 1, Item 8, of the Companies Act (hereinafter referred to as the "Reorganized Company") shall be issued, in each of the above cases, to right holders who hold the stock acquisition rights remaining (hereinafter referred to as "Remaining Stock Acquisition Rights") just before the effective date of the relevant acts of structural reorganization (for an absorption-type merger, the date on which the absorption-type merger takes effect; for a consolidation merger, the date of establishment of the joint stock company; for an absorption-type company split, the date on which the absorption-type company split takes effect; for an incorporation-type company split, the date of establishment of the stock company incorporated in the incorporation-type company split; for a share exchange, the date on which the share exchange takes effect; for a share transfer, the date of establishment of the wholly owning



parent company incorporated in the share transfer; the same shall apply hereinafter) according to the following conditions. However, the provision above shall apply only in cases where the allotment of stock acquisition rights of the Reorganized Company under the following terms and conditions is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

- (i) Number of stock acquisition rights to be issued by the Reorganized Company

The same number of stock acquisition rights as the number of outstanding stock acquisition rights held by each holder shall be allotted.

- (ii) Class of shares of the Reorganized Company to be issued or transferred upon exercise of stock acquisition rights

It shall be shares of common stock of the Reorganized Company.

- (iii) Number of shares of the Reorganized Company to be issued or transferred upon exercise of stock acquisition rights

It shall be determined in accordance with the above 1. based on the consideration of conditions for the acts of structural reorganization, etc.

- (iv) Amount of assets to be contributed upon exercise of stock acquisition rights

The value of the property to be invested upon exercise of each stock acquisition right to be issued shall be the amount obtained by multiplying the exercise price after reorganization specified below by the number of shares of the Reorganized Company subject to the stock acquisition rights determined according to the above (iii). The exercise price after reorganization shall be 1 yen per share of the Reorganized Company that can be allotted by exercising each issued stock acquisition right.

- (v) Period for exercise of stock acquisition rights

From the start date of the period when stock acquisition rights can be exercised or the effective date of the reorganization, whichever is later, until the expiration date of the period for exercising stock acquisition rights.

- (vi) Matters concerning the amount of capital and legal capital surplus to be increased if the Company issues shares upon exercise of stock acquisition rights

It shall be determined according to the above 3.

- (vii) Restrictions on transfer of stock acquisition rights

Any proposed transfer of stock acquisition rights shall be subject to the approval of the Company's Board of Directors of the Reorganized Company.

## 2. Stock acquisition rights issued by NPR-RIKEN CORPORATION

### ① Details of 1st stock acquisition rights (stock compensation-type stock options) issued by NPR-RIKEN CORPORATION

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From October 2, 2023 to July 14, 2044
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

### ② Details of 2nd stock acquisition rights (stock compensation-type stock options) issued by NPR-RIKEN CORPORATION

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
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Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From October 2, 2023 to July 14, 2045
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

③ Details of 3rd stock acquisition rights (stock compensation-type stock options) issued by NPR-RIKEN CORPORATION

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From October 2, 2023 to July 13, 2046
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

④ Details of 4th stock acquisition rights (stock compensation-type stock options) issued by NPR-RIKEN CORPORATION

Number of shares to be issued upon exercise of stock acquisition rights (shares)	(Note) 1
Amount to be paid upon exercise of stock acquisition rights (transfer price) (yen)	(Note) 2
Exercise period for stock acquisition rights	From October 2, 2023 to July 12, 2047
Share issue price and capitalization amount (yen) when shares are issued upon exercise of stock acquisition rights	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters concerning transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the issuance of stock acquisition rights related to organizational restructuring	(Note) 6

(Notes)

- 1 Number of shares to be issued upon exercise of stock acquisition rights  
The number of shares to be issued upon exercise of stock acquisition rights (hereinafter referred to as the “number of allotted shares”) shall be 200 shares. However, if NPR-RIKEN CORPORATION conducts a stock split of NPR-RIKEN CORPORATION common stock (including

gratis allotment of NPR-RIKEN CORPORATION common stock; the same applies to the description of the stock split hereinafter) or a stock merger which affects the number of allotted shares according to the following formula, any fractions of less than one share resulting from the adjustment shall be rounded down.

Number of allotted shares after adjustment = Number of allotted shares before adjustment × Ratio of stock split or stock merger

The number of allotted shares after adjustment shall apply from the next day of the record date of the stock split in the case of a stock split (if the record date is not set, from the effective date), and from the effective date of the stock merger in case of a stock merger. However, when a stock split is performed with the condition that a proposal to reduce the amount of surplus and increase capital or reserves is approved at the General Meeting of Shareholders, if the record date for the split is determined to be a day prior to the date of the conclusion of the relevant General Meeting of Shareholders, the number of allotted shares after the adjustment shall be applied retroactively to the day after the record date after the day following the date of the conclusion of the General Meeting of Shareholders.

Moreover, if NPR-RIKEN CORPORATION performs a merger or company split and it is necessary to adjust the number of allotted shares in accordance with such cases, NPR-RIKEN CORPORATION may adjust the number of allotted shares as appropriate within a reasonable degree.

When adjusting the number of allotted shares, NPR-RIKEN CORPORATION shall notify or give public notice to the holders of each stock acquisition right recorded in the stock acquisition rights ledger (hereinafter referred to as “holders of stock acquisition rights”) by the day before the date when the number of allotted shares after adjustment is applied. However, if notice or public notice cannot be made by the day before the applicable date, notice or public notice shall be made promptly thereafter.

2 Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be contributed upon the exercise of each stock acquisition right shall be determined by multiplying the per-share value by the number of allotted shares, where the value per share to be received by the exercise of each stock acquisition right shall be ¥1.

3 Matters concerning the amount of capital and legal capital surplus to be increased if the Company issues shares upon exercise of stock acquisition rights

- (i) The amount of capital to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be one-half of the amount of the maximum limit on the increase in capital as calculated according to Article 17, Paragraph 1 of the Regulations on Corporate Accounting. Any fraction of less than one yen resulting from the calculation mentioned above shall be rounded up to the nearest yen.
- (ii) The amount of legal capital surplus to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be obtained by deducting the amount of capital to be increased as set forth in the above (i) from the amount of the maximum limit on the increase in capital provided in the above (i).

4 Conditions for the exercise of stock acquisition rights

- (i) Holders of stock acquisition rights may exercise their stock acquisition rights from the day following the day on which they cease to hold the office of Director and Executive Officer of NPR-RIKEN CORPORATION.
- (ii) The above (i) is not applicable to a successor who acquires the stock acquisition rights through inheritance.
- (iii) Holders of stock acquisition rights who have abandoned their stock acquisition rights cannot exercise such stock acquisition rights.

5 Conditions for acquisition of the stock acquisition rights

NPR-RIKEN CORPORATION may acquire the stock acquisition rights without compensation on the date separately prescribed by the NPR-RIKEN CORPORATION's Board of Directors, in the case that one of the following agenda items (i), (ii), (iii), (iv) or (v) is approved at a General Meeting of Shareholders of NPR-RIKEN CORPORATION (or, if approval of the General Meeting of Shareholders is not required, is resolved at the NPR-RIKEN CORPORATION's Board of Directors

or determined by an executive officer delegated in accordance with the provisions of Article 416, Paragraph 4 of the Companies Act).

- (i) A merger agreement under which NPR-RIKEN CORPORATION shall be extinguished
- (ii) An absorption-type company split agreement or an incorporation-type company split plan, under which NPR-RIKEN CORPORATION shall be split.
- (iii) A share exchange agreement or a share transfer plan, under which NPR-RIKEN CORPORATION shall become a wholly owned subsidiary.
- (iv) An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of shares issued by NPR-RIKEN CORPORATION shall require the approval of NPR-RIKEN CORPORATION
- (v) An amendment to the articles of incorporation to establish new provisions by which any proposed transfer of any class shares to be issued upon exercise of the stock acquisition rights shall require the approval of NPR-RIKEN CORPORATION or by which NPR-RIKEN CORPORATION may acquire all of the class shares to be issued upon exercise of the stock acquisition rights by a General Meeting of Shareholders.

6 Treatment of stock acquisition rights upon Company reorganization

If NPR-RIKEN CORPORATION performs a merger (limited to the case where NPR-RIKEN CORPORATION is to be extinguished as a result of the merger), absorption-type company split or incorporation-type company split (limited to the case where NPR-RIKEN CORPORATION becomes a split company), a share exchange or a share transfer (limited to the case where NPR-RIKEN CORPORATION becomes a wholly owned subsidiary respectively) (hereinafter collectively referred to as “acts of structural reorganization”), stock acquisition rights of the companies listed in (a) to (e) of Article 236, Paragraph 1, Item 8, of the Companies Act (hereinafter referred to as the “Reorganized Company”) shall be issued, in each of the above cases, to right holders who hold the stock acquisition rights remaining (hereinafter referred to as “Remaining Stock Acquisition Rights”) just before the effective date of the relevant acts of structural reorganization (for an absorption-type merger, the date on which the absorption-type merger takes effect; for a consolidation merger, the date of establishment of the joint stock company; for an absorption-type company split, the date on which the absorption-type company split takes effect; for an incorporation-type company split, the date of establishment of the stock company incorporated in the incorporation-type company split; for a share exchange, the date on which the share exchange takes effect; for share transfer, the date of establishment of the wholly owning parent company incorporated in the share transfer; the same shall apply hereinafter) according to the following conditions. However, the provision above shall apply only in cases where the allotment of stock acquisition rights of the Reorganized Company under the following terms and conditions is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

- (i) Number of stock acquisition rights to be issued by the Reorganized Company

The same number of stock acquisition rights as the number of outstanding stock acquisition rights held by each holder shall be allotted.

- (ii) Class of shares of the Reorganized Company to be issued or transferred upon exercise of stock acquisition rights

It shall be shares of common stock of the Reorganized Company.

- (iii) Number of shares of the Reorganized Company to be issued or transferred upon exercise of stock acquisition rights

It shall be determined in accordance with the above 1. based on the consideration of conditions for the acts of structural reorganization, etc.

- (iv) Amount of assets to be contributed upon exercise of stock acquisition rights

The value of the property to be invested upon exercise of each stock acquisition right to be issued shall be the amount obtained by multiplying the exercise price after reorganization specified below by the number of shares of the Reorganized Company subject to the stock acquisition rights determined according to the above (iii). The exercise price after reorganization shall be 1 yen per share of the Reorganized Company that can be allotted by exercising each issued stock acquisition right.

- (v) Period for exercise of stock acquisition rights

From the start date of the period when stock acquisition rights can be exercised or the effective date of the reorganization, whichever is later, until the expiration date of the period for exercising stock acquisition rights.

- (vi) Matters concerning the amount of capital and legal capital surplus to be increased if the Company issues shares upon exercise of stock acquisition rights  
It shall be determined according the above 3.
- (vii) Restrictions on transfer of stock acquisition rights  
Any proposed transfer of stock acquisition rights shall be subject to the approval of the Company's Board of Directors of the Reorganized Company.

Attachment 3

1. Stock acquisition rights issued by Nippon Piston Ring Co., Ltd.

① Details of stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2008

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2008 - July 31, 2033
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

② Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2013

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2013 - July 31, 2038
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3

Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

③ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2014

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2014 - July 31, 2039
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

④ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2015

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
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Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2015 - July 31, 2040
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑤ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2016

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	July 30, 2016 - July 29, 2041
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights	(Note) 3
(yen)	
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6



Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.
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⑥ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2017

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2017 - July 31, 2042
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑦ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2018

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2018 - July 31, 2043

Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑧ Details of the stock acquisition rights (incentive stock option) issued by Nippon Piston Ring Co., Ltd. in June 2019

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	August 1, 2019 - July 31, 2044
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising stock acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

(Notes)

- 1 Number of shares to be issued upon exercise of the stock acquisition rights

Number of shares to be issued upon exercise of each stock acquisition right (hereinafter referred to as the “Number of Shares Granted”) shall be 100 shares.

Provided, however, in case Nippon Piston Ring Co., Ltd. carries out a share split (including allotment of shares of its common stock without contribution; the same applies to following references to the share split) or share consolidation, the Number of Shares Granted shall be adjusted according to the following formula. Such adjustment shall be made for the number of shares to be issued upon exercise of the stock acquisition rights that have not been exercised at the time, with the resulting fractions of less than one (1) share occurring upon such adjustment rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment × Ratio of share split or share consolidation

In the case of a share split, the Number of Shares Granted after adjustment shall apply from the day immediately following the record date (or the day the share split becomes effective when a record date is not specified) of the said share split, and in the case of a share consolidation, the Number of Shares Granted after adjustment shall apply from the day the share consolidation becomes effective. Provided, however, in cases where the Company conducts a share split conditional on approval at a general meeting of shareholders of Nippon Piston Ring Co., Ltd of a proposal to reduce surplus and increase capital or capital reserve, and the record date for the share split is the day prior to the day on which said shareholders’ meeting closes, the Number of Shares Granted after adjustment shall apply from the day immediately following the day the said shareholders’ meeting closes.

In addition to above, in cases where Nippon Piston Ring Co., Ltd carries out a merger, company split or share exchange after the allotment date, or any other cases where it is necessary to adjust the Number of Shares Granted, Nippon Piston Ring Co., Ltd. may make adjustment to the Number of Shares Granted that is deemed necessary by the Board of Directors of Nippon Piston Ring Co., Ltd.

2 Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of stock acquisition rights shall be the exercise price of one (1) yen per share to be delivered upon exercise of each stock acquisition right, multiplied by the Number of Shares Granted.

3 Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights

(i) The amount of increase in capital by issuing shares upon exercise of stock acquisition rights shall be half of the maximum amount of increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and the resulting fractions of less than one (1) yen occurring upon such calculation shall be rounded up.

(ii) The amount of increase in capital reserve by issuing shares upon exercise of stock acquisition rights shall be the maximum amount of capital increase as described in (a) above less the amount of increase in capital set out in (a) above.

4 Conditions for exercising shares acquisition rights

(i) Holders of stock acquisition rights may exercise their rights only for ten days from the day immediately following the day when they lose their positions as Directors of Nippon Piston Ring Co., Ltd.

(ii) In the event of the death of a holder of stock acquisition rights, his/her heirs may exercise the rights. Conditions for the exercise of the stock acquisition rights by heirs shall be as set forth in the agreement described in (c) below.

(iii) Other conditions shall be as set forth in the Stock Acquisition Right Allotment Agreement to be executed between Nippon Piston Ring Co., Ltd and the holders of stock acquisition rights based on the resolution of the Board of Directors.

5 Acquisition terms of stock acquisition rights

In case that a resolution for the approval of any of the proposals (a), (b), (c), (d), or (e) below is approved at a general meeting of shareholders of Nippon Piston Ring Co., Ltd (or by resolution at a meeting of the Board of Directors of Nippon Piston Ring Co., Ltd, or by decision of an executive officer delegated pursuant to provisions of Article 416, Paragraph 4 of the Companies Act, if resolution at a general meeting of shareholders is not required), the Nippon Piston Ring Co., Ltd. may acquire the stock acquisition rights without contribution on the date separately determined by the Board of Directors of Nippon Piston Ring Co., Ltd.

(i) Proposal for approval of a merger agreement under which Nippon Piston Ring Co., Ltd. will become the absorbed company

(ii) Proposal for approval of a company split agreement or a company split plan under which Nippon Piston Ring Co., Ltd. will become the splitting company

(iii) Proposal for approval of a share exchange agreement or a share transfer plan under which Nippon

- Piston Ring Co., Ltd. will become a wholly-owned subsidiary
- (iv) Proposal for approval of amendment of the Articles of Incorporation to create a provision to the effect that, as a feature of all shares issued by Nippon Piston Ring Co., Ltd., approval of Nippon Piston Ring Co., Ltd. is required for the acquisition of such shares by transfer
  - (v) Proposal for approval of amendment of the Articles of Incorporation to create a provision to the effect that, as a feature of the class of shares underlying the stock acquisition rights, approval of Nippon Piston Ring Co., Ltd. is required for the acquisition of such class of shares by transfer, or to the effect that Nippon Piston Ring Co., Ltd. will acquire all of such class of shares by resolution of a general meeting of shareholders
- 6 Matters concerning the delivery of stock acquisition rights in organizational restructuring
- In the event that Nippon Piston Ring Co., Ltd. carries out a merger (only if Nippon Piston Ring Co., Ltd becomes a dissolving company due to the merger), an absorption-type company split or an incorporation-type company split (only if Nippon Piston Ring Co., Ltd becomes the splitting company in both cases), a share exchange or a share transfer (but only if Nippon Piston Ring Co., Ltd becomes a wholly-owned subsidiary in both cases) (hereinafter collectively referred to as the “Organizational Restructuring”), stock acquisition rights of a stock company listed in Article 236, Paragraph 1, Item (viii), (a) through (e) of the Companies Act (hereinafter referred to as the “Reorganized Company”) shall be granted to holders of stock acquisition rights who hold remaining stock acquisition rights immediately prior to the effective date of the Organizational Restructuring (refers to the day on which the absorption-type merger takes effect, the day on which a stock company is incorporated through the consolidation-type merger, the day on which the absorption-type company split takes effect, the day on which a stock company is incorporated through the incorporation-type company split, the day on which the share exchange takes effect, or the day on which a wholly-owning parent company is incorporated by the share transfer; the same shall apply hereinafter) (hereinafter referred to as “Remaining Stock Acquisition Rights”). Provided, however, that the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.
- (i) Number of stock acquisition rights of the Reorganized Company to be delivered
 

The Company shall deliver stock acquisition rights the number of which shall equal the number of Remaining Stock Acquisition Rights held by the holders of the stock acquisition rights.
  - (ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights Common stock of the Reorganized Company
  - (iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
 

To be decided according to the aforementioned “Class and number of shares to be issued upon exercise of stock acquisition rights” after taking into consideration the conditions, etc. of the Organizational Restructuring.
  - (iv) Value of property to be contributed upon exercise of stock acquisition rights
 

The value of property to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by the post-restructuring exercise price as stipulated below multiplied by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with (c) above. The post-restructuring exercise price shall be one (1) yen per share of the Restructured Company that shall be delivered upon the exercise of each stock acquisition right to be delivered.
  - (v) Exercise period in which stock acquisition rights may be exercised
 

The period shall start from the later of either the commencement date of the exercise period of stock acquisition rights as stipulated in the aforementioned “Exercise period of stock acquisition rights” or the effective date of the Organizational Restructuring, and end on the expiration date of the exercise period in which stock acquisition rights may be exercised as stipulated in the aforementioned “Exercise period of stock acquisition rights.”
  - (vi) Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights
 

To be determined in accordance with the aforementioned “Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights.”
  - (vii) Restriction on acquisition of stock acquisition rights by transfer

Acquisition of the stock acquisition rights by transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.

(viii) Conditions for exercising shares acquisition rights

To be determined in accordance with the aforementioned “Conditions for exercising shares acquisition rights.”

(ix) Acquisition terms of stock acquisition rights

To be determined in accordance with the aforementioned “Acquisition terms of stock acquisition rights.”

2. Stock acquisition rights to be issued by NPR-Riken Corporation

① Details of the 5th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2033
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

② Details of the 6th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2038

Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

③ Details of the 7th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2039
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

④ Details of the 8th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
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Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2040
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑤ Details of the 9th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 29, 2041
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6

Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.
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⑥ Details of the 10th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2042
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑦ Details of the 11th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2043
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4



Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

⑧ Details of the 12th Series Stock Acquisition Rights of NPR-Riken Corporation (incentive stock option)

Number of shares to be acquired upon exercise of the stock acquisition rights (shares)	(Note) 1
Amount to be paid (transfer price) upon exercise of the stock acquisition rights (yen)	(Note) 2
Exercise period of stock acquisition rights	October 2, 2023 - July 31, 2044
Issuance price of shares and amount to be incorporated into capital if shares are issued upon exercise of the stock acquisition rights (yen)	(Note) 3
Conditions for exercising shares acquisition rights	(Note) 4
Matters regarding the transfer of stock acquisition rights	Acquisition of the stock acquisition rights by transfer shall require the approval of the Board of Directors.
Acquisition terms of stock acquisition rights	(Note) 5
Matters concerning the delivery of stock acquisition rights in organizational restructuring	(Note) 6
Rules pertaining to fractions of less than one (1) share arising from the exercise of stock acquisition rights	Fractions of less than one (1) share in the number of shares to be delivered to holders of stock acquisition rights who exercised stock acquisition rights shall be rounded down.

(Notes)

1 Number of shares to be issued upon exercise of the stock acquisition rights

Number of shares to be issued upon exercise of each stock acquisition right (hereinafter referred to as the “Number of Shares Granted”) shall be 102 shares.

Provided, however, in case NPR-Riken Corporation carries out a share split (including allotment of shares of its common stock without contribution; the same applies to following references to the share split) or share consolidation, the Number of Shares Granted shall be adjusted according to the following formula. Such adjustment shall be made for the number of shares to be issued upon exercise of the stock acquisition rights that have not been exercised at the time, with the resulting fractions of less than one (1) share occurring upon such adjustment rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment ×  
Ratio of share split or share consolidation

In the case of a share split, the Number of Shares Granted after adjustment shall apply from the day immediately following the record date (or the day the share split becomes effective when a record date is not specified) of the said share split, and in the case of a share consolidation, the Number of Shares Granted after adjustment shall apply from the day the share consolidation becomes effective. Provided, however, in cases where the Company conducts a share split conditional on approval at a general meeting of shareholders of NPR-Riken Corporation of a proposal to reduce surplus and increase capital or capital reserve, and the record date for the share split is the day prior to the day on which said shareholders' meeting closes, the Number of Shares Granted after adjustment shall apply from the day immediately following the day the said shareholders' meeting closes.

In addition to above, in cases where NPR-Riken Corporation carries out a merger, company split or share exchange after the allotment date, or any other cases where it is necessary to adjust the Number of Shares Granted, NPR-Riken Corporation may make adjustment to the Number of Shares Granted that is deemed necessary by the Board of Directors of NPR-Riken Corporation.

2 Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of stock acquisition rights shall be the exercise price of one (1) yen per share to be delivered upon exercise of each stock acquisition right, multiplied by the Number of Shares Granted.

3 Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights

(i) The amount of increase in capital by issuing shares upon exercise of stock acquisition rights shall be half of the maximum amount of increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Regulations on Corporate Accounting, and the resulting fractions of less than one (1) yen occurring upon such calculation shall be rounded up.

(ii) The amount of increase in capital reserve by issuing shares upon exercise of stock acquisition rights shall be the maximum amount of capital increase as described in (a) above less the amount of increase in capital set out in (a) above.

4 Conditions for exercising shares acquisition rights

(i) Holders of stock acquisition rights may exercise their rights only for ten days from the day immediately following the day when they lose their positions as Directors of NPR-Riken Corporation.

(ii) In the event of the death of a holder of stock acquisition rights, his/her heirs may exercise the rights. Conditions for the exercise of the stock acquisition rights by heirs shall be as set forth in the agreement described in (c) below.

(iii) Other conditions shall be as set forth in the Stock Acquisition Right Allotment Agreement to be executed between NPR-Riken Corporation and the holders of stock acquisition rights based on the resolution of the Board of Directors.

5 Acquisition terms of stock acquisition rights

In case that a resolution for the approval of any of the proposals (a), (b), (c), (d), or (e) below is approved at a general meeting of shareholders of NPR-Riken Corporation (or by resolution at a meeting of the Board of Directors of NPR-Riken Corporation, or by decision of an executive officer delegated pursuant to provisions of Article 416, Paragraph 4 of the Companies Act, if resolution at a general meeting of shareholders is not required), the NPR-Riken Corporation may acquire the stock acquisition rights without contribution on the date separately determined by the Board of Directors of NPR-Riken Corporation.

(i) Proposal for approval of a merger agreement under which NPR-Riken Corporation will become the absorbed company

(ii) Proposal for approval of a company split agreement or a company split plan under which NPR-Riken Corporation will become the splitting company

(iii) Proposal for approval of a share exchange agreement or a share transfer plan under which NPR-Riken Corporation will become a wholly-owned subsidiary

(iv) Proposal for approval of amendment of the Articles of Incorporation to create a provision to the effect that, as a feature of all shares issued by NPR-Riken Corporation, approval of NPR-Riken Corporation is required for the acquisition of such shares by transfer

(v) Proposal for approval of amendment of the Articles of Incorporation to create a provision to the effect that, as a feature of the class of shares underlying the stock acquisition rights, approval of NPR-Riken Corporation is required for the acquisition of such class of shares by transfer, or to

the effect that NPR-Riken Corporation will acquire all of such class of shares by resolution of a general meeting of shareholders

6 Matters concerning the delivery of stock acquisition rights in organizational restructuring

In the event that NPR-Riken Corporation carries out a merger (only if NPR-Riken Corporation becomes a dissolving company due to the merger), an absorption-type company split or an incorporation-type company split (only if NPR-Riken Corporation becomes the splitting company in both cases), a share exchange or a share transfer (but only if NPR-Riken Corporation becomes a wholly-owned subsidiary in both cases) (hereinafter collectively referred to as the “Organizational Restructuring”), stock acquisition rights of a stock company listed in Article 236, Paragraph (1), Item (viii), (a) through (e) of the Companies Act (hereinafter referred to as the “Reorganized Company”) shall be granted to holders of stock acquisition rights who hold remaining stock acquisition rights immediately prior to the effective date of the Organizational Restructuring (refers to the day on which the absorption-type merger takes effect, the day on which a stock company is incorporated through the consolidation-type merger, the day on which the absorption-type company split effect, the day on which a stock company is incorporated through the incorporation-type company split, the day on which the share exchange takes effect, or the day on which a wholly-owning parent company is incorporated by the share transfer; the same shall apply hereinafter) (hereinafter referred to as “Remaining Stock Acquisition Rights”). Provided, however, that the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in the absorption-type merger agreement, the consolidation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

(i) Number of stock acquisition rights of the Reorganized Company to be delivered

The Company shall deliver stock acquisition rights the number of which shall equal the number of Remaining Stock Acquisition Rights held by the holders of the stock acquisition rights.

(ii) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights Common stock of the Reorganized Company

(iii) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

To be decided according to the aforementioned “Class and number of shares to be issued upon exercise of stock acquisition rights” after taking into consideration the conditions, etc. of the Organizational Restructuring.

(iv) Value of property to be contributed upon exercise of stock acquisition rights

The value of property to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by the post-restructuring exercise price as stipulated below multiplied by the number of shares of the Reorganized Company to be issued upon exercise of the stock acquisition rights as determined in accordance with (c) above. The post-restructuring exercise price shall be one (1) yen per share of the Restructured Company that shall be delivered upon the exercise of each stock acquisition right to be delivered.

(v) Exercise period in which stock acquisition rights may be exercised

The period shall start from the later of either the commencement date of the exercise period of stock acquisition rights as stipulated in the aforementioned “Exercise period of stock acquisition rights” or the effective date of the Organizational Restructuring, and end on the expiration date of the exercise period in which stock acquisition rights may be exercised as stipulated in the aforementioned “Exercise period of stock acquisition rights.”

(vi) Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights

To be determined in accordance with the aforementioned “Matters regarding increase in capital and capital reserve by the issuance of shares upon exercise of stock acquisition rights.”

(vii) Restriction on acquisition of stock acquisition rights by transfer

Acquisition of the stock acquisition rights by transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.

(viii) Conditions for exercising shares acquisition rights

To be determined in accordance with the aforementioned “Conditions for exercising shares acquisition rights.”

(ix) Acquisition terms of stock acquisition rights

To be determined in accordance with the aforementioned “Acquisition terms of stock acquisition rights.”

3. Matters concerning the reasonableness of provisions related to matters provided under Article 773, Paragraph 1, Items 5 and 6 of the Companies Act

- (1) Matters concerning the shares of the Joint Holding Company to be delivered by the Joint Holding Company to shareholders of both companies upon the Joint Share Transfer, and the allotment of shares of the Joint Holding Company

Both companies have determined the allotment ratio for common shares of the Joint Holding Company to be allotted and delivered to the shareholders of each company upon the establishment of the Joint Holding Company by the Joint Share Transfer (hereinafter referred to as the “Share Transfer Ratio”) as follows.

(a) Details of the allotment pertaining to the Joint Share Transfer (Share Transfer Ratio)

Company name	Riken	The Company
Share Transfer Ratio	2	1.02

(Note 1) Details of the allotment pertaining to the Joint Share Transfer

For each share of the common stock of the Company, 1.02 shares of the common stock of the Joint Holding Company will be allotted and delivered, and for each share of the common stock of Riken, two (2) shares of the common stock of the Joint Holding Company will be allotted and delivered. However, in the event of material change in the conditions underlying the calculation of the above Share Transfer Ratio, the ratio may be changed through consultation between the two companies

The number of shares that constitute one unit of shares of the Joint Holding Company is scheduled to be 100 shares.

In the event that fractions of less than one (1) share of common stock of the Joint Holding Company arise that must be delivered to shareholders of both companies in the Joint Share Transfer, a monetary amount equivalent to the fractional portion less than one (1) share will be paid to those shareholders, in accordance with the provisions of Article 234 of the Companies Act and other related laws and regulations.

(Note 2) Number of new shares to be granted by the Joint Holding Company through the Joint Share Transfer (scheduled): Common stock: 28,031,005 shares

The above number is based on the total number of outstanding shares (8,374,157 shares) of the Company as of March 31, 2023 and on the total number of outstanding shares (10,688,866 shares) of Riken as of March 31, 2023. However, as both companies intend, by resolutions of meetings of their respective Boards of Directors convened by the day before the Effective Date of the Joint Share Transfer, to cancel all treasury stock held by each company (including treasury shares acquired by the companies on the occasion of the Joint Share Transfer through share purchase requests made pursuant to the provisions of Article 806, Paragraph 1 of the Companies Act) immediately prior to the Effective Date (hereinafter the “Base Time”), 583,728 shares of common stock that are treasury shares held by the Company as of March 31, 2023 and 646,482 shares of common stock that are treasury shares held by Riken as of March 31, 2023 are excluded from the scope of the granting of new shares in the above calculation.

The actual number of treasury shares that will be retired by the Base Time is currently undetermined, and the number of new shares to be granted by the Joint Holding Company is subject to change in the future.

(Note 3) Handling of shares of less than one unit

Shares of the Joint Holding Company that will be allotted to shareholders of the Company and Riken as a result of the Joint Share Transfer are scheduled to be listed on the Tokyo Stock Exchange via application. If said application is approved, trading of shares of the Joint Holding Company on the Tokyo Stock Exchange will be possible. Accordingly, the companies intend for shares of the Joint Holding Company to offer continued liquidity to shareholders of the Company or Riken who hold [99] or more shares of stock of the Company or [50] or more shares of stock of Riken and who receive allotment of 100 or more shares, i.e., one unit of shares, of the Joint Holding Company through the Joint Share Transfer.

While shareholders of the Company and Riken who receive an allotment of less than 100 shares of stock of the Joint Holding Company will not be able to sell said allotted shares on

the Tokyo Stock Exchange or on other financial instruments exchanges, it will be possible to request the purchase of such odd-lot shares to the Joint Holding Company. Pursuant to provisions scheduled to be stipulated in the Articles of Incorporation of the Joint Holding Company, the ability to purchase additional shares from the Joint Holding Company that, in combination with the number of odd-lot shares held, constitute one unit of shares is also planned.

(b) Calculation base for details of allotments related to the Joint Share Transfer

(i) Grounds and reasons for the details of the allotment

In order to ensure the fairness and validity of the Share Transfer Ratio calculated as described in “3. (1) (a) Details of the allotment pertaining to the Joint Share Transfer (Share Transfer Ratio)” above, the Company has selected Nomura Securities Co., Ltd. (hereinafter “Nomura Securities”) and Riken has selected IR Japan, Inc. (hereinafter “IR Japan”) to serve as financial advisors and third-party calculation institutions independent from either company.

Based on advice and on results of calculations of Share Transfer Ratio submitted by the third-party calculation institution Nomura Securities noted in “i. Acquisition of calculation reports from independent third-party calculation institutions” in “3. (1) (b) (iv) Measures to ensure fairness” below, based on legal advice from Marunouchi Sogo Law Office noted in “ii. Advice from an independent law firm” in “3. (1) (b) (iv) Measures to ensure fairness” below, and based on the findings of due diligence concerning Riken conducted by the Company and its advisors, and as a result of careful discussion and consideration taking into account the financial conditions, performance trends, stock price movements, etc. of both companies, the Company has arrived at the conclusion that the Share Transfer Ratio noted in “3 (1) (a) Details of the allotment pertaining to the Joint Share Transfer (Share Transfer Ratio)” above is valid and the Joint Share Transfer is in the interest of the Company’s shareholders.

Based on advice and on results of calculations of Share Transfer Ratio submitted by the third-party calculation institution IR Japan noted in “i. Acquisition of calculation reports from independent third-party calculation institutions” in “3. (1) (b) (iv) Measures to ensure fairness” below, based on legal advice from City Yuwa Partners noted in “ii. Advice from an independent law firm” in “3. (1) (b) (iv) Measures to ensure fairness” below, and based on the findings of due diligence concerning the Company conducted by Riken and its advisors, and as a result of careful discussion and consideration taking into account the financial conditions, performance trends, stock price movements, etc. of both companies, Riken has arrived at the conclusion that the Share Transfer Ratio noted in “3. (1) (a) Details of the allotment pertaining to the Joint Share Transfer (Share Transfer Ratio)” above is valid and the Joint Share Transfer is in the interest of Riken shareholders.

In this way, with reference to calculations and analyses by these third-party calculation institutions and the advice of legal advisors, and based on the findings of due diligence conducted by each of the companies on the other party, and furthermore as a result of repeated negotiations and discussions between the two companies comprehensively taking into account factors including financial status, share price movements, and the future outlook for both companies, the conclusion was ultimately reached that the Share Transfer Ratio described in “3. (1) (a) Details of the allotment pertaining to the Joint Share Transfer (Share Transfer Ratio)” above is valid and the Joint Share Transfer is in the interests of the shareholders of both companies. Having resolved to conclude a consolidation agreement at meetings of the Boards of Directors of both companies convened on May 23, 2023, the companies entered into such consolidation agreement and jointly created the Joint Share Transfer Plan.

(ii) Matters related to calculations

(a) Names of the calculation institutions and their relationships with both companies

Neither Nomura Securities, the financial advisor (third-party calculation institution) of the Company, nor IR Japan, the financial advisor (third-party calculation institution) of Riken, are related parties of the Company or Riken. Neither has any material special interests that require disclosure in regard to the Joint Share Transfer.

(b) Matters related to calculations

Nomura Securities calculated the Share Transfer Ratio in accordance with the market share price averaging method, given that shares of both the Company and

Riken are listed on the Tokyo Stock Exchange Prime Market and a market share price exists for each. Nomura Securities also performed calculations using the comparable multiple valuation method due to the facts that multiple listed companies exist that are comparable to the Company and Riken and that analogizing stock prices through comparable company valuation is possible, and further performed calculations using the discounted cash flow method (hereinafter “DCF method”) in order to reflect the state of future business activities in the evaluation.

The results of calculations based on each method are as stated below. The calculation ranges of the Share Transfer Ratio below are the calculation ranges for the number of common shares of the Joint Holding Company to be allotted per common share of the Company, in the event that two (2) common shares of the Joint Holding Company is allotted per common share of Riken.

Methods used	Calculation range of the Share Transfer Ratio
Market share price averaging method	0.97～1.09
Comparable multiple valuation method	0.94～1.44
DCF method	0.92～1.30

With regard to the market share price averaging method, setting July 26, 2022, the business day prior to July 27, 2022 (the date on which conclusion of the Memorandum of Understanding was announced), as calculation reference date (i), calculation was performed of the closing stock price on calculation reference date (i), the average closing stock price for the five-day period from July 20, 2022 to calculation reference date (i), the average closing stock price for the one-month period from June 27, 2022 to calculation reference date (i), the average closing stock price for the three-month period from April 27, 2022 to calculation reference date (i), as well as the average closing stock price for the six-month period from January 27, 2022 to calculation reference date (i); and, setting May 22, 2023 as calculation reference date (ii), calculation was performed of the closing price on calculation reference date (ii), the average closing stock price for the five-day period from May 16, 2023 to calculation reference date (ii), the average closing stock price for the one-month period from April 24, 2023 to calculation reference date (ii), the average closing stock price for the three-month period from February 24, 2023 to calculation reference date (ii), as well as the average closing stock price for the six-month period from November 24, 2022 to calculation reference date (ii).

In calculating the above Share Transfer Ratio, Nomura Securities used information provided by both companies, publicly available information, etc., doing so under the assumption that all of the materials, information, etc. are accurate and complete and without conducting independent verification of the accuracy or completeness of these. With regard to the assets and liabilities of the two companies and their affiliates (including financial derivatives, off-the-book assets and liabilities, and other contingent liabilities), independent valuation, appraisal, or assessment was not performed, including analysis and valuation of individual assets and liabilities, and appraisal and assessment by a third party was not requested. Nomura Securities’ calculation of the Share Transfer Ratio incorporates information and economic conditions up to the date of May 22, 2023. Financial projections and other forward-looking information concerning the Company was rationally prepared on the basis of best-effort and good-faith forecasts and judgments currently available to the management of the Company. Financial projections and other forward-looking information concerning Riken was rationally examined and confirmed on the basis of best-effort and good-faith forecasts and judgments currently available to the management of Riken. IR Japan’s calculation of the Share Transfer Ratio assumes that the financial status of the Company and of Riken will change in line with these forecasts.

The business plans of the Company and Riken, used by Nomura Securities as premises for calculation under the DCF method, do not incorporate synergies resulting from the Consolidation. The business plan of the Company for the period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026, used by Nomura Securities as premises for calculation under the DCF method, include fiscal years in which significant increase in profit are anticipated. Specifically, in the fiscal year ending March 2024, a significant year-on-year increase in profit is expected as the

company's efforts to pass through procurement costs to sales prices contribute to earnings. Furthermore, the business plan of Riken from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026, used by Nomura Securities as premises for calculation under the DCF method, includes a business year in which a significant increase in profit is anticipated. Specifically, in the fiscal year ending March 31, 2025, Riken is expected to achieve a significant year-on-year increase in profit mainly attributable to passing through of increases in procurement costs, such as raw material costs, energy prices, and outsourcing costs, to sales prices, and corporate efforts such as rationalization activities.

IR Japan calculated the Share Transfer Ratio in accordance with the market share price averaging method, given that shares of both companies are listed on the Tokyo Stock Exchange Prime Market and a market share price exists for each. IR Japan also conducted calculations using the comparable multiple valuation method due to the facts that multiple listed companies exist that are comparable to NPR and Riken and that analogizing stock prices through comparable company valuation is possible, and further performed calculations using the DCF method in order to reflect the state of future business activities in the evaluation.

The results of calculations based on each method are as stated below. The calculation ranges of the Share Transfer Ratio below are the calculation ranges for the number of common shares of the Joint Holding Company to be allotted per common share of Riken, in the event that two (2) common shares of the Joint Holding Company is allotted per common share of the Company.

Methods used	Calculation range of the Share Transfer Ratio
Market share price averaging method	0.97～1.09
Comparable multiple valuation method	0.95～1.26
DCF method	0.65～1.42

With regard to the market share price averaging method, setting July 26, 2022, the business day prior to July 27, 2022 (the date on which conclusion of the Memorandum of Understanding was announced), as calculation reference date (i), calculation was performed of the closing stock price on calculation reference date (i), the average closing stock price for the one-month period from June 27, 2022 to calculation reference date (i), the average closing stock price for the three-month period from April 27, 2022 to calculation reference date (i), as well as the average closing stock price for the six-month period from January 27, 2022 to calculation reference date (i); and, setting May 22, 2023 as calculation reference date (ii), calculation was performed of the closing price on calculation reference date (ii), the average closing stock price for the one-month period from April 24, 2023 to calculation reference date (ii), the average closing stock price for the three-month period from February 24, 2023 to calculation reference date (ii), as well as the average closing stock price for the six-month period from November 24, 2022 to calculation reference date (ii).

In calculating the above Share Transfer Ratio, IR Japan used information provided by both companies, publicly available information, etc., doing so under the assumption that all of the materials, information, etc. are accurate and complete and without conducting independent verification of the accuracy or completeness of these. With regard to the assets and liabilities of the two companies and their affiliates (including financial derivatives, off-the-book assets and liabilities, and other contingent liabilities), independent valuation, appraisal, or assessment was not performed, including analysis and valuation of individual assets and liabilities, and appraisal and assessment by a third party was not requested. IR Japan's calculation of the Share Transfer Ratio incorporates information and economic conditions up to the date of May 22, 2023. Financial projections and other forward-looking information concerning Riken was rationally prepared on the basis of best-effort and good-faith forecasts and judgments currently available to the management of Riken. Financial projections and other forward-looking information concerning the Company were rationally examined and confirmed on the basis of best-effort and good-faith forecasts and judgments currently available to the management of the Company. IR Japan's calculation of the Share

Transfer Ratio assumes that the financial status of the Company and of Riken will change in line with these forecasts.

The business plans of the Company and Riken, used by IR Japan as premises for calculation under the DCF method, do not incorporate synergies resulting from the consolidation. The business plans of both Companies from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026, used by IR Japan as premises for calculation under the DCF method, includes business years in which a significant fluctuation in profit is anticipated. Specifically, in the fiscal year ending March 31, 2025, Riken is projected to achieve a significant year-on-year increase in profit mainly attributable to the passing through of increases in procurement costs, such as raw materials costs, energy prices, and outsourcing costs, to sales prices and corporate efforts such as rationalization activities. In addition, the Company expects a significant year-on-year increase in profit in the fiscal year ending March 2024, as the Company's efforts to pass through procurement costs to sales prices contribute to earnings.

(iii) Matters concerning application for listing of the Joint Holding Company

Both companies plan to apply for a new listing (technical listing) on the Tokyo Stock Exchange Prime Market for shares of the established Joint Holding Company. The date of listing is scheduled for October 2, 2023, the registration date for establishment of the Joint Holding Company.

Through the Joint Share Transfer, both companies will become wholly owned subsidiaries of the Joint Holding Company, and, in accordance with the listing of the Joint Holding Company, are scheduled to be delisted effective September 28, 2023. If listing of the Joint Holding Company is approved, the shareholders of both companies will be able to trade shares of the Joint Holding Company granted through the Joint Share Transfer on the Tokyo Stock Exchange.

Common stock of the Company is currently listed on the Tokyo Stock Exchange Prime Market. As the stock does not meet the criterion for market capitalization of tradable stock included among the criteria for maintaining listing in said market, on November 29, 2021 the company submitted a Plan for Meeting the Criteria for Maintenance of Listing in the New Market Segment (hereinafter the "Plan") and has been subjected to the application of interim measures. It is assumed at present that the market capitalization of tradable stock of the Joint Holding Company scheduled to be listed will satisfy the above criteria. While the Plan is on hold pending the condition that the above technical listing application is approved by the Tokyo Stock Exchange, the company will continue striving to enhance its corporate value in accordance with the aims of the plan.

(iv) Measures to ensure fairness

To ensure the fairness of the Share Transfer Ratio and of the Joint Share Transfer, both companies have implemented the following measures.

i. Acquisition of calculation reports from independent third-party calculation institutions

On behalf of the shareholders of the Company, the Company has obtained a calculation report on the Share Transfer Ratio, dated May 23, 2023, from Nomura Securities, a third-party calculation institution independent from both companies. See "(ii) Matters related to calculations" in "3. (1) (b) Grounds, etc. for details of allotments related to the Share Transfer" for an overview of the calculation report.

Meanwhile, on behalf of the shareholders of Riken, Riken has obtained a calculation report on the Share Transfer Ratio, dated May 23, 2023, from IR Japan, a third-party calculation institution independent from Riken and the Company. See "(ii) Matters related to calculations" in "3. (1) (b) Grounds, etc. for details of allotments related to the Share Transfer" for an overview of the calculation report.

ii. Advice from an independent law firm

The Company has received advice from a legal perspective from Marunouchi Sogo Law Office as its legal advisor for the Joint Share Transfer, concerning procedures for the Share Transfer and methods and processes for decision-making by the Board of Directors.



Meanwhile, NPR has received advice from a legal perspective from City-Yuwa Partners as its legal advisor for the Joint Share Transfer, concerning procedures for the Share Transfer and methods and processes for decision-making by the Board of Directors.

Both Marunouchi Sogo Law Office and City-Yuwa Partners are independent from both companies and have no material interests of note with both companies.

(v) Measures to avoid conflicts of interest

As no particular conflicts of interest exists between both companies in connection with the Joint Share Transfer, no special measures have been taken.

(2) Matters regarding the amounts of capital and capital reserve of the Joint Holding Company

The Company and Riken have determined the amounts of capital and capital reserve of the Joint Holding Company upon the establishment of the Joint Holding Company by the Joint Share Transfer as follows.

(i) Amount of capital	5,000,000,000 yen
(ii) Amount of capital reserve	1,250,000,000 yen
(iii) Amount of legal reserve	0 yen

These amounts of capital and reserves have been determined within the range stipulated in Article 52 of the Regulations on Corporate Accounting after comprehensively considering and examining the size and other circumstances of the Joint Holding Company and upon consultation between the Company and Riken.

4. Matters concerning the reasonableness of provisions related to matters provided under Article 773, Paragraph 1, Items 9 and 10 of the Companies Act

Upon the Joint Share Transfer, the Joint Holding Company will deliver stock acquisition rights listed in Column 2 of the table below that is equal to the total number of stock acquisition rights subject to allotment (hereinafter referred to as the “stock acquisition rights issued by the Joint Holding Company”) in lieu of stock acquisition rights subject to allotment to the holders of each stock acquisition right listed in Column 1 of the table below that has been issued by the Company and Riken (hereinafter referred to as the “stock acquisition rights subject to allotment”) as of the Base Time. The Joint Holding Company will allot one (1) stock acquisition right issued by the Joint Holding Company for one (1) stock acquisition right subject to allotment held by holders of stock acquisition rights subject to allotment as of the Base Time.

The Company determined that, on the premise of the Share Transfer Ratio of the Joint Share Transfer, handling of these matters is appropriate as the Joint Holding Company will deliver stock acquisition rights issued by the Joint Holding Company that are substantially the same in nature and number as the stock acquisition rights subject to allotment.

Riken

	Column 1		Column 2	
	Name	Contents	Name	Contents
①	Riken Corporation Issuance of Stock Acquisition Rights in June 2014 (Stock Compensation-type Stock Options)	Attachment 2 1-①	NPR-RIKEN CORPORATION 1st Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-①
②	Riken Corporation Issuance of Stock Acquisition Rights in June 2015 (Stock Compensation-type Stock Options)	Attachment 2 1-②	NPR-RIKEN CORPORATION 2nd Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-②
③	Riken Corporation Issuance of Stock Acquisition Rights in June 2016 (Stock Compensation-type Stock Options)	Attachment 2 1-③	NPR-RIKEN CORPORATION 3rd Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-③
④	Riken Corporation Issuance of Stock Acquisition Rights in June 2017 (Stock Compensation-type Stock Options)	Attachment 2 1-④	NPR-RIKEN CORPORATION 4th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 2 2-④

The Company

	Column 1		Column 2	
	Name	Contents	Name	Contents
①	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2008 (Stock Compensation-type Stock Options)	Attachment 3 1-①	NPR-RIKEN CORPORATION 5th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-①
②	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2013 (Stock Compensation-type Stock Options)	Attachment 3 1-②	NPR-RIKEN CORPORATION 6th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-②
③	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2014 (Stock Compensation-type Stock Options)	Attachment 3 1-③	NPR-RIKEN CORPORATION 7th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-③
④	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2015 (Stock Compensation-type Stock Options)	Attachment 3 1-④	NPR-RIKEN CORPORATION 8th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-④
⑤	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition	Attachment 3 1-⑤	NPR-RIKEN CORPORATION	Attachment 3 2-⑤

	Column 1		Column 2	
	Name	Contents	Name	Contents
	Rights in June 2016 (Stock Compensation-type Stock Options)		9th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	
⑥	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2017 (Stock Compensation-type Stock Options)	Attachment 3 1-⑥	NPR-RIKEN CORPORATION 10th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑥
⑦	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2018 (Stock Compensation-type Stock Options)	Attachment 3 1-⑦	NPR-RIKEN CORPORATION 11th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑦
⑧	Nippon Piston Ring Co., Ltd. Issuance of Stock Acquisition Rights in June 2019 (Stock Compensation-type Stock Options)	Attachment 3 1-⑧	NPR-RIKEN CORPORATION 12th Stock Acquisition Rights of 2023 (Stock Compensation-type Stock Options)	Attachment 3 2-⑧

## 5. Matters related to Riken

### (1) Details of financial statements of Riken's final fiscal year (Fiscal year ended March 31, 2023)

Details of Riken's financial statements for fiscal year ended March 31, 2023 are excluded from this document in accordance with the provisions of laws and regulations and Article 15 of the Company's Article of Incorporation. Such details are posted on the Company's website and the TSE website.

<The Company's website>

<https://www.npr.co.jp/english/ir/ir0206.html#pagetitle01>

### (2) Details of events materially affecting the status of corporate property that occurred after the last day of the final fiscal year

#### (Business combination through acquisition)

The Company acquired 76.56% of the shares in JFE Pipe Fitting Mfg. Co., Ltd. from JFE Steel Corporation on May 9, turning it into a subsidiary. The names of the company was changed that same day to NIPPON PIPE FITTING Corporation (hereinafter referred to as "Nippon-PF").

#### (a) Overview of the business combination

##### (i) Name and description of business of the acquired company

Name of the acquired company: JFE Pipe Fitting Mfg. Co., Ltd.

Description of business: Manufacture and sale of fittings for gas, water and other piping, and parts for architectural and industrial machines; and processing of prefabricated pipes

##### (ii) Primary reasons for the business combination

In recent year, the automobile industry has faced what is referred to as a once a hundred year major revolution and the market awareness surrounding engine components, a mainstay business of the Company, has become severe. As put forward in our mid-term strategic plan "PLAN2022," the Company is planning to expand Non-ICE (Internal-combustion engine) business as a next generation new business, and has considered the aggressive use of M&A to expand the portfolio in business domains with which the Company has a high affinity.

Nippon-PF manufactures and sells a broad range of pipe fittings and has solid relationships through transactions with many customers over a long period of time due to its high quality product capabilities, and is positioned a leading player within the industry.

Nippon-PF has a firm presence in the gas pipe fittings domain and we are aware that its mainstay products are adequately separated from those of the Company. This acquisition of

shares is expected to create wide-ranging synergies to enable both companies to fulfill their responsibilities to manufacture and supply pipe fittings that play an important role in supporting critical infrastructure in a timely and appropriate manner. Furthermore, in addition to major improvements in productivity and being able to establish sustainable systems that can supply high quality products, we decided to acquire the shares in the belief that this will enable us to accelerate initiatives to address climate change issues towards the Group's carbon neutral target.

The Company aims to achieve sustained growth and improved corporate value through medium to long-term management stability by continuing to provide customers with high quality products by welcoming Nippon-PF to the Group and utilizing the strengths of both companies.

(iii) Date of business combination

May 9, 2023 (deemed acquisition date: April 1, 2023)

(iv) Legal form of the business combination

Share acquisition in consideration of cash

(v) Company name after business combination

NIPPON PIPE FITTING Corporation

(vi) Ratio of voting rights to acquire

76.56%

(vii) Main grounds for determining the acquiring company

The Company acquired the shares for cash as consideration.

(b) Acquisition cost of acquired company and the breakdown by consideration type

Not disclosed due to arrangements with the counterparty to this acquisition of shares.

The acquisition cost of the shares is determined based on the share value reasonably calculated by a third-party.

(c) Content and amount of major acquisition-related costs

The major acquisition-related costs are advisory fees, which are not yet determined.

(d) Amount of goodwill, reason for recognition, amortization method and amortization period

Not yet determined.

(e) Assets acquired and liabilities assumed on the date of business combination and the main breakdown

Not yet determined.

(Large amount of borrowings)

In accordance with a resolution at the Board of Directors meeting held on March 22, 2023, the Company undertook borrowings on April 28, 2023, mainly to provide the funds required to acquire the shares of NIPPON PIPE FITTING Corporation (formerly, JFE Pipe Fitting Mfg. Co., Ltd.), as follows.

(i) Lender: Mizuho Bank, Ltd.

(ii) Amount of borrowing: 3,000 million yen

(iii) Interest rate on borrowings: Base interest rate + spread

(iv) Date of borrowing: April 28, 2023

(v) Period of borrowing: Five (5) years

(vi) Collateral: No collateral, no guarantee

6. Details of events materially affecting the status of corporate property that occurred in the Company after the last day of the final fiscal year  
Not applicable.

7. Regulations for Enforcement of the Companies Act regarding persons who will become Directors of the Joint Holding Company (excluding Directors who are Audit and Supervisory Committee Members)  
Matters stipulated in Article 74

Persons who will become Directors of the Joint Holding Company (excluding Directors who are Audit and Supervisory Committee Members) are as follows.

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
1	Yasunori Maekawa (February 27, 1958)	<p>March 1986    Joined Riken Corporation</p> <p>February 2004    General Manager of Nagoya Sales Division of Riken Corporation</p> <p>June 2010    Director, Chairman of Overseas Committee of Riken Corporation</p> <p>May 2013    Director of Riken Corporation</p> <p>June 2015    Managing Director of Riken Corporation</p> <p>May 2016    Director, Managing Executive Officer of Riken Corporation</p> <p>April 2019    Director, Senior Managing Executive Officer of Riken Corporation</p> <p>June 2019    Representative Director, Senior Managing Executive Officer of Riken Corporation</p> <p>April 2020    Representative Director, President (COO) of Riken Corporation</p> <p>April 2022    Representative Director, President (CEO &amp; COO) of Riken Corporation</p> <p>December 2022    Representative Director, President (CEO, COO, CIO &amp; CISO) of Riken Corporation (present position)</p>	<p>(1) –</p> <p>(2) 24,900</p> <p>(3) 49,800</p>
<p>(Reasons for nomination as candidate for Director)</p> <p>Yasunori Maekawa has contributed to the sustained growth of the Riken Group and to increasing its medium-to long-term growth by directing management and working on global business expansion and management issues following long years of service in leading overseas sales, domestic sales and overseas business.</p> <p>He has extensive knowledge and experience in overall management, so he is considered to be qualified to make decisions on important matters and supervise business execution and the Company nominates him as a candidate for Director of the newly established Joint Holding Company.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
2	Teruo Takahashi (February 10, 1959)	<p>April 1981    Joined Nippon Piston Ring Co., Ltd.</p> <p>April 2005    General Manager, Product Engineering Department II of Nippon Piston Ring Co., Ltd.</p> <p>June 2006    Executive Officer and General Manager, Product Engineering Department II, Development Division of Nippon Piston Ring Co., Ltd.</p> <p>June 2009    Director and General Manager, Product Engineering Department II, in charge of Research and Development Department of Nippon Piston Ring Co., Ltd.</p> <p>June 2016    Managing Director, in charge of Research and Development Department of Nippon Piston Ring Co., Ltd.</p> <p>June 2020    Representative Director and President, in charge of Internal Auditors Office of Nippon Piston Ring Co., Ltd. (present position)</p>	<p>(1) 15,300 (2)– (3) 15,606</p>
<p>(Reasons for nomination as candidate for Director)</p> <p>Teruo Takahashi has led corporate management and contributed to the Nippon Piston Ring Group's sustainable growth and medium to long term corporate value enhancement through various business developments. We nominated him as a candidate for Director of the Joint Holding Company to be newly established based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
3	Kaoru Itoh (April 9, 1953)	<p>April 1976    Joined The Industrial Bank of Japan, Limited</p> <p>April 2005    Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>March 2008    President and CEO of Mizuho Research Institute Ltd.</p> <p>June 2012    Managing Director of Riken Corporation</p> <p>June 2013    Senior Managing Director, Chairman of the Corporate Strategy Committee of Riken Corporation</p> <p>June 2015    Representative Director, President (COO) of Riken Corporation</p> <p>April 2018    Representative Director, President (CEO &amp; COO) of Riken Corporation</p> <p>April 2020    Chairman (CEO) of Riken Corporation</p> <p>April 2022    Representative Director, Chairman of Riken Corporation (present position)</p>	<p>(1) –</p> <p>(2) 29,900</p> <p>(3) 59,800</p>
<p>(Reasons for nomination as candidate for Director)</p> <p>Kaoru Itoh has contributed to the sustained growth of the Riken Group and to increasing its medium-to long-term growth by directing management and working on global business expansion and management issues. He has extensive knowledge and experience in overall management, so he is considered to be qualified to make decisions on important matters and supervise business execution and the Company nominates him as a candidate for Director of the newly established Joint Holding Company.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
4	Yuji Sakamoto (October 22, 1957)	<p>July 1977      Joined Nippon Piston Ring Co., Ltd.</p> <p>April 2001    General Manager, Tokyo East Sales Department of Nippon Piston Ring Co., Ltd.</p> <p>April 2004    Executive Officer and General Manager, Tokyo Sales Department, Sales Division of Nippon Piston Ring Co., Ltd.</p> <p>June 2006    Director, Deputy General Manager, Sales Division, and General Manager, Sales Planning Department, Sales Division of Nippon Piston Ring Co., Ltd.</p> <p>June 2013    Managing Director, in charge of sales departments of Nippon Piston Ring Co., Ltd.</p> <p>June 2020    Representative Director, Managing Director, in charge of sales departments of Nippon Piston Ring Co., Ltd.</p> <p>June 2021    Representative Director, Senior Managing Executive Officer, in charge of Production Control Department, Global Procurement Department and Tochigi Plant of Nippon Piston Ring Co., Ltd.</p> <p>April 2023    Representative Director, Executive Vice President, in charge of Production Control Department, Global Procurement Department and Tochigi Plant of Nippon Piston Ring Co., Ltd. (present position)</p> <p>(Significant concurrent positions) Director and Chairman, NPR Singapore Pte. Ltd. Director, NPR of Europe GmbH</p>	<p>(1) 19,780 (2) – (3) 20,175</p>
<p>(Reasons for nomination as candidate for Director) Yuji Sakamoto has extensive knowledge of all aspects of the management, and has contributed to the Nippon Piston Ring Group's sustainable growth and enhancement of its corporate value over the medium to long term. We nominated him as a candidate for Director of the Joint Holding Company to be newly established based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p>			



No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
5	Hidehiro Sakaba (November 22, 1962)	<p>April 1985    Joined Riken Corporation</p> <p>June 2011    General Manager of Corporate Planning Division of Riken Corporation</p> <p>May 2016    Executive Officer, General Manager of Corporate Planning Division of Riken Corporation</p> <p>June 2020    Executive Officer of Riken Corporation, President of Riken Mexico, S.A. DE C.V.</p> <p>April 2022    Managing Executive Officer of Riken Corporation, President of Riken Mexico, S.A. DE C.V.</p> <p>May 2022    Managing Executive Officer, General Manager of Corporate Management Head Office of Riken Corporation</p> <p>June 2022    Director, Managing Executive Officer, General Manager of Corporate Management Head Office of Riken Corporation (present position)</p>	<p>(1) –</p> <p>(2) 9,800</p> <p>(3) 19,600</p>
		<p>(Reasons for nomination as candidate for Director)</p> <p>Hidehiro Sakaba has in-depth expertise in corporate planning, accounting and finance, and corporate management divisions. He has contributed to the sustained growth of the Riken Group and to increasing its medium-to long-term growth. He has extensive knowledge and experience in overall management, so the Company deems him qualified to make decisions on important matters and supervise business execution and the Company nominates him as a candidate for Director of the newly established Joint Holding Company.</p>	

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
6	Masaaki Fujita (May 30, 1961)	<p>April 1984    Joined Nippon Piston Ring Co., Ltd.</p> <p>April 2005    General Manager, Corporate Planning Department of Nippon Piston Ring Co., Ltd.</p> <p>June 2006    President of NPR of America, Inc.</p> <p>July 2012    Operating Officer of Nippon Piston Ring Co., Ltd.</p> <p>June 2013    President of NPR of America, Inc. Director, General Manager, Corporate Planning Department in charge of Corporate Planning Department and Overseas Operation Control Department of Nippon Piston Ring Co., Ltd.</p> <p>June 2021    Director, Managing Executive Officer (present position) in charge of Corporate Planning Department and Accounting and Finance Department of Nippon Piston Ring Co., Ltd.</p> <p>September 2022    In charge of Corporate Planning Department, Accounting and Finance Department, and Related Business Department of Nippon Piston Ring Co., Ltd.</p> <p>April 2023    In charge of Corporate Administration Department, Accounting and Finance Department, and Related Business Department of Nippon Piston Ring Co., Ltd. (present position)</p> <p>(Significant concurrent positions) Komisaris, PT. NT Piston Ring Indonesia Komisaris, PT. NPR Manufacturing Indonesia Director, NPR of America, Inc.</p>	<p>(1) 13,924 (2) – (3) 14,202</p>
<p>(Reasons for nomination as candidate for Director)</p> <p>Masaaki Fujita holds a high level of expertise in the corporate planning department and corporate administration department, and has contributed to the Nippon Piston Ring Group's sustainable growth and medium to long term enhancement of corporate value. We nominated him as a candidate for Director of the Joint Holding Company to be newly established based on his continuing extensive knowledge and experience in all aspects of management and his qualifications for making decisions on important matters and supervising the execution of business operations.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
7	Eiji Hirano (September 15, 1950)	<p>April 1973    Joined Bank of Japan</p> <p>May 1999    Director-General of International Department of Bank of Japan</p> <p>June 2002    Executive Director of Bank of Japan</p> <p>June 2006    Director, Vice President of Toyota Financial Services Corporation</p> <p>May 2015    Director, Representative Statutory Executive Officer of MetLife, Inc.</p> <p>June 2015    Outside Director of Riken Corporation (present position)</p> <p>June 2016    Outside Director of NTT DATA Corporation (present position)</p> <p>September 2017    Director, Vice Chairman of MetLife, Inc. (present position)</p> <p>October 2017    Chairperson of the Board of Governors of Government Pension Investment Fund</p> <p>June 2022    Outside Director of Ichiyoshi Securities Co., Ltd. (present position)</p> <p>(Significant concurrent positions) Director, Vice Chairman of MetLife, Inc. Outside Director of NTT DATA Corporation Outside Director of Ichiyoshi Securities Co., Ltd.</p>	<p>(1) –</p> <p>(2) –</p> <p>(3) –</p>
<p>(Reasons for nomination as candidate for Outside Director and outline of expected role)</p> <p>Eiji Hirano held a top post in the Bank of Japan, has in-depth expertise in overall corporate management such as at financial institutions as well as extensive international experience and broad insights. He has proactively provided his opinions of the overall management of the Riken Group from an objective perspective, while fulfilling his role of supervising management. The Company has nominated him as a candidate for Outside Director as we expect him to fulfill his important role of providing recommendations and advice to ensure the adequacy and appropriateness of the Board of Directors decision making also at the newly established Joint Holding Company from an independent perspective.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
8	Masako Kurosawa (July 23, 1962)	<p>November 1991 Research Fellow, Institute for Research on Higher Education, University of Pennsylvania, Philadelphia, USA</p> <p>September 1994 Visiting Assistant Professor, Economics Department, Barnard College, New York, USA</p> <p>April 1995 Associate Professor, Josai University, Department of Economics</p> <p>April 1998 Visiting Associate Professor, The Open University of Japan, Industry and Technology</p> <p>April 2000 Associate Professor, Meiji Gakuin University, Department of Economics</p> <p>April 2004 Professor of National Graduate Institute for Policy Studies (present position) Director, Tokyo Foundation for Employment Services (present position)</p> <p>April 2005 Faculty Fellow, Research Institute of Economy, Trade and Industry</p> <p>April 2012 Member of the Managing Council, Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (present position)</p> <p>September 2015 Visiting Fellow, Columbia Business School, Centre on Japanese Economy and Business</p> <p>February 2020 Chair of the Committee Investigation the Integration of the National Trades Skill Test, Skill Assessment Office, Human Resources Development Division, Ministry of Health, Labour and Welfare (present position)</p> <p>April 2021 Director and Vice President, National Graduate Institute for Policy Studies (present position)</p> <p>April 2022 Standing Member of Productivity Committee, Japan Productivity Center (present position)</p> <p>April 2023 Member of Employment Security Committee, Labour Policy Council, Employment Security Bureau, Ministry of Health, Labor and</p>	(1) – (2) – (3) –

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
		Welfare (present position) (Significant concurrent positions) Director, Vice President and Professor, National Graduate Institute for Policy Studies	
		(Reasons for nomination as candidate for Outside Director and outline of expected role) Masako Kurosawa has no past experience in management of a company, but she has a high level of expertise in labor economics as an academic. For this reason the Company has nominated her as a candidate for Outside Director as we expect her to fulfill her important role of providing recommendations and advice to ensure the adequacy and appropriateness of the Board of Directors decision making also at the newly established Joint Holding Company.	

(Notes)

- 1 The class and number of shares of the Company and Riken held by each candidate are based on the shareholding status as of March 31, 2023, and the class and number of shares of the Joint Holding Company to be allotted are based on the said shareholding status, taking into account the Share Transfer Ratio. Therefore, the actual number of shares of the Joint Holding Company to be allotted may vary depending on the number of shares held immediately prior to the date of the establishment of the Joint Holding Company.
- 2 There are no special interests between each candidate and the Company and Riken, nor are they expected to have any special interests with respect to the Joint Holding Company.
- 3 Eiji Hirano and Masako Kurosawa are candidates for Outside Directors.
- 4 If Eiji Hirano and Masako Kurosawa are elected as Outside Directors, the Joint Holding Company plans to register them as independent directors without any risk of conflict of interest with general shareholders with the Tokyo Stock Exchange.
- 5 If each of the candidates for Outside Directors assumes the office, the Joint Holding Company will enter into an agreement with each of them limiting his/her liability for damages to the Joint Holding Company to the extent stipulated in legislation under Article 423, Paragraph 1 of the Companies Act.
- 6 If each of the candidates for Directors assumes the office, the Joint Holding Company will enter into a liability insurance contract for officers, etc. (D&O Insurance Contract) under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, under which legal damages or legal costs, etc. that shall be borne by the insured will be covered, with all the Directors including Directors who are Audit and Supervisory Committee Members as the insured.
8. Matters stipulated in Article 74-3 of the Regulations for Enforcement of the Companies Act regarding persons who will become Directors who are Audit and Supervisory Committee Members of the Joint Holding Company  
Persons who will become Directors who are Audit and Supervisory Committee Members are as follows.

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
1	Kouei Watanabe (November 19, 1958)	<p>April 1976    Joined Riken Corporation</p> <p>October      General Manager of Quality 2014          Assurance Division of Riken Corporation</p> <p>April 2017    Executive Officer, General Manager of Piston Ring Division # 2 of Riken Corporation</p> <p>April 2020    Managing Executive Officer, General Manager of the Technology Management Division of Riken Corporation</p> <p>April 2021    Managing Executive Officer, General Manager of Technology Management Head Office of Riken Corporation</p> <p>June 2021    Director, Managing Executive Officer, Chief Technical Officer (CTO) of Riken Corporation</p> <p>April 2023    Director of Riken Corporation (present position)</p>	<p>(1) –</p> <p>(2) 12,200</p> <p>(3) 24,400</p>
<p>(Reasons for nomination as candidate for Director who is Audit and Supervisory Committee Member)</p> <p>Kouei Watanabe has in-depth expertise mainly in technology fields and has contributed to increase the corporate value of the Riken Group. For this reason, the Company deems him qualified to audit the business execution of Directors from an objective and fair perspective and to audit the newly established Joint Holding Company, so the Company has nominated him as a candidate for Director who is an Audit and Supervisory Committee Member.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
2	Hiroto Koeba (April 4, 1965)	<p>April 1988    Joined Nippon Piston Ring Co., Ltd.</p> <p>April 2012    General Manager, Accounting and Finance Department of Nippon Piston Ring Co., Ltd.</p> <p>July 2016    Executive Officer, General Manager, Accounting and Finance Department of Nippon Piston Ring Co., Ltd.</p> <p>July 2018    Executive Officer, Assistant to Officer Responsible for Accounting and Finance Department of Nippon Piston Ring Co., Ltd.</p> <p>June 2020    Audit &amp; Supervisory Board Member of Nippon Piston Ring Co., Ltd.</p> <p>June 2021    Directors who is Audit &amp; Supervisory Committee Member of Nippon Piston Ring Co., Ltd. (present position)</p> <p>(Significant concurrent positions)  Audit &amp; Supervisory Board Member of NPR IWATE CO., Ltd.  Audit &amp; Supervisory Board Member of NPR Fukushima Works Co., Ltd.  Audit &amp; Supervisory Board Member of NORMECA ASIA CO., LTD.</p>	<p>(1) 1,882 (2) – (3) 1,919</p>
	<p>(Reasons for nomination as candidate for Director who is Audit and Supervisory Committee Member)</p> <p>Hiroto Koeba has in-depth expertise mainly in the accounting field and has contributed to auditing the business execution of Directors from an objective and fair perspective and ensuring the soundness of management. For these reasons, the Company deems him qualified to audit the newly established Joint Holding Company and has nominated him as a candidate for Director who is an Audit and Supervisory Committee Member.</p>		

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
3	Osamu Honda (March 4, 1958)	<p>April 1981    Joined The Industrial Bank of Japan, Limited</p> <p>April 2009    Executive Officer, General Manager, Corporate Planning Group HR Division of Mizuho Securities Co., Ltd.</p> <p>June 2011    Vice President and Director of Japan Securities Agents, Ltd.</p> <p>June 2012    Director of Japan Information Processing Service Co., Ltd.</p> <p>June 2015    Director, Senior Managing Executive Officer of Securities Japan, Inc.</p> <p>June 2017    Representative Director and Senior Managing Director of Nitchitsu Co., Ltd.</p> <p>June 2019    Representative Director and Vice President of Nitchitsu Co., Ltd.</p> <p>June 2021    Outside Auditor of Kurimoto Ltd. (present position)</p> <p>June 2021    Outside Directors who is Audit and Supervisory Committee Member of Riken Corporation (present position)</p> <p>(Significant concurrent positions) Outside Auditor of Kurimoto Ltd.</p>	<p>(1) –</p> <p>(2) –</p> <p>(3) –</p>
<p>(Reasons for nomination as candidate for Outside Director who is Audit and Supervisory Committee Member and outline of expected role)</p> <p>Osamu Honda has in-depth expertise, extensive experience and broad insights on corporate management overall such as financial institutions, as well as management experience at other companies. He has contributed to auditing the business execution of Directors from an objective and fair perspective and ensuring the soundness of management. For these reasons, the Company expects he will adequately supervise management and audit the execution of duties at the newly established Joint Holding Company as well, so the Company has nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>			



No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
4	Hiroki Kimura (January 19, 1962)	<p>April 1984    Joined Asahi Mutual Life Insurance Company</p> <p>April 2012    Executive Officer, Head of Finance and Real Estate Division, Asset Management Administration Division, Asahi Mutual Life Insurance Company</p> <p>July 2013    Director, Executive Officer and Head of Asset Management Administration Division, Asahi Mutual Life Insurance Company</p> <p>June 2014    Outside Auditor, Kanto Denka Kogyo Co., Ltd.</p> <p>April 2015    Director, Managing Executive Officer in charge of Asset Management Planning Department and Securities Management Department, Asahi Mutual Life Insurance Company</p> <p>April 2016    Director, Managing Executive Officer in charge of Corporate Planning Department and Finance Department, Asahi Mutual Life Insurance Company</p> <p>June 2016    Audit &amp; Supervisory Board Member (Outside) of Nippon Piston Ring Co., Ltd.</p> <p>April 2017    President and Representative Director, Asahi Mutual Life Insurance Company (present position)</p> <p>March 2019    Audit &amp; Supervisory Board Member (Outside), The Yokohama Rubber Co., Ltd.</p> <p>June 2020    Audit &amp; Supervisory Board Member (External), Zeon Corporation (present position)</p> <p>June 2021    Outside Director who is Audit &amp; Supervisory Committee Member of Nippon Piston Ring Co., Ltd. (present position)</p> <p>March 2023    Member of the Board, Member of the Audit &amp; Supervisory Committee (Outside) of The Yokohama Rubber Co., Ltd. (present position)</p> <p>(Significant concurrent positions) President and Representative Director, Asahi Mutual Life Insurance Company Member of the Board, Member of the Audit &amp;</p>	<p>(1) – (2) – (3) –</p>

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
		Supervisory Committee (Outside) of The Yokohama Rubber Co., Ltd. Audit & Supervisory Board Member (External), Zeon Corporation	
	(Reasons for nomination as candidate for Outside Director who is Audit and Supervisory Committee Member and outline of expected role) Hiroki Kimura has extensive experience and broad insights on overall management in the life insurance industry. He has contributed to auditing the business execution of Directors from an objective and fair perspective and ensuring the soundness of management. For these reasons, the Company expects he will adequately supervise management and audit the execution of duties at the newly established Joint Holding Company as well, so the Company has nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.		

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
5	Tatsuya Sakuma (October 2, 1956)	<p>April 1983    Public Prosecutor of Tokyo, Naha and Niigata District Public Prosecutors Offices, of Criminal Affairs Bureau of the Ministry of Justice, and as First Secretary of Embassy of Japan in the United States of America</p> <p>September 1999    Chief of Investigations, Human Rights Bureau of the Ministry of Justice</p> <p>January 2003    Chief of Public Security Division, Criminal Affairs Bureau of the Ministry of Justice</p> <p>June 2004    Chief of Criminal Affairs Division, Criminal Affairs Bureau of the Ministry of Justice</p> <p>December 2005    Deputy Head of special investigation task force of the Tokyo District Public Prosecutors Office</p> <p>January 2007    Head of General Affairs Department of the Tokyo District Public Prosecutors Office</p> <p>July 2008    Head of special investigation task force of the Tokyo District Public Prosecutors Office</p> <p>July 2010    Chief Public Prosecutor of Otsu, Maebashi and Chiba District Public Prosecutors Offices, Director of United Nations Asia and Far East Institute, and Director-General of the Research and Training Institute of the Minister of Justice</p> <p>January 2019    Retired from the position</p> <p>March 2019    Outside Director of bitFlyer, Inc.</p> <p>June 2019    Outside Director of AEON Financial Service Co., Ltd. (present position)</p> <p>November 2019    Registered as an attorney-at-law Attorney-at-law of a law firm 'Aoyama TS' (present position)</p> <p>March    External Director of PowerX,</p>	<p>(1) –</p> <p>(2) –</p> <p>(3) –</p>

No.	Name (Date of birth)	Career summary, position and responsibilities, and significant concurrent positions outside the Company	(1) Number of the Company's shares owned (2) Number of Riken's shares owned (3) Number of the Joint Holding Company's shares allotted
		2022 Inc. (present position) (Significant concurrent positions) Outside Director of AEON Financial Service Co., Ltd. External Director of PowerX, Inc. Attorney-at-law of a law firm 'Aoyama TS'	
	(Reasons for nomination as candidate for Outside Director who is Audit and Supervisory Committee Member and outline of expected role) Tatsuya Sakuma has no past experience in management of a company other than as an outside officer, but he has extensive experience and broad insights in legal circles, as well as experience as an outside director at other companies. For these reasons, the Company expects he will adequately supervise management and audit the execution of duties at the newly established Joint Holding Company as well, so the Company has nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.		

(Notes)

- 1 The class and number of shares of the Company and Riken held by each candidate are based on the shareholding status as of March 31, 2023, and the class and number of shares of the Joint Holding Company to be allotted are based on the said shareholding status, taking into account the Share Transfer Ratio. Therefore, the actual number of shares of the Joint Holding Company to be allotted may vary depending on the number of shares held immediately prior to the date of the establishment of the Joint Holding Company.
- 2 There are no special interests between each candidate for Directors who are Audit and Supervisory Committee Members and the Company and Riken, nor are they expected to have any special interests with respect to the Joint Holding Company.
- 3 Osamu Honda, Hiroki Kimura and Tatsuya Sakuma are candidates for Outside Directors who are Audit and Supervisory Committee Members.
- 4 If Osamu Honda, Hiroki Kimura and Tatsuya Sakuma are elected as Outside Directors who are Audit and Supervisory Committee Members, the Joint Holding Company plans to register them as independent directors without any risk of conflict of interest with general shareholders with the Tokyo Stock Exchange.
- 5 If each of the candidates for Directors who are Audit and Supervisory Committee Members assumes the office, the Joint Holding Company will enter into an agreement with each of them limiting his/her liability for damages to the Joint Holding Company to the extent stipulated in legislation under Article 423, Paragraph 1 of the Companies Act.
- 6 If each of the candidates for Directors who are Audit and Supervisory Committee Members assumes the office, the Joint Holding Company will enter into a liability insurance contract for officers, etc. (D&O Insurance Contract) under Article 430-3, Paragraph 1 of the Companies Act with an insurance company, under which legal damages or legal costs, etc. that shall be borne by the insured will be covered, with all the Directors including Directors who are Audit and Supervisory Committee Members as the insured.
9. Matters stipulated in Article 77 of the Regulations for Enforcement of the Companies Act regarding an entity that will become the accounting auditor of the Joint Holding Company  
The entity which will become the accounting auditor of the Joint Holding Company is as follows.

(As of February 28, 2023)

Name	Deloitte Touche Tohmatsu LLC	
Location of the principal office	Marunouchi Nijubashi Building 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo	
History	May 1968	Establishment of Tohmatsu Awoki & Co.
	May 1975	Joined Touche Ross International (currently Deloitte Touche Tohmatsu Limited) alliance
	February 1990	Name changed to Tohmatsu & Co.
	July 2009	Transitioned to a limited liability company and changed name to Deloitte Touche Tohmatsu LLC
Number of audit clients	3,244 companies (As of May 31, 2022)	
Paid-in capital	1,138 million yen	
Partners and staff	Partners (Certified Public Accountants):	486 persons
	Specified partners:	59 persons
	Staff	
	Certified Public Accountants:	2,586 persons
	Successful applicants of the CPA examination, etc. (including junior Certified Public Accountants):	1,176 persons
	Other professional staff:	3,142 persons
	Administrative staff:	85 persons
	Total:	7,534 persons

(Note) Deloitte Touche Tohmatsu LLC was selected as a candidate for the accounting auditor because the said auditing firm has the expertise, independence and internal control systems, etc., required of the accounting auditor of the Joint Holding Company and therefore was determined as qualified.

## **Convocation of the 129<sup>th</sup> Annual General Meeting of Shareholders Other Electronic Provision Measures Matters (matters omitted from delivered documents)**

### **■ Business Report**

- (1) Systems for Ensuring the Properness of Business Activities
- (2) Basic Policy on the Control over the Company

### **■ Consolidated Financial Statements**

Notes to Consolidated Financial Statements

### **■ Financial Statements**

Notes to Non-Consolidated Financial Statements

### **■ Reference Documents for the General Meeting of Shareholders in relation to Proposal 1**

Below items referenced in Proposal 1 “Approval of Share Transfer Plan” are included in this document:

- |                     |   |
|---------------------|---|
| • Riken Corporation | Details of Financial Statements of Riken Corporation’s Final Fiscal Year (Fiscal Year Ended March 31, 2023) |
| • Riken Corporation | Matters Related to Company Stock Acquisition Rights, etc.   |
| • Riken Corporation | Systems to Ensure the Appropriateness of Operations   |
| • Riken Corporation | Consolidated Statement of Changes in Equity   |
| • Riken Corporation | Notes to the Consolidated Financial Statements  |
| • Riken Corporation | Statement of Changes in Equity  |
| • Riken Corporation | Notes to the Non-consolidated Financial Statements  |

(From April 1, 2022 to March 31, 2023)



**NIPPON PISTON RING CO.,LTD.**

## **(1) Systems for Ensuring the Properness of Business Activities**

The following provides an outline of the systems for ensuring that the execution of the duties of Directors complies with laws, regulations, and the Articles of Incorporation and the operation of those systems.

Please note that a resolution partially revising these systems was adopted at the meeting of the Board of Directors held on April 27, 2023.

1. Systems for Ensuring that the Execution of Duties of Directors and Employees of the Company and its Subsidiaries Complies with Laws, Regulations, and the Articles of Incorporation
  - ① The Company has established a “Compliance Policy” for the Group and directs the Group’s officers and employees to always carry out day-to-day activities appropriately from the perspectives of laws and regulations, corporate ethics, and compliance with internal rules. The Company also responds to the enactment and revision of new business activity-related laws and regulations with timely and substantial measures.
  - ② At the same time that it established the “Compliance Policy,” the Company set up a “Compliance Consultation Hotline (internal and external contact points),” and pursuant to the Whistle-Blower Protection Act has implemented a system enabling the Group’s officers and employees to immediately consult with this hotline when conduct believed to be in breach of laws, regulations, or the Articles of Incorporation is discovered.
  - ③ In the “Compliance Policy,” the Group has set forth rules regarding the banning of relationships with antisocial forces and organizational responses to antisocial forces, and endeavors to ensure that the Group’s officers and employees are thoroughly aware of them.
  - ④ In order to appropriately prepare internal control reports stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, the Board of Directors passed a resolution for the “Internal Control Policy for Financial Reporting,” and the Company established “Rules Regarding ‘Internal Control for Financial Reporting’,” implemented a system for facilitating those internal controls and put in place a system for its operation, under the supervision of the President.
  - ⑤ The Company has appointed multiple Outside Directors and ensures the supervisory function of the Board of Directors. The Company’s Audit & Supervisory Committee Members attend meetings of the Board of Directors and other important meetings, and request reports from Directors, etc. as necessary. (excluding Directors who are Audit & Supervisory Committee Members) and audit the execution of duties by Directors (excluding Directors who are Audit & Supervisory Committee Members). The Company has also established an internal audit department (Internal Auditors Office), implements audits of business activities to confirm whether there are any breaches of laws, regulations, or internal rules in relation to the Group’s internal business activities, and has established a close-knit cooperative relationship with the Audit & Supervisory Committee.
  - ⑥ The Company is engaged in organization-wide initiatives to sever ties with antisocial forces and has put in place systems to exclude antisocial forces such as organized crime groups and their members, in order to ensure the safety of officers and employees and for the purpose of fair trade practices.
2. Systems for the Retention and Management of Information Regarding the Execution of Duties of Directors of the Company
  - ① The Company has internal rules regarding the Company’s organization, systems, and operation of other business activities (“Document Architecture Regarding General Management”). Within this, the Company has set forth “Standards Management Rules,” maintains and manages the establishment, revision, abolition, and promulgation, etc. of rules in the Company, and also processes the retention and management of information regarding the execution of duties of Directors pursuant to such “Standards Management Rules.”
  - ② The Company has set forth “Information Management Rules” regarding the protection and prevention of external leaks of important information concerning the Company’s management and manages information pursuant to those rules.
  - ③ Rules created by each supervisory department are strictly examined, recorded, retained, and managed by the department responsible for management.
3. Rules Regarding Management of the Risk of Loss for the Company and its Subsidiaries and Other Systems

The Company has established a BCP Subcommittee, examines, calculates, and assesses the risks

surrounding the Company's business, and continuously works to reduce risk.

4. Systems for Ensuring that the Duties of Directors of the Company and its Subsidiaries Are Carried out Efficiently
  - ① The Company has introduced an executive officer system, and business activities for which decisions have been made by the Board of Directors are executed under the direction and supervision of the President. This system makes it possible for Directors to delegate authority to executive officers and facilitates the streamlining of management.
  - ② In order to make the execution of business nimbler, an officer-in-charge system has been introduced at departments that execute business, interim and annual business plans are prepared, and together with the sharing of that information, supervision and monitoring are carried out.
  - ③ In addition to the Board of Directors, the Company has the following committees:
    - (a) Management Strategy Committee  
Comprised of executive officers nominated by the Directors (excluding Directors who are Audit & Supervisory Committee Members) and the President; deliberates management policies and management strategies, etc. (once (1) per month in principle).
    - (b) Executive Committee  
Comprised of Directors (excluding Directors who are Audit & Supervisory Committee Members), Audit & Supervisory Committee Members, executive officers, department heads, etc.; manages the progress status of business activities and ensures thorough knowledge of other important matters (once (1) per month in principle)
5. Systems for Ensuring the Properness of Business Activities in the Group
  - ① In order to promote the development of the Group and mutual interests, the Company has set forth the "Affiliated Company Management Rules" and carries out appropriate management.
  - ② The Company's full-time Audit & Supervisory Committee Member concurrently serves as company auditor at material consolidated subsidiaries in Japan. This system has been implemented in order for the Company's supervision and monitoring function to work effectively with respect to domestic consolidated subsidiaries.
6. System for the Company's Audit & Supervisory Committee Members to Request Employees be Appointed to Assist their Duties, Matters for Ensuring the Independence of Such Employees from Directors (excluding Directors who are who Audit & Supervisory Committee Members) and the Effectiveness of Directions to Such Employees
  - ① In the "Rules of the Audit & Supervisory Committee," the Company stipulates that Audit & Supervisory Committee Members may, as necessary, request appropriate assistants from among company employees with the consent of Directors (excluding Directors who are Audit & Supervisory Committee Members) and executive officers, and when such necessity arises, the Company will put in place a system pursuant to such rules.
  - ② The fact that such employees who are to assist the duties of Audit & Supervisory Committee Members are in a position that is independent of Directors (excluding Directors who are Audit & Supervisory Committee Members) and serve pursuant to the directions and orders of Audit & Supervisory Committee Members is public knowledge at the Company.
7. System for Reporting to Audit & Supervisory Committee Members
  - ① Pursuant to the "Rules of the Audit & Supervisory Committee," it is possible for the Audit & Supervisory Committee may, as necessary, request reports from the Accounting Auditor, Directors (excluding Directors who are Audit & Supervisory Committee Members), and employees of the internal audit department (Internal Auditors Office), and Audit & Supervisory Committee Members are able to collect information by receiving such reports.
  - ② Audit & Supervisory Committee Members may attend meetings of important boards and committees, etc., such as the Board of Directors and the Executive Committee, and collect information.
  - ③ The Group has implemented a system enabling officers and employees to immediately consult the "Compliance Consultation Hotline (internal and external contact points)" regarding facts that could



significantly damage the Company or its subsidiaries, such as breaches of laws, regulations, or the Articles of Incorporation, whenever they are discovered. The department in charge of the Group's "Compliance Consultation Hotline (internal and external contact points)" periodically reports to the Audit & Supervisory Committee Members whistleblowing reports from the Group's officers and employees.

- ④ The Group's Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees will not be treated disadvantageously for the reason of having made such a report, and the Group ensures that this is well known within the Group.
8. Matters Regarding Policies for the Processing of Expenses, etc. Incurred with Respect to the Execution of Duties of Audit & Supervisory Committee Members  
If a claim for necessary expenses is received from an Audit & Supervisory Committee Member, such as procedures for advance payment or reimbursement of expenses incurred with respect to the execution of duties of Audit & Supervisory Committee Members or the processing of other expenses or liabilities incurred with respect to the execution of the duties of Audit & Supervisory Committee Members, the Company shall bear such expenses, except for cases where they are found to clearly not be necessary for the execution of duties of Audit & Supervisory Committee Members.
  9. Systems for Ensuring that Audits by Audit & Supervisory Committee Members are Conducted Effectively
    - ① Pursuant to the "Rules of the Audit & Supervisory Committee" and the like, the Audit & Supervisory Committee periodically meets with the President and carries out an exchange of opinions regarding material issues in the audit of issues, etc. that the company needs to address.
    - ② In addition, when conducting audits, Audit & Supervisory Committee Members strive to coordinate closely with the Accounting Auditor, the internal audit department (Internal Auditors Office), and the Group's company auditors.

#### [Outline of Operation of Systems]

1. Initiatives in order for the Execution of Duties of the Companies Directors to be Carried out Efficiently  
In order to further increase transparency and objectivity with respect to the nomination and remuneration of Directors, the Company has established a Nomination and Remuneration Advisory Committee, comprising a majority of members who are Outside Directors, as a discretionary advisory committee of the Board of Directors. The committee met twice in FY2022.
2. Initiatives in Relation to the CSR Promotion Committee  
The CSR Promotion Committee meets periodically to deliberate important issues regarding safety, quality, human rights, labor, the environment, compliance, information disclosure, risk management, and contribution to society, and also confirms the roll-out status of internal activities and instructs each subcommittee established under the CSR Promotion Committee (compliance, risk management, etc.) and the responsible departments to examine measures for each issue.  
In FY2022, the Compliance Subcommittee conducted interviews for the purpose of strengthening governance at overseas bases and implemented measures after examining the issues. In order to respond to the wide range of risks facing companies these days, the Risk Management Subcommittee was integrated with the BCP Subcommittee, risk assessments were organized (extracting high risks), and business continuity plans were prepared for businesses deemed to be high risk.
3. Audit System of the Audit & Supervisory Committee  
Pursuant to policies and plans formulated at the Audit & Supervisory Committee, Audit & Supervisory Committee Members attend meetings of important boards and committees such as the Board of Directors to audit the execution of duties of Directors (excluding Directors who are Audit & Supervisory Committee Members). In order to enhance the effectiveness of audits, the Audit & Supervisory Committee also exchanges opinions with the President, the Accounting Auditor, the internal audit department (Internal Auditors Office), and the Group's company auditors, respectively, as well as attending meetings of the CSR Promotion Committee and confirming the situation with regard to compliance and risk management.

## (2) Basic Policy on the Control over the Company

The details of the basic policy on requirements for persons who control the Company's decisions on financial and business policies, initiatives contributing to achieving the basic policy, and countermeasures against large-scale purchase actions for the Company's shares (the "Plan") are as follows.

### ① Basic policy on requirements for persons who control the Company's decisions on financial and business policies

The Company believes that it is desirable that persons who control the Company's decisions on financial and business matters have a full understanding of the Company's financial and business matters and of the source of its corporate value, and are capable of ensuring and enhancing the corporate value of the Company and the common interests of our shareholders in a continuous and sustainable manner.

Nevertheless, as a corporate entity listed on a financial instruments exchange, the Company respects the free trading of the Company's shares in the market and will not absolutely deny any large-scale purchase action by a specific party, as long as it contributes to the corporate value of the Company and the common interests of our shareholders. The Company also believes that the decision as to whether to agree to a proposal for a large-scale purchase of shares should ultimately be made pursuant to the wishes of the shareholders.

However, recently in Japan's capital market, there are some cases in which a large-scale share purchase action is undertaken "hostilely" without going through a sufficient discussion and agreement process with the management team of the target company, and many such large-scale purchase actions do not contribute to the corporate value of the target company or the common interests of its shareholders. These include 1) those that may clearly harm the corporate value and common interests of shareholders in light of the objectives of the takeover and/or management policies after the takeover; 2) those that may effectively force shareholders to sell their shares; 3) those that do not provide sufficient time or information for the Board of Directors or shareholders to consider the terms, etc. of the purchase or for the Board of Directors to present an alternative proposal; and 4) those that require the target company to negotiate with the purchaser in order to procure conditions more favorable than those originally proposed by the purchaser.

Furthermore, as outlined below in ②I. below, "The Company's Corporate Philosophy and Source of corporate value," the Company's business is based on the collaboration of various stakeholders, including our customer companies, employees, and local communities. Creating a sound system that enables these stakeholders to involve themselves in our business with confidence, and providing a stable supply of cutting-edge and high-quality services required globally are essential factors in raising the Company's corporate value. Unless the person(s) undertaking the large-scale purchase of the Company's shares can ensure and enhance the Company's corporate value in the medium- and long-term based on an understanding of these sources of the Company's corporate value, it is possible that the corporate value of the Company and the common interests of our shareholders will be damaged.

The Company believes that those who conduct such inappropriate large-scale purchases are not appropriate as individuals who control the Company's decisions on financial and business policies, and further believes that it is necessary to ensure the corporate value of the Company and the common interests of our shareholders by taking necessary and appropriate measures against large-scale purchases of shares by such individuals.

### ② Initiatives to Contribute to the Source of the Corporate Value of the Company and the Realization of Our Basic Policy

#### I. The Company's Corporate Philosophy and the Source of Corporate Value

In our efforts to respond promptly and accurately to our customer's needs, we have formulated our corporate philosophy and specified our action guidelines as follows: "Let us build the prosperity of the Company and of our lives by combining the ingenuity and efforts of each individual by strengthening the collaboration between manufacturing, sales and technology."

<Corporate Philosophy>

1. We pursue every business operation on the principle of placing the No. 1 priority on customers.
2. We respond with flexibility to changes in the environment and secure appropriate levels of profits to reflect our appreciation of our shareholders, suppliers, and business partners.
3. In harmony with society, we contribute to humanity's progress by securing the position as a global comprehensive parts manufacturer.
4. We strive for the prosperity of the corporation and the welfare of its employees through perpetual efforts for innovation and improvement in performance.

Fully recognizing our role as a global comprehensive manufacturer of parts while valuing relationships

with our customers, employees, and local communities, we attribute the growth of the Company thus far to our shareholders' support as well as the results of our efforts to establish a supply system, improve quality, and to make technological innovations, etc. based on the corporate philosophy stated above. We believe this is the major source of the Company's corporate value.

## II. Initiatives to enhance corporate value

Through the development of products responding to the requirements of fuel efficiency and exhaust emission regulations on the back of the global trend on environmental measures, the Company proactively works to resolve issues facing society.

In the field of automobile engines, which is an existing business, the Company is moving forward with the development of products tied to achieving high thermal efficiency and clean emissions, as well as providing solutions utilizing unique technologies, and has been undertaking initiatives in its business activities with the aim of becoming a company chosen by customers for its quality and ability to come up with proposals that meet customer needs. On the manufacturing front, through the introduction of innovative production lines and the promotion of cost reduction and automation, etc., the Company strives to implement systems to produce quality products even more efficiently.

With respect to new business in the field of non-automobile engines, the Company has been focusing efforts on the development and commercialization of new products, etc. using new materials, centered on the medical equipment and motor fields as the core of new businesses with an eye on the future. In the development of these businesses, the Company will continue to strive to achieve high levels of innovation to add even more value, through collaboration with industry, government, and academia, and proactive collaborative business, including alliances with other companies, using its own technology as the foundation.

The trend of placing greater value on social responsibility in corporate activities has also strengthened in recent years. In addition to working to reduce the environmental impact of its core business, the Company plans to proactively engage in important issues from the perspective of sustainability, such as respecting diversity, human rights, and improving governance, even more actively than it has in the past, together with shareholders, customers, local communities, suppliers, and employees.

Based on this fundamental awareness, the Company will undertake the 8<sup>th</sup> Mid-Term Management Plan with "Change as Chance ~ finding opportunities within change~" as its basic policy, aim for sustainable growth and medium- to long-term enhancement of corporate value, and realize further development of the Company.

## III. Strengthening of Corporate Governance

The Company's basic policies of corporate governance are to "improve management transparency," "achieve accountability to stakeholders," and "accelerate management," and with the enhancement of these as one of its key action points, the Company has been undertaking proactive initiatives.

### ③ Initiatives to prevent unsuitable parties from controlling decisions on the Company's financial and business policies in light of the basic policy

#### I. Objectives of the introduction of the plan

The Plan was introduced as an initiative to prevent an unsuitable party from controlling the decisions on the Company's financial and business policies in light of the above basic policy and to deter large-scale purchases that counter the Company's corporate value and the common interests of shareholders.

#### II. Details of the Plan

##### (i) Details of Large-Scale Purchase Rules

The Large-Scale Purchase Rules that a large-scale purchaser must comply with before any large-scale purchase action are as follows: i) The large-scale purchaser presents necessary and sufficient information concerning the large-scale purchase action to the Board of Directors in advance; ii) the Board of Directors sets a certain evaluation period then consults the Independent Committee, to carefully formulate and announce their opinion as the Board of Directors, including the invoking of countermeasures; and iii) The large-scale purchaser commences said purchase action after the procedures of i) and ii).

##### (a) Large-scale purchase actions, etc. subject to the Plan

The Plan applies to acts resulting in the purchaser holding 20% or more of the Company's shares, etc. or tender offers that result in holdings of 20% or more, or actions equivalent thereto or proposals therefor,

and large-scale purchasers must comply with the large-scale purchase rules set forth in the Plan in advance.

(b) Submission of letter of intent and provision of information

Prior to implementing the large-scale purchase action, the large-scale purchaser subject to the Plan shall submit to the Board of Directors a letter of intent stating matters including an outline of the large-scale purchaser and their group, the objectives, method, and outline of the large-scale purchase action, etc., a pledge expressing the intent to comply with the Large-Scale Purchase Rules prescribed in the Plan, and compensation wording in the event of a violation.

(c) Evaluation and investigation, etc. by the Board of Directors

The Board of Directors shall set a period during which the Company's Directors evaluate, investigate, negotiate, form opinions, and formulate alternative proposals (hereinafter, "Board of Directors' Investigation Period") in accordance with the level of difficulty of evaluating the large-scale purchase action, etc.

(d) Establishment of the Independent Committee and recommendations to the Board of Directors

The Company has established an Independent Committee as an independent organization to appropriately implement the Plan and prevent arbitrary decisions by the Board of Directors. The Independent Committee consists of three or more members who are appointed from among the Company's Outside Directors, Outside Audit & Supervisory Board Members, and external experts to ensure fair and neutral judgments.

The Independent Committee shall, during the Board of Directors' Investigation Period, investigate the details of the large-scale purchase action, etc. from the perspective of ensuring and enhancing the corporate value of the Company and the common interests of our shareholders, and shall make recommendations to the Board of Directors, including the appropriateness of invoking countermeasures.

(e) Resolutions by the Board of Directors, and general meeting of shareholders for confirmation of shareholders' intentions

The Board of Directors shall comply with the aforementioned recommendations of the Independent Committee and, as a body under the Companies Act, pass a resolution concerning the invoking or non-invoking of countermeasures against the large-scale purchase action, etc.

However, when invoking countermeasures, in addition to Independent Committee consultation procedures, the Board of Directors may, after first determining the details of specific countermeasures, convene a general meeting of shareholders to confirm the intent of the Company's shareholders regarding the invocation of countermeasures ("General Meeting of Shareholders for Confirmation of Intent") (i) if the Board of Directors determines that it is in practice possible to confirm the intent of the Company's shareholders – taking into consideration whether a substantive judgment based on the details of the large-scale purchase action, etc. from the perspective of ensuring and enhancing corporate value and the common interests of shareholders is necessary and various circumstances such as other details of the large-scale purchase action, etc. and the time available – and that it is appropriate in light of laws, regulations, and the Directors' duty of care of a prudent manager, etc. or (ii) if the Independent Committee makes a recommendation with a reservation that the intent of the Company's shareholders should be confirmed with respect to the large-scale purchase action, etc.

(ii) Countermeasures if the large-scale purchase, etc. takes place

(a) Conditions for invoking countermeasures

(A) When a large-scale purchaser does not comply with the Large-Scale Purchase Rules

In the event that a large-scale purchaser does not comply with the Large-scale Purchase Rules stipulated in the Plan, and it is not corrected within five business days after the Board of Directors requests such correction in writing, in cases other than where it is obvious that there is a necessity not to invoke countermeasures for the sake of ensuring and enhancing the corporate value of the Company and the common interests of our shareholders or other special circumstances, the Independent Committee shall, in principle, recommend that the Board of Directors invoke countermeasures.

The Board of Directors shall decide to invoke the countermeasures in accordance with the recommendations of the Independent Committee. However, in the event that a General Meeting of

Shareholders for Confirmation of Intent is held in addition to the recommendations of the Independent Committee, the Board of Directors shall decide to invoke countermeasures pursuant to the judgment of shareholders at the General Meeting of Shareholders for Confirmation of Intent.

(B) When a large-scale purchaser complies with the Large-Scale Purchase Rules

In the event that the large-scale purchaser complies with the Large-Scale Purchasing Rules, the Independent Committee shall, in principle, recommend that the Board of Directors does not invoke countermeasures against the large-scale purchase action, etc. However, even if the Large-Scale Purchase Rules are complied with, if the Independent Committee determines that the Company's corporate value and the common interests of our shareholders will be significantly harmed, the Independent Committee will recommend that the Board of Directors invoke countermeasures against the large-scale purchase action, etc.

(b) Details of countermeasures

Countermeasures against the large-scale purchase action, etc. by the Company in accordance with the Plan shall be based on the gratis allotment of share options prescribed in Article 277 and following articles of the Companies Act.

(iii) Effective term, abolition, and amendment of the Plan

The effective term of the Plan shall be until the conclusion of the annual general meeting of shareholders scheduled to be held in June 2023. However, even prior to the expiration of the effective term of the Plan, the Company shall review the Plan from time to time from the perspective of ensuring and enhancing the corporate value of the Company and the common interest of our shareholders, and the Plan shall be abolished or amended by resolution of the general meeting of shareholders or the Board of Directors.

- ④ The fact that the Plan is in accordance with basic policies does not harm the common interests of the Company's shareholders, and is not for the purpose of maintaining the position of the Company's officers, and the reasons therefor

I. Consistency with guidelines and timely disclosure rules for anti-takeover measures

The Plan is in accordance with details of the "Guidelines Regarding Takeover Defenses for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and takes into full consideration the "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008 by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry. In addition, the Plan also fulfils the intent of the various regulations pertaining to the introduction of anti-takeover measures prescribed by Tokyo Stock Exchange, Inc.

II. Introduction for the purpose of ensuring and enhancement of the common interests of shareholders

Introduction of the Plan is for the purpose of ensuring and enhancement of corporate value and common interests of shareholders by securing the necessary information and time required for shareholders to judge whether the large-scale purchase action, etc. is appropriate, and enabling negotiations to be conducted for the benefit of shareholders when such large-scale purchase action, etc. is carried out against the Company.

III. Sufficient respect for shareholders' Intentions (sunset provision)

The Plan was introduced upon being approved at the annual general meeting of shareholders held on June 26, 2020. In addition, in the event that the Board of Directors judges it to be appropriate in light of laws, regulations, or the duty of care of a prudent manager of the Company's Directors, or the Independent Committee makes a recommendation with a reservation that the intentions of shareholders should be confirmed, it shall be possible to confirm the intentions of shareholders with regard to the invoking or non-invoking of countermeasures at the general meeting of shareholders.

IV. Eliminating arbitrariness of the Board of Directors

The Company has established the Independent Committee as a unit independent from the Board of Directors to appropriately carry out this countermeasure, prevent arbitrary judgments by the Board of

Directors, and to ensure the rationality and fairness of the judgments. In the event that a large-scale purchase action, etc. is carried out against the Company, the Independent Committee shall make a substantive judgment as to whether the large-scale purchase action, etc. will damage the corporate value of the Company and the common interests of our shareholders, and the Board of Directors shall pass a resolution in accordance with this judgment as a body under the Companies Act, thus ensuring a mechanism for the transparent operation of the Plan in order to maintain the corporate value of the Company and the common interests of our stockholders.

V. Setting objective and reasonable requirements

The Plan is designed in such a way that countermeasures will not be invoked unless the Independent Committee deems that reasonable and detailed objective requirements have been satisfied.

VI. No dead-hand or slow-hand anti-takeover measure

The Plan is designed in such a way that it may be abolished even prior to the expiration of its effective term by a decision of the Board of Directors, which comprises Directors appointed at the general meeting of shareholders, and the Company believes that the Plan is of a completely different nature to the rights plans known as the dead-hand anti-takeover measure and the slow-hand anti-takeover measure that make it impossible or difficult for the management team to abolish a plan.

VII. Acquiring the opinions of third-party experts

The Plan enables the Independent Committee to receive advice from independent third-parties (financial advisors, certified public accountants, attorneys-at-law, consultants, and other experts) at the Company's expense. This mechanism more securely guarantees the fairness and objectivity of judgments by the Independent Committee.

## **Notes to Consolidated Financial Statements**

### 1. Notes, etc. Regarding Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements

#### (1) Scope of consolidation

- |    |   |  |
|----|---|--|
| a. | No. of consolidated subsidiaries        | 13   |
| b. | Names of main consolidated subsidiaries | NPR of America, Inc.<br>NPR Fukushima Works Co., Ltd.<br>NPR Iwate Co., Ltd.<br>NPR of Europe GmbH<br>PT. NT Piston Ring Indonesia<br>SIAM NPR Co., Ltd.<br>NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.<br>NPR Singapore Pte. Ltd.<br>PT. NPR Manufacturing Indonesia<br>E.A. Associates Sdn. Bhd<br>NPR Auto Parts Manufacturing India Pvt. Ltd.<br>NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd.<br>Normeca Asia Co., Ltd. |

#### (2) Equity method application

Non-consolidated subsidiaries to which the equity method is applied

- Number of non-consolidated subsidiaries or affiliated companies to which the equity method is applied

Not applicable.

#### (3) Changes to the scope of consolidation and scope of application of the equity method

Not applicable.

#### (4) Fiscal year end dates, etc. of consolidated subsidiaries

The fiscal year of consolidated subsidiaries is the same as the consolidated fiscal year, with the exception of NPR of America, Inc., NPR of Europe GmbH, PT. NT Piston Ring Indonesia, SIAM NPR Co., Ltd., NPR Auto Parts Manufacturing (Yizheng) Co., Ltd., NPR Singapore Pte. Ltd., PT. NPR Manufacturing Indonesia, E.A. Associates Sdn. Bhd, NPR Auto Parts Manufacturing India Pvt. Ltd., and NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd. for which the fiscal year ends on December 31. When preparing the consolidated financial statements, necessary consolidation adjustments are carried out based on the financial statements of each company for significant transactions, etc. arising before the end of the consolidated fiscal year.

#### (5) Accounting policies

##### ① Valuation standards and valuation methods for significant assets

###### a. Securities

Other securities

- |   |   |
|---|---|
| • Securities other than shares, etc. without a market price | Fair value method (valuation differences are all included directly in net assets, and the cost of securities sold is calculated using the moving average method). |
| • Shares, etc. without a market price                       | Cost method using the moving average method.  |

###### b. Derivatives

Fair value method.

###### c. Inventory

Mainly cost method using the moving average method (by means of a write-down of book value due to reduction in profitability)

##### ② Depreciation methods for significant depreciable assets

###### a. Property, plant, and equipment

- |  |  |
|--|--|
| • Property, plant, and equipment other than lease assets | The straight-line method is mainly used for machinery and transport equipment, with the declining balance method mainly used for everything else.<br>However, the straight-line method is mainly used for buildings acquired on or after April 1, 1998 (excluding facilities and equipment ancillary to buildings) and facilities and equipment ancillary to |
|--|--|

buildings and structures acquired on or after April 1, 2016.

- Lease assets
 

Lease assets under finance lease transactions with a transfer of ownership  
The same depreciation method is applied to fixed assets owned by the Company.  
Lease assets under finance transactions without transfer of ownership  
The lease term is used as the useful life, and the straight-line method is used with the residual value set as zero.
- b. Intangible fixed assets
  - Intangible fixed assets other than lease assets
 

Software for internal use      The straight-line method based on the internal usable period (five (5) years).

Other intangible fixed assets      Straight-line method.
  - Lease assets
 

Lease assets under finance transactions without transfer of ownership  
The lease term is used as the useful life, and the straight-line method is used with the residual value set as zero.
- ③ Standards for recording significant allowances
 

Allowance for doubtful accounts      The historical bad debt rate is used to provide for loss due to bad debt for general accounts receivable, and for certain debts, such as doubtful accounts receivable, the recoverability is examined individually and the estimated unrecoverable amount is recorded.
- ④ Standard for conversion of significant foreign currency-denominated assets or liabilities into Japanese Yen
 

Foreign currency-denominated assets and liabilities are converted into Japanese Yen at the foreign exchange spot rate on the last day of the consolidated fiscal year and foreign currency translation differences are accounted for as loss or profit. The assets and liabilities of foreign subsidiaries are converted into Japanese Yen at the foreign exchange spot rate on the last day of the consolidated fiscal year, revenue and expenses are converted to Japanese Yen at the average rate for the period, and translation differences are recorded by inclusion in “Foreign currency translation adjustment” and “Non-controlling interests” under net assets.
- ⑤ Significant hedge accounting methods
  - a. Hedge accounting methods
 

Deferred hedge accounting is used.  
Interest rate swaps that satisfy the requirements for special treatment are by special treatment, and forward exchange contracts that satisfy the requirements for allocation treatment are by allocation treatment.
  - b. Hedging instruments and hedged items
 

Hedging instruments: forward exchange contract transactions, interest rate swap transactions.  
Hedged items: foreign currency-denominated assets and liabilities, loans payable
  - c. Method for evaluating the effectiveness of hedging policies and hedges
 

In order to hedge against risks from market rate fluctuations, risk management pursuant to internal rules is implemented for assets or liabilities based on actual demand and the effectiveness is evaluated.
- ⑥ Other significant matters for the preparation of consolidated financial statements
  - a. Accounting method for retirement benefits
 

When calculating retirement benefit liabilities, the method of attributing the estimated amount of retirement benefits to the period until the end of the consolidated fiscal year is based on the benefit calculation formula.  
Actuarial differences are accounted for as expenses from the following consolidated fiscal year after they respectively arise, using the straight-line method based on the average remaining service period of employees when it arises.



	Unrecognized actuarial differences are recorded as accumulated remeasurement of defined benefits plan under accumulated other comprehensive income in the net assets section after adjusting the tax effect.
b. Goodwill amortization method and amortization period	Goodwill is amortized over a period of 7 years using the straight-line method
c. Standards for recording revenue and expenses	<p>The main business of the Group is production and sale of automobile products, marine engine products, and other products. In its automobile product business, the Group manufactures automobile engine parts including piston rings and valve seat inserts at manufacturing bases in Japan and overseas, and sells them to automobile manufacturers, etc. For the replacement parts market, the Group also sells to business operators, etc., handling automobile parts. In the marine engine products and other products businesses, the Group sells piston rings for ships and products applying a metal injection molding (METAMETAL) process, etc. to ship manufacturers and industrial equipment manufacturers, etc. respectively. In the other products business, the Group sells automobile bearing parts and RV products, etc. to automobile manufacturers and retailers, etc.</p> <p>Revenue generated from contracts with customers is recognized at the time that control of the product transfers to the customer. In domestic sales, revenue is mainly recognized at the time of shipping because the time from shipping until control of the product transfers to the customer is a normal period of time (shipping basis applied). With respect to domestic sales where shipping basis is not applied, revenue is recognized when the product is delivered to the customer. With respect to export transactions, revenue is recognized at the time of delivery to the customer set forth in the International Commercial Terms.</p> <p>Transaction consideration is received within one (1) year of satisfaction of the performance obligations, and does not include significant finance components.</p>

## 2. Notes Regarding Changes to Accounting Policies

(Changes to Accounting Policies in Conjunction with Revisions to Accounting Standards, etc.)

(Application of ASC 842 Lease Accounting)

Foreign subsidiaries that applies the US accounting standards have applied ASC 842 Lease Accounting since the beginning of the current consolidated fiscal year. Under this standard, parties taking out leases are in principle required to recognize all leases as assets and liabilities on their balance sheets.

When applying this accounting standard, we have adopted a method of recognizing on the application commencement date the cumulative effects of the application of accounting standards permitted as transitional measures.

Consequently, at the end of the current consolidated fiscal year “Intangible fixed assets” increased by ¥263 million, “Lease liabilities” under current liabilities increased by ¥75 million, and “Lease liabilities” under fixed liabilities increased by ¥186 million. Please note that the impact on loss or profit for the current consolidated fiscal year is minor. The impact on loss and profit for the current consolidated fiscal year is minor.

(Changes to Method of Attribution to Service Period for Retirement Benefits)

In April 2022, the method of recognizing retirement benefits liabilities was clarified by the press release “Attributing Benefit to Periods of Service” by the Indonesian Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan or DSAK) of the Institute of Indonesia Chartered Accountants (Ikatan Akuntan Indonesia or IAI) based on the Agenda Decision of the IFRS Interpretations Committee (IFRIC) Attributing Benefit to Periods of Service (IAS 19 Employee Benefits). In conjunction with this, in the past, retirement benefits were recognized by corresponding to employees’ period of service, but from the current consolidated fiscal year, some foreign subsidiaries apply a method whereby they are recognized by corresponding to the period when the liability burden is incurred.

As a result of recognizing the cumulative effect of the commencement of application of this change as a revision

of the balance of retained earnings and the like at the beginning of the period, the balance of “retained earnings” at the beginning of the current consolidated fiscal year increased by ¥136 million, “foreign currency translation adjustment” increased by ¥8 million, and the “cumulative adjustment for retirement benefits” reduced by ¥52 million. The impact on loss and profit for the current consolidated fiscal year is minor.

### 3. Additional Information

(Notes Regarding Transactions Delivering the Company’s Shares to Employees, etc. through a Trust)

At the Board of Directors’ meeting held on September 24, 2020, the Company passed a resolution to introduce a trust-type employee shareholding incentive plan with the aim of incentivizing employees to improve the Company’s medium- and long-term corporate value.

#### ① Outline of transaction

Under the plan, a trust exclusively for the Nippon Piston Ring Employee Shareholding Association is established at a trust bank (“Employee Shareholding Trust”) and will acquire in advance the number of shares of the Company expects to be acquired by the shareholding association over a five-year period. Subsequently, the Employee Shareholding Trust continuously sells the Company’s shares to the shareholding association, and if an amount equivalent to the profit on the sale of shares has accumulated in the Employee Shareholding Trust when the trust terminates, that amount equivalent to the profit on the sale of shares will be distributed as residual assets to those who satisfy the beneficiary qualification conditions. Because the Company is a guarantor for loans payable for the purpose of the Employee Shareholding Trust acquiring the Company’s shares, if the Company’s share price drops, causing an amount equivalent to loss on the sale of shares to accumulate within the Employee Shareholding Trust and there are outstanding loans payable equivalent to the loss on the sale of such shares within the Employee Shareholding Trust when the trust terminates, the Company shall repay such outstanding liabilities.

#### ② Accounting treatment

With respect to the accounting treatment, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30, March 26, 2015) is applied and accounting treatment is carried out in accordance with such guidelines.

#### ③ Shares of the Company held by the trust

The shares of the Company held by the Employee Shareholding Trust are recorded as treasury shares in the net assets section based on the book value in the Employee Shareholding Trust (excluding the amount of ancillary expenses). At the end of the current consolidated fiscal year, there were 225,700 such treasury shares with a book value of ¥216 million.

#### ④ Book value of loans payable recorded due to the application of the gross method

¥164 million at the end of the current consolidated fiscal year.

(Change to Consolidation Schedule)

As announced in the press release “Conclusion of a Memorandum of Understanding concerning Consolidation through the establishment of a joint holding company (stock transfer) between Nippon Piston Ring Co., Ltd. and Riken Corporation” dated July 27, 2022, the Company and Riken Corporation have concluded a memorandum of understanding to consolidate the two companies on equal terms and started concrete discussions and investigations.

In the press release “Notice Regarding the Schedule for the Consolidation of Nippon Piston Ring Co., Ltd. And Riken Corporation” dated November 28, 2022, we announced that we have changed the schedule for the consolidation in consideration of the time required for the business combination review by the Japan Fair Trade Commission (JFTC), and we hereby give notice that on May 2, 2023, all procedures for notification to the JFTC and investigation procedures were completed and we received a notice from the JFTC to the effect that it would not issue a cease-and-desist order. The two companies will continue discussions and deliberations with the aim of realizing the consolidation as early as possible. With respect to the schedule that we had stated as “TBD,” we will proceed according to the following schedule and will provide notice again once it is finalized by officially approved decisions of the two companies.

Conclusion of final contract regarding the consolidation	May 23, 2023 (scheduled)
Annual general meeting of shareholders (resolution approving the share transfer)	June 23, 2023 (scheduled)
Date of delisting from Tokyo Stock Exchange (TSE)	September 28, 2023

	(scheduled)
Effective date of the Share Transfer and listing date of the joint holding company	October 2, 2023 (scheduled)

(Note) The above is the current schedule and it may be changed by agreement upon discussion between the two companies when necessary due to the progress of the consolidation or necessary due to other grounds.

#### 4. Notes Regarding Accounting Estimates

##### (Recoverability of Deferred Tax Assets at Nippon Piston Ring Co., Ltd.)

###### (1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Deferred tax assets: ¥95 million

Deferred tax liabilities: ¥1,034 million

Of which, amounts pertaining to Nippon Piston Ring Co., Ltd

Deferred tax assets: ¥— million

Deferred tax liabilities: ¥1,163 million

The Company has set off ¥358 million of deferred tax assets against deferred tax liabilities.

###### (2) Other information for understanding the details of estimates

###### ① Calculation method

With respect to the taxable temporary difference after taking into consideration the reversal schedule for taxable temporary difference, we estimate future taxable income and then determine the recoverability of deferred tax assets. The estimate of taxable income is based on the business plan for the following fiscal year approved by the Board of Directors, and its feasibility is reasonably determined.

###### ② Key assumptions

The key assumptions used to formulate the business plan for the following fiscal year that forms the basis of the taxable income estimate are the projected volume of sales and the projected cost of raw materials, assuming a certain business environment, etc.

###### ③ Impact on consolidated financial statements for the following consolidated fiscal year

If changes in the business environment, etc. cause a significant change in the key assumptions – the projected volume of sales and the projected cost of raw materials – and the estimated amount of taxable income reduces, there is the risk that it will have a material impact on the determination of recoverability of deferred tax assets.

#### 5. Notes Regarding Consolidated Balance Sheets

##### (1) Assets pledged as collateral

Details and value of collateral assets

(Mortgageable factory assets)

Buildings and structures ¥2,895 million

Machinery and equipment ¥5,354 million

Land ¥2,832 million

(Other)

Buildings and structures ¥477 million

Land ¥675 million

Liabilities secured by the above collateral assets

(For mortgageable factory assets)

Short-term loans payable ¥1,851 million

Current portion of long-term loans payable ¥1,672 million

Long-term loans payable ¥2,108 million

(Other)

Short-term loans payable 504 million

Current portion of long-term loans payable ¥123 million

Long-term loans payable ¥158 million

(2) Accumulated depreciation of property, plant, and equipment ¥91,624 million

#### 6. Notes to Consolidated Statement of Changes in Net Assets

##### (1) Class and total number of issued shares

Class of Shares	Number of Shares at Beginning of Current Consolidated Fiscal Year	Increase in the Number of Shares in Current Consolidated Fiscal Year	Decrease in the Number of Shares in Current Consolidated Fiscal Year	Number of Shares at End of Current Consolidated Fiscal Year
Common stock	8,374,157	—	—	8,374,157

(2) Dividends of surplus

① Amount of dividends paid

Dividends pursuant to resolution of the 128<sup>th</sup> Annual General Meeting of Shareholders held on June 28, 2022

- Total amount of dividends ¥400 Million
- Dividend per share ¥50
- Record date March 31, 2022
- Effective date June 29, 2022

(Note) The total amount of dividends pursuant to the June 28, 2022 resolution of the annual general meeting of shareholders includes dividends of ¥4 million for shares held by the Employee Shareholding Trust (as of the record date of March 31, 2022: 271,200 shares).

Dividends pursuant to resolution of a meeting of the Board of Directors held on November 11, 2022

- Total amount of dividends ¥160 Million
- Dividend per share ¥20
- Record date September 30, 2022
- Effective date December 6, 2022

(Note) The total amount of dividends pursuant to the November 11, 2022 resolution of the Board of Directors includes dividends of ¥4 million for shares held by the Employee Shareholding Trust (as of the record date of September 30, 2022: 246,700 shares).

② Dividends with a record date that falls in the current consolidated fiscal year that have an effective date in the subsequent period

The following proposal was made for resolution at the 129<sup>th</sup> Annual General Meeting of Shareholders to be held on June 23, 2023

- Total amount of dividends ¥400 Million
- Source of dividend Retained earnings
- Dividend per share ¥50
- Record date March 31, 2023
- Effective date June 26, 2023

(Note) The total amount of dividends pursuant to the June 23, 2023 resolution of the annual general meeting of shareholders includes dividends of ¥11 million for shares held by the Employee Shareholding Trust (as of the record date of March 31, 2023: 225,700 shares).

(3) Number of shares underlying share options issued by the Company on the last day of the current consolidated fiscal year

Common shares 43,700

7. Notes Regarding Financial Instruments

(1) Financial instruments

The Group raises necessary funds (mainly from bank loans) based on a capital investment plan in order to carry out its business manufacturing and selling various products, including automobile products.

Customer credit risk pertaining to notes and accounts receivable-trade is managed for each business counterparty in accordance with the Group's Credit Management Rules and the credit risk for key business counterparties is continuously monitored and risk reduction implemented.

Additionally, although accounts receivable-trade denominated in foreign currencies are exposed to foreign exchange risk, derivatives transactions (foreign exchange forward transactions) are utilized as a hedge in order to mitigate foreign exchange risk and fix the amount recovered for some of these.

Shares, which are investment securities, are exposed to market price fluctuation risks, but the fair value is

assessed quarterly.

Loans payable are used for operating funds (mainly short-term) and capital investment funds (mainly long-term, within five (5) years) and are exposed to interest rate fluctuation risks in the case of loans payable with variable interest rates, but for some long-term loans payable, derivatives transactions (interest rate swap transactions) are used for individual agreements in order to mitigate the risks of fluctuations in interest payable and fix the amount of interest payable.

The implementation and management of derivatives transactions are carried out in accordance with the internal rules set forth by our bank of account, and when utilizing derivatives, in order to reduce credit risk, we only carry out transactions with major financial institutions. Please note that our policy is to utilize derivatives to mitigate the above foreign exchange risks and interest rate fluctuation risks, and not as speculative transactions.

(2) Fair value, etc. of financial instruments

The value recorded in consolidated balance sheets, fair value, and the difference between the two as of March 31, 2023, are as follows

	Value Recorded in Consolidated Balance Sheets (millions of yen)	Fair Value (millions of yen)	Difference (millions of yen)
① Notes, accounts receivable-trade and contract assets	11,719	11,719	—
② Investment securities Other securities	5,195	5,195	—
Total assets	16,914	16,914	—
③ Notes and accounts payable-trade	3,725	3,725	—
④ Electronically recorded obligations	4,326	4,326	—
⑤ Short-term loans payable	5,940	5,940	—
⑥ Long-term loans payable (including current portion)	6,659	6,634	(25)
Total liabilities	20,651	20,626	(25)

(Note 1) “Cash and deposits” have been omitted because it is cash and deposits have a fair value that approximates book value due to being paid in a short time

(Note 2) Shares, etc. without a market price are not included in “② Investment securities.” The value of these financial instruments recorded in the consolidated balance sheets is as follows.

Shares, etc. Without a Market Price

Category	Current Consolidated Fiscal Year (millions of yen)
Unlisted shares	3

(3) Breakdown, etc. of fair value level of financial instruments

The fair value of financial instruments is divided into three levels depending on the observability and importance of inputs for the calculation of fair value.

Level 1 fair value: Inputs for calculation of an observable fair value where the fair value calculated using the market price of assets or liabilities whose fair value is being calculated is formed in an active market

Level 2 fair value: Inputs for calculation of an observable fair value where the fair value is calculated using inputs for calculation of fair value other than those for level 1

Level 3 fair value: Fair value calculated using inputs for the calculation of fair value that are unobservable

In cases where multiple inputs which have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

① Financial instruments recorded at fair value in consolidated balance sheets  
Current Consolidated Fiscal Year (March 31, 2023)

Category	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	5,195	—	—	5,195
Total assets	5,195	—	—	5,195

② Financial instruments other than financial instruments recorded at fair value in consolidated balance sheets  
Current Consolidated Fiscal Year (March 31, 2023)

Category	Fair Value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes, accounts receivable-trade and contract assets	—	11,719	—	11,719
Total assets	—	11,719	—	11,719
Notes and accounts payable-trade	—	3,725	—	3,725
Electronically recorded obligations	—	4,326	—	4,326
Short-term loans payable	—	5,940	—	5,940
Long-term loans payable	—	6,634	—	6,634
Total liabilities	—	20,626	—	20,626

(Note) Explanation of valuation techniques and inputs used to calculate the fair value

Investment securities

Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value. On the other hand, other securities held by the Company are not traded on the market and a market price on an active market cannot be determined, so therefore they are noted as shares without a market price.

Notes, accounts receivable-trade and contract assets

The fair value of notes and accounts receivable-trade is calculated using the discounted cash flow method based on interest rates considering the claim amount, the period until maturity, and the credit risk for each claim divided into set periods, and this is categorized as a level 2 fair value.

Notes and accounts payable-trade, electronically recorded claims, and short-term loans payable

The fair value of notes and accounts payable-trade, electronically recorded claims and short-term loans payable is calculated using the discounted cash flow method based on interest rates considering the future cash flow, the period until the payment due date, and the credit risk for each obligation divided into set periods, and this is categorized as a level 2 fair value.

Long-term loans payable

The fair value of long-term loans payable with variable interest rates is their book value because the fair value is regarded as approximating book value since it reflects market interest rates over the short-term and the credit standing of the Company has not changed significantly after drawdown. The fair value of long-term loans payable with fixed interest rates is calculated by discounting the total amount of principal and interest by the interest rate if a similar loan were newly taken out, and these are categorized as a level 2 fair value.

8. Notes Regarding Revenue Recognition

(1) Analysis information for revenue generated from contracts with customers

Information regarding the breakdown of revenue by main types of goods or services.

(Unit: million yen)

	Reporting Segment			Other	Total
	Automobile Business	Marine Engine and Other Products Business	Total		
Net sales					

Japan	16,898	1,361	18,260	3,450	21,711
Asia	15,663	626	16,290	208	16,498
Europe	4,841	253	5,094	2,614	7,709
North America	6,519	—	6,519	143	6,663
Other regions	5,929	—	5,929	12	5,942
Total	49,853	2,241	52,094	6,429	58,524
Net sales to external customers	49,853	2,241	52,094	6,429	58,524

(2) Information for understanding the amount of revenue for the current period and the following period onwards

a. Balance, etc. of contract liabilities

	Current Consolidated Fiscal Year (millions of yen)
Receivables arising from contracts with customers (balance at beginning of period)	11,122
Receivables arising from contracts with customers (balance at end of period)	11,719
Contract liabilities (balance at beginning of period)	80
Contract liabilities (balance at end of period)	87

Contract liabilities for sales contracts in export transactions mainly for the replacement parts market are with respect to advances received from customers pursuant to the payment terms. Contract liabilities are reversed when revenue is recognized.

Of revenue recognized for the current consolidated fiscal year, ¥80 million was included in the balance of contract liabilities as of the beginning of the period. The main reason for the ¥7 million increase in contract liabilities in the current consolidated fiscal year was an increase in advances received pertaining to export transactions at foreign subsidiaries.

The amount of revenue recognized in the current consolidated fiscal year from performance obligations fulfilled (or partially fulfilled) in past periods is not significant.

b. Transaction price allotted to outstanding performance obligations

As there are no significant transactions for which the expected contract term of an individual agreement exceeds one year in the Group, practical shortcuts are applied and information on outstanding performance obligations has been omitted. Additionally, there are no significant amounts in consideration generated from contracts with customers that has not been included in transaction prices.

9. Notes Regarding Per Share Information

- |                              |           |
|------------------------------|-----------|
| (1) Net assets per share     | ¥4,632.77 |
| (2) Basic earnings per share | ¥232.90   |

The Company introduced the “Trust-Type Employee Shareholding Incentive Plan (Employee Shareholding Trust)” in November 2020.

When calculating the “Net assets per share,” the Company’s shares held by the employee shareholding trust account are included in the treasury shares deducted from the total number of issued shares at the end of the period (225,700 shares in the current consolidated fiscal year), and when calculating the “Basic earnings per share,” are included in the treasury shares deducted when calculating the average number of shares during the period (247,246 shares in the current consolidated fiscal year).

## **Notes to Non-Consolidated Financial Statements**

### 1. Notes Regarding Significant Accounting Policies

#### (1) Valuation standards and valuation methods for assets

- ① Securities
  - a. Shares of subsidiaries Cost method using the moving average method.
  - b. Other securities
    - Securities other than shares, etc. without a market price Fair value method (valuation differences are all included directly in net assets, and the cost of securities sold is calculated using the moving average method).
    - Shares, etc. without a market price Cost method using the moving average method.
- ② Derivatives Fair value method.
- ③ Inventory Cost method using the moving average method (by means of write-down of book value due to reduction in profitability).

#### (2) Fixed asset depreciation method

- ① Property, plant, and equipment
  - a. Property, plant, and equipment other than lease assets
 

The straight-line method for machinery and equipment, with declining balance method used for everything else.  
However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities and equipment ancillary to the building) and facilities and equipment ancillary to buildings and structures acquired on or after April 1, 2016.
  - b. Lease assets
 

Lease assets under finance lease transactions with transfer of ownership  
The same depreciation method as is applied to fixed assets owned by the Company.  
Lease assets under finance transactions without transfer of ownership  
The lease term is used as the useful life, and the straight-line method is used with the residual value set as zero.
- ② Intangible fixed assets
  - a. Intangible fixed assets other than lease assets
    - Software used internally The straight-line method based on the internal usable period (five (5) years).
    - Other intangible fixed assets Straight-line method.
  - b. Lease assets
 

Lease assets under finance transactions without transfer of ownership  
The lease term is used as the useful life, and the straight-line method is used with the residual value set as zero.

#### (3) Standards for recording allowances

- ① Allowance for doubtful accounts
 

The historical bad debt rate is used to provide for loss due to bad debt for general accounts receivable, and for certain debts, such as doubtful accounts receivable, the recoverability is examined individually and the estimated unrecoverable amount is recorded.
- ② Allowance for retirement benefits
 

To provide for employee retirement benefits, the amount arising at the end of the current fiscal year is recorded based on the estimated retirement benefit obligations and pension assets at the end of the current fiscal year.  
Actuarial differences are accounted for as expenses from the following fiscal year after they respectively arise, using the straight-line method based on the average remaining service period of employees when it arises.

#### (4) Standards for recording revenue and expenses

- ① Details of main performance obligations in the company's main business
 

The Company's main business is the manufacture and sale of automobile products, marine engine products, and other products. In its automobile product business, the Company manufactures automobile engine parts including piston rings and valve seat inserts



at manufacturing bases in Japan and overseas, and sells them to automobile manufacturers, etc. For the replacement parts market, the Company also sells to business operators, etc. handling automobile parts. In the marine engine products and other products business, the Company sells piston rings for ships and products applying a metal injection molding (METAMETAL) process, etc. to ship manufacturers and industrial equipment manufacturers, etc. respectively. In the other products business, the Company sells automobile-bearing parts and RV products, etc. to automobile manufacturers and retailers, etc.

- ② Time that the company normally satisfies such performance obligations (the time when revenue is normally recognized)

Revenue generated from contracts with customers is recognized at the time that control of the product transfers to the customer. In domestic sales, revenue is normally recognized at the time of shipping because the time from shipping until control of the product transfers to the customer is a normal period of time (shipping basis applied). With respect to domestic sales where a shipping basis is not applied, revenue is recognized when the product is delivered to the customer. With respect to export transactions, revenue is recognized at the time of delivery to the customer set forth in the International Commercial Terms.

Transaction consideration is received within 1 year of satisfaction of the performance obligations and does not include significant finance components.

(5) Significant hedge accounting methods

- |  |  |
|--|--|
| ① Hedge accounting methods   | Deferred hedge accounting is used.<br>Interest rate swaps that satisfy the requirements for special treatment are by special treatment, and forward exchange contracts that satisfy the requirements for allocation treatment are by allocation treatment. |
| ② Hedging instruments and hedged items                                   | Hedging instruments: forward exchange contract transactions, interest rate swap transactions<br>Hedged items: foreign currency-denominated receivables and payables, loans payable   |
| ③ Method for evaluating the effectiveness of hedging policies and hedges | In order to hedge against risks from market rate fluctuations, risk management pursuant to internal rules is implemented for receivables or payables based on actual demand and the effectiveness is evaluated.  |

2. Notes Regarding Changes to Accounting Policies

(Change to Accounting Policies in Conjunction with Revisions to Accounting Standards, etc.)

- (1) Application of accounting standards, etc. regarding the calculation of fair value  
This has the same content as the notes stated in the Notes to Consolidated Financial Statements so has been omitted here.
- (2) Application of “Accounting standards, etc. regarding revenue recognition” and “Application policies for accounting standards regarding revenue recognition”  
This has the same content as the notes stated in the Notes to Consolidated Financial Statements so has been omitted here.

3. Notes Regarding Changes to Presentation Methods

(Profit and Loss Statement)

As “Commitment fees” recorded as a category in the previous fiscal year has reduced in importance, it is included in “Other” under “Non-operating revenue.”

4. Additional Information

(Notes Regarding Transactions Delivering the Company’s Shares to Employees, etc. through a Trust)

Notes regarding the Employee Shareholding Trust have been omitted here because they have the same content as stated in “1. Notes, etc. Regarding Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements (3. Additional Information)” in the Notes to Consolidated Financial Statements.

(Change to Consolidation Schedule)

Notes regarding changes to the schedule for the consolidation of the Company and Riken Corporation have been omitted here because they consists of the same content as stated in “1. Notes, etc. Regarding Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements (3. Additional Information)” in the Notes to Consolidated Financial Statements.

5. Notes Regarding Accounting Estimates

(Recoverability of Deferred Tax Assets)

- (1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Deferred tax liabilities (net amount): ¥1,163 million

Deferred tax assets before set-off against deferred tax liabilities: ¥358 million

- (2) Other information for understanding the details of estimates

This has the same content as the notes stated in the Notes to Consolidated Financial Statements so has been omitted here.

6. Notes Regarding Non-Consolidated Balance Sheets

- (1) Assets pledged as collateral

(Mortgageable factory assets)

Buildings ¥2,784 million

Structures ¥78 million

Machinery and equipment ¥5,353 million

Land ¥2,832 million

(Other)

Buildings ¥463 million

Structures ¥13 million

Land ¥675 million

Liabilities secured by the above collateral assets

(For mortgageable factory assets)

Short-term loans payable ¥1,851 million

Current portion of long-term loans payable ¥1,672 million

Long-term loans payable ¥2,108 million

(Other)

Short-term loans payable ¥504 million

Current portion of long-term loans payable ¥123 million

Long-term loans payable ¥158 million

- (2) Accumulated depreciation of property, plant, and equipment ¥44,072 million

- (3) Monetary claims and liabilities (excluding those presented by category) against related companies are as follows

① Short-term monetary claims ¥3,283 million

② Short-term monetary liabilities ¥5,908 million

7. Notes Regarding Profit and Loss Statement

Volume of trade with related companies

①	Net sales	¥8,791 million
②	Purchases	¥20,943 million
③	Volume of trade arising from transactions that are not business transactions	
	Non-operating revenue	¥1,408 million

8. Notes Regarding Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares

Class of Shares	Number of Shares at the Beginning of the Current Fiscal Year	Increase in the Number of Shares in the Current Fiscal Year	Decrease in the Number of Shares in the Current Fiscal Year	Number of Shares at the End of the Current Fiscal Year
Common stock	645,290	118	61,680	583,728

9. Notes Regarding Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by main causes

The main causes giving rise to deferred tax assets are the allowance for retirement benefits and unpaid bonuses.

The main causes giving rise to deferred tax liabilities are prepaid pension expenses and other securities valuation differences

10. Notes Regarding Transactions with Affiliated Parties  
Subsidiaries, etc.

(Unit: million yen)

Type	Company, etc. Name	Ratio of Voting Rights, etc.	Details of Relationship		Details of Transactions	Transac tion Value	Item	Balance at End of Period
			Number of Interlocking, Officers, etc.	Business Relationship				
Subsidiary	NPR Fukushima Works Co., Ltd.	Direct 100%	Three (3) interlocking officers	Manufacture of the Company's products	Purchase, etc. products	8,499	Accounts payable- trade	3,235
					Lending of funds (Note 2)	1,363	Short-term loans to related companies	1,363
					Collection of funds	1,189	—	—
					Receipt of interest	5	—	—
Subsidiary	NPR Iwate Co., Ltd.	Direct 100%	Three (3) interlocking officers	Manufacture of the Company's products	Delegation of product manufacture	8,602	Accounts payable- trade	2,232
Subsidiary	NPR of Europe GmbH	Direct 70%	One (1) interlocking officer	Sale of the Company's products	Sale of products	3,648	Accounts receivable- trade	1,439
					Lending of funds (Note 2)	624	Short-term loans to related companies	204
					Collection of funds	420	—	—
					Receipt of interest	4	—	—
Subsidiary	NPR of America, Inc.	Direct 100%	Two (2) interlocking officers	Manufacture and sale of the Company's products	Sale of products	2,145	Accounts receivable- trade	966
					Lending of funds (Note 2)	971	Short-term loans to related companies	801
					Collection of funds	1,271	—	—
					Receipt of interest	9	—	—
Subsidiary	SIAM NPR Co., Ltd.	Direct 100%	One (1) interlocking officer	Manufacture and sale of the Company's products	Receipt of dividends	581	—	—
Subsidiary	PT. NT Piston Ring Indonesia	Direct 100%	One (1) interlocking officer	Manufacture and sale of the Company's products	Receipt of dividends	675	—	—

(Notes) Transaction terms and policy for determining transaction terms

1. Transaction terms on price take into account the market price and are determined through price negotiations.

2. For the lending of funds, interest is reasonably determined taking into account the market rate for loan interest rates.
3. Transaction amounts do not include consumption tax, etc. With the exception of related company loans receivable, the balance at the end of the period includes consumption tax, etc.

11. Notes Regarding Revenue Recognition

Information that is the basis for understanding revenue is the same as stated in the notes in the Notes to Consolidated Financial Statements of Riken Corporation and has therefore been omitted here.

12. Notes Regarding Per Share Information

- |                              |           |
|------------------------------|-----------|
| (1) Net assets per share     | ¥4,135.01 |
| (2) Basic earnings per share | ¥217.65   |

The Company introduced the “Trust-Type Employee Shareholding Incentive Plan (Employee Shareholding Trust)” in November 2020.

When calculating the “Net assets per share,” the Company’s shares held by the employee shareholding trust account are included in the treasury shares deducted from the total number of issued shares at the end of the period (225,700 shares in the current fiscal year), and when calculating the “Basic earnings per share,” are included in the treasury shares deducted when calculating the average number of shares during the period (247,246 shares in the current fiscal year).

## **Reference Documents Concerning Riken Corporation for the General Meeting of Shareholders in Relation to Proposal 1**

### **Details of Financial Statements of Riken Corporation's Final Fiscal Year (Fiscal Year Ended March 31, 2023)**

(see the following pages)

# Business Report of Riken Corporation

(From April 1, 2022 to March 31, 2023)

## 1. Matters Regarding the Current Status of the Corporate Group

### 1-1 Business Progress and Results

During the current consolidated fiscal year (April to March in Japan and India, January to December in the rest of the world), global economies showed signs of recovery thanks to the easing of restrictions on activities aimed at preventing the spread of COVID-19. However, the economies remained weak due to high inflation caused by geopolitical risks and policy rate hikes mainly in the U.S. and Europe.

In Japan, as well, although there have been signs of a recovery in economic activities such as consumer spending, the economy has not seen a strong recovery due to soaring raw material and energy prices and sharp fluctuations in foreign exchange rates.

With regard to the automobile industry, which has a close relationship with the Group, although automobile production has increased compared to the previous year, it still has not fully recovered due to such factors as the shortage of semiconductor parts in many countries.

Amid these conditions, the Group's net sales for the current consolidated fiscal year increased to 86,382 million yen (up 10.2% year-on-year) due to a recovery in automobile production and the foreign exchange impact of a weaker yen. Operating profit was 4,676 million yen (down 8.7% year-on-year) due to the impact of soaring raw material and energy prices, despite the positive impact of a weaker yen. Ordinary profit was 7,374 million yen (up 12.9% year-on-year) due to increased profits from overseas equity-method affiliates, insurance income, etc. Profit attributable to owners of parent was only 4,318 million yen (down 0.3% year-on-year), mainly due to an increase in impairment losses.

### 1-2 Status of Capital Investments, etc.

The total amount of capital investment made by the Group during the current consolidated fiscal year was 2,878 million yen, with the main investments being as follows.

#### (1) Major facilities completed during the current consolidated fiscal year

- Kashiwazaki Plant  
Additional machine processing and surface treatment facilities (Automotive & Machinery Parts Business)
- Kumagaya Plant  
Additional machine processing and surface treatment facilities (Automotive & Machinery Parts Business)

#### (2) New and enhanced major facilities during the current consolidated fiscal year

- Kashiwazaki Plant  
Additional machine processing and surface treatment facilities (Automotive & Machinery Parts Business)  
Hydrogen engine business-related R&D facilities (Automotive & Machinery Parts Business)
- Kumagaya Plant  
Additional machine processing and surface treatment facilities (Automotive & Machinery Parts Business)  
R&D facilities for new business creation (Other)
- Riken Heat Techno Co., Ltd.  
Thermal engineering-related manufacturing facilities (Other)
- RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD.  
Additional machine processing facilities (Automotive & Machinery Parts Business)

### 1-3 Status of Financing

There were no special items to be noted during the current consolidated fiscal year.

## 1-4 Issues that Need to be Addressed

The global economy in FY2023 is forecasted to grow at a low rate, impacted by such factors as rising prices and turmoil in the financial sector. While the economy is gradually emerging from the stagnation of economic growth caused by COVID-19 and supply chain disruptions, geopolitical risks such as Russia's invasion of Ukraine and the U.S.-China trade conflict remain high, and uncertainty remains in the global economic forecast.

The automotive industry, which has a close relationship with the Group, is in the midst of a “once-in-a-century period of great transformation” with an increase in the number of environmentally friendly vehicles such as electric vehicles and the development of technologies such as automated driving, etc. The Company projects that the global market will expand with accelerated “social transformation” and qualitative changes impacted by the spread of COVID-19 infection.

The global trend toward carbon neutrality is on the rise, which is leading to an increase in the number of environmentally friendly vehicles and a further acceleration in the diversification of power sources for automobiles. It can be said that the decarbonization of mobility is entering an increasingly diverse stage of development, as decarbonized fuels, which are rapidly gaining momentum in Europe in particular, are becoming a realistic option. The increasing instability of world affairs and geopolitical risks have also highlighted the vulnerabilities of existing supply chains, while at the same time drawing greater attention to the instability of the supply of raw materials, such as rare metals, which are extremely unevenly distributed. In addition to these types of environmental changes, the diversification of automotive power is making it difficult to predict the future, as evidenced by the review of life cycle assessment of carbon dioxide emission reductions, which is an indicator in the quest for carbon neutrality. For the Company, in order to overcome all possible scenarios and develop our business, we will continue to “strengthen the cost competitiveness of our core businesses,” “restructure our management base in response to crises,” and “expand our new core next-generation business and new products of non-internal combustion engines.”

In “strengthening cost competitiveness of our core businesses,” the Company aims to win the battle in existing engine parts such as piston rings, while expanding our existing non-internal combustion engines business and strengthening cost competitiveness. Until the mid-2020s, we will expand profits and business of existing parts and products, including engine-related parts, shift management resources, and streamline domestic and overseas investments with the keywords of building an optimal production system. We will subsequently manage and control strictly the investment in increased production of engine parts in particular, both in Japan and overseas, until around 2030, and promote rationalization and labor-saving investments.

In “restructuring of management base in response to crises,” we will strive to lower the break-even point by reviewing the operation system, streamlining operations, and further improving productivity. To achieve this, our policy is to continue to reduce fixed costs, such as labor and expenses, through measures such as selection and concentration without sanctuary, and to further promote business reforms through DX (Digital Transformation). By pursuing “cost competitiveness in our core businesses” and “restructuring our management base,” we will strengthen our capacity to generate cash flow from existing businesses and shift the cash we have generated to investments for the “expansion of our next-generation core businesses and new products in non-internal combustion engines,” as well as in reducing greenhouse gases in our manufacturing processes to achieve a decarbonized society, and in developing products with superior environmental performance.

Also, for the “expansion of our next-generation core businesses and new products in non-internal combustion engines,” by pursuing open innovation through business and capital alliances and joint development with other companies, will further accelerate the development of new products mainly for next-generation automobiles and the creation and expansion of non-automotive businesses through vertical and horizontal expansion taking advantage of M&A and other opportunities around existing non-automotive internal combustion engine business areas. For this reason, in addition to transforming “materials technologies” “processing technologies,” and “surface treatment technology” derived from our existing businesses into our next-generation core businesses and new products, we are developing “technologies related to new-type engines that utilize hydrogen, e-Fuel, and other next-generation fuels,” “technologies such as high-performance resins and technologies for heterogeneous material joining,” “EMC (electromagnetic compatibility) technologies for anechoic chambers, radio frequency absorbers, and next-generation noise suppression shields,” and “thermal engineering technologies for industrial electric furnaces and high-performance electric heating wires for high-temperature applications.” We



will continue to invest aggressively in these businesses in order to develop advanced technologies that will lead to new products that are compatible with CASE and carbon neutrality, which have become popular in the world's automotive and mobility industries, such as engineering technologies for industrial electric furnaces and high-performance electric heating wires for high temperature bands, and new engine technologies that utilize next-generation fuels. This May 9, NIPPON PIPE FITTING Corp., a manufacturer of plumbing fittings known as the Yubiwa brand, joined the Group. Through this addition, from now on we will further increase the ratio of sales of non-internal combustion engines and strive to further expand earnings by creating synergies with the existing piping components business.

Also, in light of the inconvenience and concern caused to our stakeholders by the illicit attacks on Company servers last fiscal year, we are building a robust cyber security system and will strive to prevent a recurrence by maintaining and improving this system.

By pursuing these measures, we will strive to strengthen the Company's competitiveness and continuously increase the Company's corporate value.

Lastly, regarding the business consolidation between the Company and Nippon Piston Ring Co., Ltd. after the basic agreement on July 27, 2022, the two companies have been discussing and considering the consolidation, and on May 23 of this year, the two companies signed a business consolidation agreement and formulated a share transfer plan.

Subject to the approval of the General Meeting of Shareholders, NPR-Riken Corporation will be established as of October 2 of this year as the wholly owning parent company of both companies by means of a mutual share transfer.

The Consolidation, in addition to strengthening the profitability of existing businesses centered on automotive engine parts, will allow the two companies to consolidate and effectively utilize their management resources to create the next core businesses and new products with a greater sense of urgency in the non-automotive engine parts domain, such as marine vessels, hydrogen, new energy projects, thermal engineering, EMC business, Metamold (metal powder injection molding parts), medical equipment, and axial gap motors (disk-shaped thin high torque motors). We will evolve into a completely new leading company that develops distinctive functional parts and key components globally that harness the techniques

and technologies developed by both companies, and further enhance corporate value in line with the global trend toward carbon neutrality.

## 1-5 Changes in the Status of Assets and Gains or Losses

### (1) Changes in the status of assets and gains or losses of the corporate group

Category	96th Term (FY2019)	97th Term (FY2020)	98th Term (FY2021)	99th Term (FY2022) [current consolidated fiscal year]
Net sales (millions of yen)	84,530	69,720	78,372	86,382
Ordinary profit (millions of yen)	5,964	4,323	6,529	7,374
Profit attributable to owners of parent (millions of yen)	3,517	1,880	4,329	4,318
Earnings per share (yen)	355.26	189.05	433.47	431.60
Total assets (millions of yen)	107,920	110,544	115,707	123,728
Net assets (millions of yen)	75,905	80,142	87,082	94,983
Net assets per share (yen)	7,059.13	7,507.92	8,109.98	8,810.30

(2) Changes in the Status of the Company's Assets and Gains or Losses

Category		96th Term (FY2019)	97th Term (FY2020)	98th Term (FY2021)	99th Term (FY2022) [Current fiscal year]
Net sales	(millions of yen)	53,414	46,099	51,080	51,909
Ordinary profit	(millions of yen)	2,623	2,012	4,172	7,285
Profit	(millions of yen)	2,293	1,030	3,784	5,625
Earnings per share	(yen)	231.63	103.58	378.84	562.27
Total assets	(millions of yen)	68,820	69,314	72,293	77,027
Net assets	(millions of yen)	42,616	44,627	47,869	53,272
Net assets per share	(yen)	4,280.02	4,487.84	4,775.90	5,295.07

## 1-6 Status of Important Parent Companies and Subsidiaries

(1) Relationship with parent company

Not applicable.

(2) Status of important subsidiaries and affiliated companies

Status of important subsidiaries

Company name	Share capital	Shareholding ratio	Primary businesses
RIKEN CASTEC Co.,Ltd.	200 million yen	100.0%	Manufacture of casting parts for automobiles, etc.
RIKEN ENVIRONMENTAL SYSTEM Co.,Ltd.	100 million yen	100.0%	Manufacture of anechoic chamber equipment
Riken Heat Techno Co., Ltd.	30 million yen	100.0%	Manufacture of electric heating wire and industrial furnaces
P.T. PAKARTI RIKEN INDONESIA	4,150 million rupiah	40.0%	Manufacture of casting parts for automobiles, etc.
RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD.	US\$19 million	60.0%	Manufacture of automotive parts
RIKEN MEXICO, S.A. DE C.V.	620 million pesos	100.0%	Manufacture of automotive parts
RIKEN OF AMERICA, INC.	US\$ 250,000	100.0%	Sales of the Company products in North America
EURO-RIKEN GMBH	664,000 euros	100.0%	Sales of the Company products in Europe

Note: Shareholding ratios include indirect holdings.

## 1-7 Primary Content of Business (as of March 31, 2023)

The Group is primarily engaged in the manufacturing and sales of automotive and industrial machinery parts, including piston rings and camshafts, as well as industrial products such as steel pipe fittings and electric heating wires. We have a global presence with operations in both domestic and international markets. (See details below)

Automotive & Machinery Parts Business:

- Engine Parts (piston rings, camshafts, etc.)
- Transmission Parts (seal rings, differential cases, etc.)
- Drive and Chassis Parts (knuckles, brake calipers, etc.)

Other:

- Piping Products (steel pipe fittings, stainless steel pipe fittings, etc.)
- Thermal Engineering Products (electric heating wires, industrial furnaces, etc.)
- EMC Products (Shield Rooms, Radio Frequency Anechoic Chambers, etc.)

## 1-8 Primary Sales Offices and Plants (as of March 31, 2023)

### (Domestic sales offices)

Head Office (Chiyoda-ku, Tokyo), Sapporo Sales Office (Sapporo, Hokkaido), Sendai Sales Office (Sendai, Miyagi), Kanagawa Sales Office (Atsugi, Kanagawa), Hamamatsu Sales Office (Hamamatsu, Shizuoka), Nagoya Sales Office (Nagoya, Aichi), Osaka Sales Office (Osaka), Hiroshima Sales Office (Hiroshima), Fukuoka Sales Office (Fukuoka City, Fukuoka Prefecture), Riken Trading Co. Ltd. (Chiyoda-ku, Tokyo)

### (Domestic Plants)

Kashiwazaki Plant (Kashiwazaki City, Niigata), Kumagaya Plant (Kumagaya City, Saitama), RIKEN CASTEC Co.,Ltd. (Kashiwazaki City, Niigata), Riken Kikai Co., Ltd. (Kashiwazaki City, Niigata), NIHON MEKKI INDUSTRY CO.,LTD. (Kashiwazaki City, Niigata), Kashiwazaki Piston Ring Co. Ltd. (Kashiwazaki City, Niigata), Riken EP Corporation (Kashiwazaki City, Niigata), RIKEN ENVIRONMENTAL SYSTEM CO., Ltd. (Kumagaya City, Saitama), Riken Heat Techno Co.,LTD. (Kumagaya City, Saitama), BROTHER PRECISION IND. CO., LTD. (Chiryu, Aichi)

### (Overseas sales offices)

RIKEN OF AMERICA, INC. (USA), EURO-RIKEN GMBH (Germany), PT. RIKEN OF ASIA (Indonesia), RIKEN SALES AND TRADING (THAILAND) CO., LTD. (Thailand)

### (Overseas Plants)

P.T. PAKARTI RIKEN INDONESIA (Indonesia), RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD. (China), RIKEN SEAL PRODUCTS (WUHAN) CO., LTD. (China), RIKEN MEXICO, S.A. DE C.V. (Mexico), TAIWAN RIKEN IND. CO., LTD. (Taiwan), SIAM RIKEN IND. CO., LTD. (Thailand), SHRIRAM PISTONS & RINGS LTD. (India), XIAMEN RIKEN IND. CO., LTD. (China), Riken Power System (Nanjing) Co., Ltd. (China)

## 1-9 Status of Employees (as of March 31, 2023)

### (1) Status of corporate group employees

Number of employees at the end of the current consolidated fiscal year	Increase (decrease) from the end of the previous consolidated fiscal year
persons	persons
4,153	Decrease of 179

### (2) Status of company employees

End of the current fiscal year No. of employees	Compared to the end of previous fiscal year Increase (decrease)	Average age	Average years of employment
persons	persons	years of age	years
1,206	Decrease of 28	42.6	18.8

## 1-10 Primary lenders (as of March 31, 2023)

Lender	Loans outstanding (millions of yen)
Mizuho Bank, Ltd.	3,150
MUFG Bank, Ltd.	2,250
Nippon Life Insurance Company	1,760
Daishi Hokuetsu Bank, Ltd.	1,250

## 2. Matters Regarding the Company's Stock (as of March 31, 2023)

### 2-1 Total number of authorized shares

20,000,000

### 2-2 Total number of shares issued

10,688,866 (including 646,482 treasury shares)

### 2-3 Number of shareholders

11,689 (including one (1) shareholder holding treasury shares)

### 2-4 Major shareholders

Shareholder name	Shares held	Shareholding ratio
	thousands of shares	%
The Master Trust Bank of Japan ,Ltd. (Trust account)	982	9.78
Mizuho Bank, Ltd.	486	4.84
Nippon Life Insurance Company	428	4.27
Daishi Hokuetsu Bank, Ltd.	320	3.19
Custody Bank of Japan, Ltd.	275	2.75
Sumitomo Mitsui Trust Bank, Limited	261	2.61
MUFG Bank, Ltd.	255	2.54
Riken Kashiwazaki Shareholding Association	241	2.40
Sompo Japan Insurance Inc.	190	1.89
Proterial, Ltd.	177	1.76

Note: Shareholding ratio is calculated excluding treasury shares.

### 2-5 Status of shares issued to Company Executives as compensation for the execution of their duties during the current fiscal year

The details of the stock-based compensation granted during the current fiscal year are as follows.

At a meeting of the Board of Directors held on February 28, 2023, the following resolution to issue new shares as restricted stock-based compensation was passed.

Total shares issued to Directors and other Officers by category

	Number of shares	Number of persons to be granted
Director (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members)	22,700shares	5 persons

### 3. Matters Regarding Company Executives

#### 3-1 Names of Directors (as of March 31, 2023)

Position in the Company	Name	Responsibilities and significant concurrent positions outside the Company
Representative Director, Chairman	Kaoru Itoh	Chairman of the Board of Directors, Chairman of the Sustainability Committee
Representative Director, President	Yasunori Maekawa	CEO, COO, CIO (Chief Information Officer) , CISO (Chief Security Officer)
Director	Kouei Watanabe	Managing Executive Officer, CTO (Chief Technical Officer), General Manager of Technologies Management Head Office, Chairman of the Technical Committee, in charge of Quality Assurance, Precision Components Business, Thermal Engineering Business, EMC Business, and supervising Kumagaya Plant
Director	Takashi Ohashi	Managing Executive Officer, in charge of Global Procurement, Maintenance Division, Engineered Plastic Products Business, Casting Components Business, Marine and Industrial Business, and Camshaft Business, General Manager of Kashiwazaki Plant
Director	Hidehiro Sakaba	Managing Executive Officer, General Manager of Corporate Management Head Office
Outside Director	Eiji Hirano	Director, Vice Chairman of MetLife, Inc. Outside Director of NTT DATA Corporation External Director, Ichiyoshi Securities Co., Ltd.
Outside Director	Koji Tanabe	Professor Emeritus of Tokyo Institute of Technology Director of Intron Space Inc.
Director (Full-Time Audit and Supervisory Committee Member)	Akira Kunimoto	
Outside Director (Audit and Supervisory Committee Member)	Shuji Iwamura	Outside Auditor of CANON ELECTRONICS INC. Outside Corporate Auditor of The Hokkaido Bank, Ltd. Outside Director of Hayashikane Sangyo Co., Ltd. Attorney at T&K Partners
Outside Director (Audit and Supervisory Committee Member)	Osamu Honda	Outside Auditor of Kurimoto Ltd.

- \*1. Outside Directors are as follows.  
Eiji Hirano  
Koji Tanabe
- \*2. Outside Directors (Audit and Supervisory Committee Members) are as follows.  
Shuji Iwamura  
Osamu Honda
- \*3. There is no special interest between MetLife and the Company.
- \*4. There is no special interest between NTT DATA Corporation and the Company.
- \*5. There is no special interest between Ichiyoshi Securities Co., Ltd. and the Company.
- \*6. There is no special interest between Tokyo Institute of Technology and the Company.
- \*7. There is no special interest between Intron Space Inc. and the Company.
- \*8. There is no special interest between CANON ELECTRONICS INC. and the Company.
- \*9. There is no special interest between The Hokkaido Bank, Ltd. and the Company.
- \*10. There is no special interest between Hayashikane Sangyo Co., Ltd. and the Company.
- \*11. There is no special interest between T&K Partners and the Company.
- \*12. There is no special interest between Kurimoto Ltd. and the Company.

- \*13. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a limited liability agreement with Outside Directors Eiji Hirano and Koji Tanabe, Outside Directors (Audit and Supervisory Committee Members) Shuji Iwamura and Osamu Honda, and Director (Audit and Supervisory Committee Member) Akira Kunitomo, which limits their liability to the minimum liability amount stipulated by the Act with respect to liability under Article 423, Paragraph 1 of the same Act.
- \*14. The Company appoints Full-Time Audit and Supervisory Committee Members for the purpose of collecting information and enhancing the effectiveness of audits, including continuous and effective attendance at important meetings other than meetings of the Board of Directors.
- \*15. The Company appointed Eiji Hirano, Koji Tanabe, Shuji Iwamura and Osamu Honda as independent officers with the Tokyo Stock Exchange per the regulations of the Exchange.

## 3-2 Amount of Director Compensation

### (1) Policies Regarding the Determination of Details of Compensation for Officers, etc.

The following resolutions were passed at the General Meeting of Shareholders held on June 21, 2019 regarding compensation for officers.

As of the close of this General Meeting of Shareholders, there were eight (8) directors (excluding Director who are Audit and Supervisory Committee Members) and three (3) Audit and Supervisory Committee members.

- Directors (excluding Directors who are Audit and Supervisory Committee Members) “An annual amount not exceeding ¥400 million (including officers' bonuses)”
- Directors who are Audit and Supervisory Committee Members “not exceeding an annual amount of ¥60 million”
- Stock-based compensation (excluding Directors who are Audit and Supervisory Committee Members and outside Directors) “An annual amount not exceeding ¥100 million”

The Articles of Incorporation stipulate that the number of directors (excluding Directors who are Audit and Supervisory Committee Members) shall be limited to ten (10), and the number of Directors who are Audit and Supervisory Committee Members shall be limited to five (5). As of March 31, 2023, there were seven (7) Directors (excluding Directors who are Audit and Supervisory Committee members) and three (3) Audit and Supervisory Committee Members.

At a meeting of the Board of Directors held on March 24, 2021, the Company resolved a policy for determining the content of compensation for individual Directors (excluding Directors who are Audit and Supervisory Committee members).

#### a. Basic Policy

Under the Company's compensation for officers system, a standard amount of total compensation for each officer's position (hereinafter referred to as “Standard Total Compensation”) shall be set, and the Nomination and Compensation Committee shall annually verify the appropriateness of the standard amount by benchmarking each level of compensation to a middle level of listed companies in Japan based on the results of a compensation survey conducted by external compensation consultants.

The Standard Total Compensation shall consist of fixed compensation and performance-linked compensation in the form of cash bonuses and stock-based compensation.

Furthermore, Audit and Supervisory Committee member directors, external Directors, and foreign national directors who are paid an annual salary shall receive only fixed compensation.

- b. The policy concerning the determination of the amount of compensation (monetary compensation not linked to performance) or the method of calculation thereof (including the policy concerning the determination of the timing or conditions of granting compensation, etc.)

Fixed compensation (cash) shall be paid on a monthly basis with a pre-determined standard amount based on the Standard Total Compensation based on the officer's position.

- c. The policy concerning the determination of the details and the method of calculation of the amount or number of performance-linked compensation and non-monetary compensation (including the policy concerning the determination of the timing or conditions of granting compensation, etc.).

Cash bonuses, which are short-term performance-linked compensation, are determined annually by multiplying the evaluation coefficient, which is calculated as a result of a “company performance

evaluation,” using the consolidated ordinary profit target value of the Medium-term Management Plan and the Single-year Management Plan as the evaluation indicator and an “individual performance evaluation” of each officer, by a predetermined standard amount based on the Standard Total Compensation based on the officer’s position. The amount shall be paid at a certain time each year.

< Calculation Method of the Short-term Performance-linked Compensation Payment Amount >

- Cash bonus = Cash bonus standard compensation x Company performance evaluation coefficient x Individual performance evaluation coefficient

As non-monetary compensation, etc., stock-based compensation (restricted stock), an incentive compensation that fluctuates based on performance, will be introduced to share a sense of profit with shareholders and to motivate them to achieve their medium to long term goals. The following two types of stock-based compensation (restricted stock) with different “restricted transfer periods” will be established.

- (i) Type I shares with transfer restrictions: For a period between two and five years, as determined by the Company's Board of Directors.
  - (ii) Type II shares with transfer restrictions: 30-year restricted transfer period
- Stock-based compensation (restricted stock) shall be paid at a certain time each year with a pre-determined base amount based on Standard Total Compensation based on the officer’s position.

d. Policy regarding the determination of the percentage of each type of compensation, etc.

The ratio of the amount of compensation by type shall be as follows.

Officer category	Composition of compensation for officers				Total
	Monetary compensation		Stock-based compensation		
	Fixed compensation	Short-term performance-linked		Long-term performance-linked	
		Bonus	Type I shares	Type II shares	
Director	62%	13%	11%	14%	100%

(Note) 1: Excluding Outside Directors, Directors who are Audit and Supervisory Committee members, and foreign national Directors.

(Note) 2: This table is a model for when 100% of the performance-linked compensation base amount is paid, and the above percentages will vary depending on the Company's performance, stock price fluctuations, etc.

e. Matters concerning the determination of the details of compensation for individual Directors

Individual compensation for officers shall be categorized by Directors (excluding persons who are Audit and Supervisory Committee Members) and those who are members of the Audit and Supervisory Committee. Compensation for Directors (excluding persons who are Audit and Supervisory Committee members) shall be deliberated and determined by the Nomination and Remuneration Committee, while that for Audit and Supervisory Committee members shall be determined by the Board of Directors who are Audit and Supervisory Committee Members through discussion.

(2) Reasons why the Board of Directors judged that compensation for individual Directors for the current fiscal year is in line with the policy for determining the content of compensation

Compensation for individual Directors is discussed by the Nomination and Remuneration Committee, the majority of whose members are independent outside Directors, and passed a resolution by the Board of Directors based on the Committee's recommendation.

The Nomination and Compensation Committee, in deliberating and determining the details of compensation for individual Directors, considers the industry and the level of remuneration of other executives and employees of the Company, as well as the consistency of such details with the policy for determining the content of compensation. In addition, the Board of Directors also confirms that the details of compensation for individual Directors are in line with the policy for determining the content of compensation and determines compensation for individual Directors.



(3) Total amount of compensation, etc. for the current fiscal year

Officer category	Total amount of compensation, etc (millions of yen)	Total amount of compensation, etc by type (millions of yen)				Number of officers covered (Persons)
		Fixed compensation	Bonus	Stock options	Restricted stock-based compensation	
Directors (excluding Audit and Supervisory Committee members) (of which are Outside Directors)	247 (12)	150 (12)	38 (-)	- (-)	57 (-)	7 (2)
Director (Audit and Supervisory Committee Member) (of which are Outside Directors)	34 (16)	34 (16)	- (-)	- (-)	- (-)	3 (2)
Total (of which are Outside Directors)	281 (28)	185 (28)	38 (-)	- (-)	57 (-)	10 (4)

Bonuses to officers for the fiscal year are as follows and are included in the amount of compensation above.

- Officers' bonuses scheduled to be paid in June 2023

Director 42 Millions of yen (of which is external - millions of yen)

Under the Company's compensation for officers system, officer compensation consists of monthly remuneration as fixed compensation, a cash bonus as performance-linked compensation (excluding outside Directors and Audit and Supervisory Committee member members), and stock-based compensation (restricted stock). The amount of fixed compensation, cash bonus, and stock-based compensation for each officer position is determined in advance as a base amount based on the base amount of total compensation for each officer's position.

Based on the standard bonus amount, the ratio of fixed compensation to performance-linked compensation is generally 6:4.

Currently, there are two types of stock-based compensation (restricted stock) with different restricted transfer periods. Type I shares with a two-year restricted transfer period and Type II shares with a 30-year restricted transfer period. Type I shares are paid once a year to supplement cash bonuses as short-term performance-linked compensation and to raise awareness of the Company's performance and stock price. Type II shares are also paid once a year as long-term performance-linked compensation, with the restriction being lifted when the Company's officers actually retire from their positions as either Directors or Executive Officers.

Regarding cash bonuses, the amount of each officer's base bonus is determined by multiplying the evaluation coefficient calculated as a result of the "Company performance evaluation" and each officer's "Individual performance evaluation" by the standard bonus amount for each officer's position. The "Company performance evaluation" uses the consolidated ordinary profit target of the Medium-term Management Plan and the single-year Management Plan as the evaluation indicator. When a serious accident, scandal, or extraordinary loss occurs, the standard bonus amount is adjusted in consideration of the severity of the situation. The "Individual performance evaluation" is also based on the CEO's overall assessment of the contribution to management on a five-point scale based on the achievement of the three key issues, quantitative targets, and qualitative evaluation items. The reason for selecting the consolidated ordinary profit target as an evaluation indicator is that we judged that ordinary profit excluding extraordinary gains or losses, which is a temporary and transitory a gains or losses item, is an appropriate indicator of the company's ability.

While the consolidated ordinary profit targets of the Medium-term Management Plan and the single fiscal year management plan for FY2022 were ¥6,000 million and ¥6,100 million, respectively, the actual consolidated ordinary profit was ¥7,374 million, exceeding the targets. As a result, the evaluation coefficient for the "Company performance evaluation" was +30%.

### **3-3 Matters Regarding Outside Officers**

Director Hirano attended 18 out of the 19 Meetings of the Board of Directors held during the current fiscal year. Based on his extensive experience and insight at the Bank of Japan, Toyota Financial Services, and other organizations, Mr Hirano has provided opinions mainly from a professional perspective on international finance and treasury matters, and he plays an appropriate role in ensuring the validity and appropriateness of decision-making processes to ensure sound decision-making. Also, as the Chairman of the Nomination and Compensation Committee, he attended all 2 Committee meetings held during the current fiscal year and led the supervisory function in the process of appointing candidates for officers and determining compensation for officers from an objective and neutral standpoint.

Director Tanabe attended all of the 19 meetings of the Board of Directors held during the current fiscal year. Based on his extensive experience and insight at the Ministry of Economy, Trade and Industry, Tokyo Institute of Technology, etc., he has provided his opinions mainly from an expert perspective on innovation management and technology management, and he plays an appropriate role in ensuring the validity and appropriateness of decision-making processes to ensure sound decision-making. Also, as a member of the Nomination and Compensation Committee, he attended all 2 Committee meetings held during the current fiscal year and fulfilled his supervisory function in the process of appointing candidates for officers and determining compensation for officers from an objective and neutral standpoint.

Director Iwamura (Audit and Supervisory Committee member) attended 17 of the 19 meetings of the Board of Directors and also all of the 15 Audit and Supervisory Committee meetings held during the current fiscal year. Based on his extensive experience and insight as a prosecutor and lawyer, as well as his experience as an auditor of other companies, he has made statements at meetings of the Board of Directors to ensure the validity and appropriateness of decision-making, and has made necessary statements at Audit and Supervisory Committee meetings regarding the Company's audit as appropriate. Also, as a member of the Nomination and Compensation Committee, he attended all 2 Committee meetings held during the current fiscal year and fulfilled his supervisory function in the process of appointing candidates for officers and determining compensation for officers from an objective and neutral standpoint.

Director Honda (Audit and Supervisory Committee member) attended all 19 meetings of the Board of Directors held after his appointment and also attended all 15 Audit and Supervisory Committee meetings held after his appointment. Based on his experience in finance at financial institutions and experience and insight in the management of other companies, he has stated at meetings of the Board of Directors to ensure the validity and appropriateness of decision-making, and at Audit and Supervisory Committee meetings, he has made necessary statements as needed regarding the Company's audits. Also, as a member of the Nomination and Remuneration Committee, he has attended 2 committee meetings held since his appointment and has fulfilled his supervisory function in the process of appointing candidates for the Company's officers and determining compensation for officers from an objective and neutral standpoint.

### **3-4 Overview of the Details of the Officers' Liability Insurance Policy**

The Company has concluded a liability insurance contract for officers, etc. (D&O Insurance Contract) under Article 430-3 (1) of the Companies Act with an insurance company, with all the Directors including Directors who are Audit and Supervisory Committee Members as the insured. Under the insurance contract, damages or legal costs, etc. that may be incurred by the insured due to claims for damages being filed arising due to acts (including omissions) committed by the insured based on the status of company officer, etc. will be covered. However, there are certain exclusion reasons, such as damages arising from an act upon recognition of the illegality of the act not being covered. Insurance premiums for the insurance contract are covered by the Company, based on approval by the Board of Directors and the consent of the Outside Directors.

## **4. Status of Accounting Auditor**

### **4-1 Name of Accounting Auditor**

Deloitte Touche Tohmatsu LLC

### **4-2 Amount of Compensation to the Accounting Auditor for the Current Fiscal Year**

- (1) Amount of compensation for work stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act  
88 Millions of yen
- (2) Amount of remuneration for work other than the work stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act  
- Millions of yen
- (3) Total amount of compensation to be paid by the Company and its consolidated subsidiaries to the Accounting Auditor  
88 Millions of yen

- (Notes) 1. With respect to such amount, after receiving an explanation of the audit plan (audit policy, audit items, scheduled audit time, etc.) from the Accounting Auditor, the Company considered the details and the estimated amount of compensation based on the evaluation of the results of the previous fiscal year, by comparing the plan for the previous fiscal year with the actual results, total compensation, and unit price of compensation per hour, and by confirming the information and views of the accounting department. As a result, the Company judged the amount of compensation, etc. to be appropriate and gave its consent as stipulated in Article 399, Paragraph 1 of the Companies Act.
2. Of the Company's significant subsidiaries, the Company's overseas subsidiaries are audited by auditing firms other than the Company's Accounting Auditor.

### **4-3 Policies for Determining the Dismissal or Non-reappointment of Accounting Auditors**

If the Company's Audit and Supervisory Committee judges that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed with the unanimous consent of all Audit and Supervisory Committee members.

In the event that the Audit and Supervisory Committee determines that proper auditing is difficult due to the Company's circumstances or factors that would impair the qualifications of the Accounting Auditor, the Committee will decide on the content of the proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders. The Board of Directors will then decide to convene the General Meeting of Shareholders to resolve on such proposal.

## 5. Basic Policy for the Control of the Company

The contents of the Basic Policy regarding who should control decisions regarding the financial and business policies of the Company, efforts to realize the Basic Policy, and “Measures to Respond to a Large-Scale Acquisition of Our Company’s Stock” are as follows:

<Basic Policy Regarding Who Should Oversee Decisions Regarding the Financial and Business Policies of the Company>

### 5-1 Details of the Basic Policy

As a publicly traded company, we believe that shareholders come to us thanks to a freedom to trade on the share market. Therefore, we believe that the final decision concerning whether or not to accept proposals regarding acquisitions accompanying the transfer of control of the Company should lie with the shareholders. Also, even if a Large-Scale Acquisition does occur, it will not generally be rejected if its purpose contributes to the Company’s corporate value and the common interests of its shareholders.

However, some large-scale share acquisitions can undermine the value of the Company or the common interests of our shareholders, including those that may virtually force shareholders into selling their shares or those that do not provide the Board of Directors and shareholders of the Company with the reasonably needed amount of time and information to consider the details of the acquisition. As an exception, the Company considers any person who undertakes this kind of inappropriate large-scale acquisitions to be unfit to oversee decisions concerning the financial and business policies of the Company.

### 5-2 Efforts that Contribute to the Realization of the Basic Policy

In order to ensure that many investors continue to invest in the Company over the long term, the Company implements the following measures to enhance the Company's corporate value and, in turn, the common interests of its shareholders.

We believe that these efforts will also contribute to the realization of the Basic Policy described in (1) above.

<Enhancement of Corporate Value Through the Implementation of our Management Philosophy and Medium-term Management Plan>

In 1927, RIKEN, formerly known as the Institute of Physical and Chemical Research, was founded to commercialize its own invention, the piston ring manufacturing method. Since then, the Company has been operating globally by providing a wide variety of products, including, of course, piston rings which are its core competency, camshafts and other internal-combustion engine parts, cast iron parts for automobiles and industrial machinery, piping materials, and products for thermal engineering and EMC businesses. The Company has defined the Group Mission Statements outlined in the following paragraph. It also sets out the following Guiding Principles: “Be Customer Driven. Be Compliant with the Law. Be focused on the Basics. Be Open. Be Proactive. Be Prompt.” In addition, it developed the Midterm Strategic Plan and the Annual Management Plan in its effort to help its customers strengthen their global competitiveness and to develop and sell products that are highly satisfactory in terms of quality, technology, and price.

<Mission Statement>

- We continue to be a corporate citizen committed to protecting global environment and serving the society in which we conduct our business.
- We are committed to creating corporate value from a global perspective by effectively utilizing the capital invested by our shareholders.
- We will offer products and services that continually exceed our global customers’ increasing expectations through constant innovation and continued advancements in knowledge and technology.
- We have high aspirations and a broad vision, and we are always willing to change.

<Enhancement of Corporate Value by Improving Corporate Governance>

The Company aims for continuous improvement in corporate value by fulfilling its responsibilities in a variety of fields including economy, environment, and society. It regards the implementation of corporate governance as the top-priority management issue.

The Company has introduced an executive officer system to separate the business execution function from the management decision-making and supervision function.

The Company transitioned from a Company with a Board of Corporate Auditors to a "Company with an Audit and Supervisory Committee" in June 2019 in an effort to further strengthen the audit and supervisory functionality of the Board of Directors and to further promote corporate governance. The Company's Audit and Supervisory Committee consists of one Full-Time Audit Committee Member and two Outside Directors who are independent and maintain a neutral and fair position, thereby strengthening the functionality of the Audit and Supervisory Committee with respect to the directors' execution of their duties.

Furthermore, in May 2019, the Company established the Nomination and Compensation Committee, which is a voluntary advisory body with the majority of members being independent outside directors, in its efforts to reinforce the supervision function of the Board of Directors by assuring the transparency and objectivity of the procedure related to the nomination and compensation of directors, etc., and further enhance corporate governance.

Thus far, the Company has been working to appropriately operate management bodies (Board of Directors and Management Meeting) and ensure corporate transparency, efficiency and soundness, such as thorough compliance and complete risk management in accordance with the Basic Policy for Developing an Internal Control System (the development of systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by Ministry of Justice Order as systems necessary to ensure the properness of operations of a Stock Company).

Furthermore, the Company has reinforced internal control by establishing the Sustainability Committee and the Compliance Committee, and works to improve further by having the entire Group oversee environmental activities, activities that contribute to society, accurate and appropriate information disclosure, the creation of CS (customer satisfaction), etc.

### **5-3 Overview of measures to prevent decisions concerning the financial and business policies of the Company from being controlled by persons deemed inappropriate in light of the Basic Policy.**

In order to prevent decisions concerning the financial and business policies of the Company from being controlled by persons deemed inappropriate in light of the Basic Policy and to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders, at a Meeting of the Board of Directors held on May 24, 2022, the Company adopted the "Measures to Respond to a Large-Scale Acquisition of Our Company's Stocks" (hereinafter referred to as "the Plan"). Approval for the continuation of the Plan was obtained at the 98th Ordinary General Meeting of Shareholders held on June 24, 2022.

A Large-Scale Acquisition of Our Company's Stocks subject to the Plan is defined as an acquisition of the Company's shares with the aim of increasing the ratio of voting rights of a specific group of shareholders to 20% or more, or an acquisition of the Company's shares that results in a specific group of shareholders holding 20% or more of the voting rights of the Company, and an entity involved in such acquisitions is referred to as a "large-scale purchaser."

In this plan, certain rules regarding the provision of information and the allocation of sufficient time for consideration during a large-scale acquisition (referred to as the "Large-scale Acquisition Rules") are as follows: (1) The large-scale purchaser must provide adequate information to the Company's Board of Directors in advance; (2) After the completion of necessary information provision, in the case of a public tender offer for all shares of our company with cash consideration only, a maximum Board of Directors evaluation period of 60 days will be set or for other forms of large-scale acquisition, a maximum Board of Directors evaluation period to evaluate and consider of 90 days will be set. Upon the expiration of the Board of Directors evaluation period, the large-scale acquisition may commence. However, if a General Meeting of Shareholders is held to confirm the will of shareholders regarding the details of the countermeasure, the Large-Scale Acquisition may not be commenced until the procedures for implementation or non-implementation of the countermeasure have been completed.

Under the Plan, when a large-scale purchaser complies with the Large-scale Acquisition Rules, the Company will not, in principle, take any countermeasures against the large-scale purchase. However, in the event that a large-scale purchaser fails to comply with the above-mentioned Large-scale Acquisition Rule, or even if the large-scale purchaser complies with the above-mentioned Large-scale Acquisition Rule, when it is judged that the large-scale acquisition will cause irreparable damage to the Company or

otherwise materially damage the Company's corporate value and/or the common interests of shareholders, the Company can, to the extent necessary and reasonable, implement countermeasures that can be considered under the Companies Act, other laws, and the Company's Articles of Incorporation, such as the gratis allotment of share acquisition rights.

In this way, in the event that countermeasures are taken, in order to ensure the reasonableness and fairness of such judgments, the Board of Directors, prior to judging whether or not to take the countermeasures, shall consult with an Independent Committee consisting of outside Directors who are independent of the management team that conducts the Company's business, or members appointed from outside experts, as to the appropriateness of taking the countermeasures. The Independent Committee shall make a recommendation on the appropriateness of taking the countermeasures within the Board of Directors evaluation period. In judging whether or not to implement countermeasures, the Company's Board of Directors will follow the recommendation of the Independent Committee.

Furthermore, the effective period of the Plan shall expire at the conclusion of the 101st Ordinary General Meeting of Shareholders of the Company to be held in June 2025. However, (1) if a resolution is passed at a General Meeting of Shareholders of the Company for the cancellation of the Plan, or (2) if such a resolution is passed by the Board of Directors of the Company, the Plan shall be canceled immediately.

For more information on the Plan, please refer to the Company's website at <https://www.riken.co.jp/>.

#### **5-4 That Complies With Our Basic Policies and Seeks to Enhance the Common Interests of Our Shareholders, Instead of Focusing on Maintaining the Positions of the Company Executives**

The efforts mentioned above in (2) to enhance the corporate value of the Company and, in turn, the common interests of its shareholders are in line with the Basic Policy. As described in (3) above, in designing this Plan, we have given due consideration to the following points the Company has given due consideration and believes that this Plan is in line with the Basic Policy and consistent with the corporate value of the Company and the common interests of its shareholders, and believes it is not aimed at maintaining the status of the Company's Executives.

- 1) The Plan satisfies the requirements of policies regarding takeover defense measures.
- 2) The Plan with the aim of securing and improving the common interests of shareholders continues.
- 3) The plan reflects the intent of the shareholders.
- 4) The Plan respects the decision made by independent external entities.
- 5) The Plan does not constitute a dead-hand or slow-hand takeover defense measure.

### **6. Policy Regarding Determination of Dividends from Surplus, etc.**

Regarding the distribution of surplus earnings, the Company believes that its basic policy is to maintain a stable dividend level by paying an interim dividend and a year-end dividend twice a year, taking into consideration the Company's business performance, dividend payout ratio, etc.

The Company will use retained earnings to invest in future business growth and to strengthen its financial position.

# Consolidated balance sheets

(March 31, 2023)

(Millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	66,321	Current liabilities	19,063
Cash and deposits	23,818	Notes and accounts payable - trade	9,881
		Current portion of long-term borrowing	3,000
Notes and accounts receivable - trade, and contract assets	21,962	Income taxes payable	512
Merchandise and finished goods	10,598	Provision for bonuses	1,713
Work in process	3,649	Other	3,956
Raw materials and supplies	3,738	Non-current liabilities	9,681
Other	2,611	Long-term borrowings	7,000
Allowance for doubtful accounts	(57)	Retirement benefit liability	1,293
Non-current assets	57,406	Provision for product warranties	285
Property, plant and equipment	26,135	Provision for environmental measures	9
Buildings and structures	10,475	Other	1,093
Machinery, equipment and vehicles	10,329	Total liabilities	28,745
Land	2,514	Net assets	
Construction in progress	1,830	Shareholders' equity	80,554
Other	985	Share capital	8,627
Intangible assets	2,248	Capital surplus	7,178
Leased assets	1,652	Retained earnings	67,644
Other	595	Treasury shares	(2,896)
Investments and other assets	29,022	Accumulated other comprehensive income	7,922
Investment securities	23,144	Valuation difference on available-for-sale securities	1,908
Deferred tax assets	1,205	Deferred gains or losses on hedges	10
Retirement benefit asset	3,576	Foreign currency translation adjustment	3,474
Insurance funds	61	Remeasurements of defined benefit plans	2,529
Other	1,038	Share acquisition rights	97
Allowance for doubtful accounts	(4)	Non-controlling interests	6,409
		Total net assets	94,983
Total assets	123,728	Total liabilities and net assets	123,728

## Consolidated statements of income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Item	Amount	
Net sales		86,382
Cost of sales		69,138
Gross profit		17,244
Selling, general and administrative expenses		12,567
Operating profit		4,676
Non-operating income		
Interest and dividend income	540	
Share of profit of entities accounted for using equity method	1,428	
Foreign exchange gains	66	
Dividend income of life insurance	160	
Subsidy income	8	
Insurance income	600	
Other	205	3,010
Non-operating expenses		
Interest expenses	111	
Other	201	312
Ordinary profit		7,374
Extraordinary income		
Gain on sale of non-current assets	30	30
Extraordinary losses		
Loss on retirement of non-current assets	69	
Impairment losses	539	
System failure response costs	145	
Loss on sale of investment securities	116	871
Profit before income taxes		6,533
Income taxes - current	1,571	
Income taxes - deferred	162	1,734
Profit		4,799
Profit attributable to non-controlling interests		481
Profit attributable to owners of parent		4,318



# Balance Sheet

(March 31, 2023)

(Millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	39,869	Current liabilities	16,618
Cash and deposits	12,374	Notes payable - trade	3,433
Notes receivable - trade	2,896	Accounts payable - trade	4,022
Accounts receivable - trade	13,870	Current portion of long-term borrowings	3,000
Merchandise and finished goods	4,176	Lease obligations	23
Raw materials and supplies	1,222	Accounts payable - other	248
Work in process	2,284	Accrued expenses	965
Prepaid expenses	201	Income taxes payable	79
Short-term loans receivable from subsidiaries and associates	913	Deposits received	3,136
Income taxes receivable	418	Provision for bonuses	1,040
Other	1,777	Notes payable - facilities	614
Allowance for doubtful accounts	(267)	Other	53
Non-current assets	37,158	Non-current liabilities	7,137
Property, plant and equipment	12,739	Long-term borrowings	7,000
Buildings	6,057	Lease obligations	57
Structures	572	Provision for environmental measures	9
Machinery and equipment	3,726	Other	70
Vehicles	14	Total liabilities	23,755
Tools, furniture and fixtures	322	Net assets	
Land	1,158	Shareholders' equity	51,319
Leased assets	102	Share capital	8,627
Construction in progress	785	Capital surplus	6,658
Intangible assets	2,065	Legal capital surplus	6,658
Leasehold right	30	Retained earnings	38,929
Software	222	Legal retained earnings	1,457
Software in progress	142	Other retained earnings	37,471
Leased assets	1,652	Reserve for dividends	4,000
Other	16	Reserve for overseas business	10,000
Investments and other assets	22,353	Reserve for reduction entry	10
Investment securities	11,932	Reserve for reduction entry of replaced property	31
Shares of subsidiaries and associates	6,172	General reserve	5,500
		Retained earnings brought forward	17,929
Investments in capital of subsidiaries and associates	2,560	Treasury shares	(2,896)
Deferred tax assets	1,090	Valuation and translation adjustments	1,855
Prepaid pension cost	272	Valuation difference on available-for-sale securities	1,844
Insurance funds	51	Deferred gains or losses on hedges	11
Other	276	Share acquisition rights	97
Allowance for doubtful accounts	(4)	Total net assets	53,272
Total assets	77,027	Total liabilities and net assets	77,027

## Non-consolidated statements of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Item	Amount	
Net sales		51,909
Cost of sales		41,762
Gross profit		10,146
Selling, general and administrative expenses		8,745
Operating profit		1,401
Non-operating income		
Interest income	27	
Dividend income	5,124	
Dividend income of life insurance	148	
Foreign exchange gains	68	
Insurance income	600	
Other	129	6,098
Non-operating expenses		
Interest expenses	94	
Other	119	214
Ordinary profit		7,285
Extraordinary income		
Gain on sale of non-current assets	16	16
Extraordinary losses		
Loss on retirement of non-current assets	40	
Impairment losses	154	
System failure response costs	138	
Loss on sales of investment securities	116	
Provision of allowance for doubtful accounts for subsidiaries and associates	138	589
Profit before income taxes		6,713
Income taxes - current	697	
Income taxes - deferred	390	1,087
Profit		5,625

# Certified Copy of the Accounting Auditor Audit Report on the Consolidated Financial Statements

## Independent Auditor's Audit Report

May 22, 2023

Riken Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC Tokyo Office

Designated Limited Liability Partner, Engagement Partner  
CPA

Masahiro Ide

Designated Limited Liability Partner, Engagement Partner  
CPA

Yae Sugiura

Designated Limited Liability Partner, Engagement Partner  
CPA

Yoshi Ishikawa

## Audit Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of Riken Corporation (the "Company") for its consolidated financial year from April 1, 2022 to March 31, 2023, which are, specifically, the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position and results of operations for the period covered by the relevant Consolidated Financial Statements of the corporate group consisting of Riken Corporation and its consolidated subsidiaries in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We performed our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under the standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Statements

The other statements are the Business Report and supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee are also responsible for overseeing execution of duties by Directors relating to the design and operation of the reporting process for the other statements.

Our audit opinion on the Consolidated Financial Statements does not include other statements, and we express no opinion on other statements.

Our responsibility in the audit of the Consolidated Financial Statements is to read through the other statements and, in the course of reading through the other statements, to consider whether there are material differences between the other statements and the Consolidated Financial Statements or knowledge we have acquired in the course of our audit. We also pay attention to whether there are any other indications of material errors in the other statements.

Based on the work we have performed, we are required to report that fact when we judge that there are material errors in the other statements.

We have no matters to report with respect to the other statements.

## Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements and Schedules in accordance with accounting principles generally accepted in Japan, and for

the design and operation of internal controls that management determines are necessary to enable the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing whether or not it is appropriate to prepare the Consolidated Financial Statements based on the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit and Supervisory Committee are responsible for overseeing execution of duties by Directors relating to the design and operation of the financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether or not the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, based on the audit performed by us and to express our opinion on the Consolidated Financial Statements in the audit report from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these Consolidated Financial Statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process, and conduct the following.

- We identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selection and application of audit procedures is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The purpose of an audit of the Consolidated Financial Statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- We evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- We make a conclusion on the appropriateness of the Consolidated Financial Statements and Schedules being prepared by management based on the assumption of a going concern, and based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty regarding going concern exists, we are required to draw attention in our audit report to the related notes in the Consolidated Financial Statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the Consolidated Financial Statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate whether the presentation of the Consolidated Financial Statements and Notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the Consolidated Financial Statements, including the related Notes thereto, and whether the Consolidated Financial Statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements. We are solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions related to professional ethics in Japan concerning independence, and communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

## **Interest Relationship**

Our firm and its engagement partners do not have any interest in the Company and its consolidated subsidiaries that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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# Certified Copy of the Accounting Auditor Audit Report on the Non-consolidated Financial Statements

## Independent Auditor's Audit Report

May 22, 2023

Riken Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC Tokyo Office

Designated Limited Liability Partner, Engagement Partner  
CPA

Masahiro Ide

Designated Limited Liability Partner, Engagement Partner  
CPA

Yae Sugiura

Designated Limited Liability Partner, Engagement Partner  
CPA

Yoshi Ishikawa

## Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-consolidated Financial Statements of Riken Corporation (the "Company") for the 99th fiscal year from April 1, 2022 to March 31, 2023, which are, specifically, the Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Equity, Notes to the Non-consolidated Financial Statements, and their supplementary schedules (hereinafter, "Non-consolidated Financial Statements and Schedules").

In our opinion, the Non-consolidated Financial Statements and Schedules referred to above present fairly, in all material respects, the status of assets and income for the period covered by the Non-consolidated Financial Statements and Schedules in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We performed our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under the standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements and Schedules section of our report. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Statements

The other statements are the Business Report and supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee are also responsible for overseeing execution of duties by Directors relating to the design and operation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements does not include any other statements, and we express no opinion on other statements.

Our responsibilities in auditing the non-financial statements are to read the other statements carefully and, in the process of reading it, to consider whether there are any material differences between the other statements and the non-consolidated financial statements or our knowledge of them as a result of our audit. We also pay attention to whether there is any indication of material errors in the other statements other than such material differences.

Based on the work we have performed, we are required to report that fact when we judge that there are material errors in the other statements.

We have no matters to report with respect to the other statements.

## **Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements and Schedules**

Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements and Schedules in accordance with accounting principles generally accepted in Japan, and for the design and operation of internal controls that management determines are necessary to enable the preparation and fair presentation of the Non-consolidated Financial Statements and Schedules that are free from material misstatement, whether due to fraud or error.

In preparing the Non-consolidated Financial Statements and Schedules, management is responsible for assessing whether or not it is appropriate to prepare the non-consolidated financial statements and Schedules based on the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

The Audit and Supervisory Committee are responsible for overseeing execution of duties by Directors relating to the design and operation of the financial reporting process.

## **Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements and Schedules**

Our responsibilities are to obtain reasonable assurance about whether or not the Non-consolidated Financial Statements and Schedules as a whole are free from material misstatement, whether due to fraud or error, based on the audit performed by us and to express our opinion on the Non-consolidated Financial Statements and Schedules in the audit report from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these Non-consolidated Financial Statements and Schedules.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process, and conduct the following.

- We identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selection and application of audit procedures is at the discretion of the auditor. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The purpose of an audit of the Non-consolidated Financial Statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- We evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the validity of related notes.
- We make a conclusion on the appropriateness of the Non-consolidated Financial Statements and Schedules being prepared by management based on the assumption of a going concern, and based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty regarding going concern exists, we are required to draw attention in our audit report to the related notes in the Non-consolidated Financial Statements and Schedules or, if such notes are inadequate, to express a qualified opinion with exceptions on the Non-consolidated Financial Statements and Schedules. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate whether the presentation of the Non-consolidated Financial Statements and Schedules and Notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the Non-consolidated Financial Statements and Schedules, including the related Notes thereto, and whether the Non-consolidated Financial Statements and Schedules represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions related to professional ethics in Japan concerning independence, and communicate with them

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

## Interest Relationship

Our firm and its engagement partners do not have any interest in the Company that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Certified Copy of the Audit and Supervisory Committee Audit Report

## Audit Report

The Audit and Supervisory Committee has audited the execution of duties by Directors for the 99th fiscal year from April 1, 2022 to March 31, 2023. The methods and results are reported as follows.

### 1. Audit Methods and Their Description

The Audit and Supervisory Committee regularly received reports from Directors and employees regarding the details of the Board of Directors' resolutions concerning matters prescribed in Article 399-13, Paragraph 1, Items 1(b) and 1(c) of the Companies Act and the status of the establishment and operation of the systems (internal control systems) based on such resolutions, and requested explanations and expressed opinions as necessary, and conducted its audit in the following manner. Furthermore, with respect to internal control over the financial reporting, they received reports from Directors, etc. and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control, and requested explanations as necessary.

- (1) Pursuant to the Audit and Supervisory Committee's audit policy, audit plan, and assignment of duties for the current fiscal year and in accordance with the Audit and Supervisory Committee's audit standards established by the Company's Internal Audit Department and other departments in charge of internal control, utilizing various means, such as via the telephone or the Internet, etc., they attended important meetings, received reports from Directors and employees regarding matters concerning the execution of their duties, requested explanations, as necessary, particularly with respect to priority audit items, and handling of incidents, etc., attended individual meetings, etc., viewed important decision documents, etc., and also examined the status of operations and assets at the Head Office and main offices of the Company. Also, with respect to domestic and overseas subsidiaries, they requested business reports from subsidiaries as necessary and examined the status of their operations and assets.
- (2) Audit & Supervisory Board Members reviewed and discussed, based on deliberations by the Board of Directors and other committees, the particulars indicated in the Business Report to be given due consideration under Item (iii) (a) of Article 118 of the Regulations for Enforcement of the Companies Act and the basic policy and each of the initiatives under Item (iii) (b) of the same article of the ordinance.
- (3) Audit & Supervisory Board Members monitored and verified whether the Accounting Auditor maintained its independence and conducted audits appropriately, received reports from the Accounting Auditor on the performance of its duties, and requested explanations as necessary. In addition, Audit & Supervisory Board Members were informed by the Accounting Auditor that "systems for ensuring that the performance of the duties of financial auditor is being carried out correctly" (matters stipulated in the items of Article 131 of the Regulations on Corporate Accounting) are being developed in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005) and other standards and requested explanations as necessary. Furthermore, with regard to principal matters for consideration in our audit process, they deliberated with Deloitte Touche Tohmatsu LLC, received reports on the status of their audits, and requested explanations as necessary.

Based on the aforesaid methods, Audit & Supervisory Board Members examined the Business Reports and its supplementary schedules, the Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Nonconsolidated Statement of Income, Non-consolidated Statement of Changes in Equity, and Notes to the Nonconsolidated Financial Statements) and their supplementary schedules, and the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity, and Notes to the Consolidated Financial Statements) for the relevant fiscal year.



## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- i) We acknowledge that the Business Report and its supplementary schedules accurately present the status of the Company in accordance with laws, regulations, and the Articles of Incorporation.
- ii) We acknowledge there is no misconduct or material fact in violation of the law, regulations, or the Articles of Incorporation related to the execution of duties by Directors.
- iii) We acknowledge that the resolutions of the Board of Directors related to internal control systems are appropriate. We also did not find any matter bearing mention related to statements in the Business Report or the execution of duties by Directors in connection with internal control systems, including internal control over the financial reports. Moreover, as described in the Business Report, in response to the cyber incident that occurred at the Company, the Audit and Supervisory Committee confirmed that the Company is implementing measures to prevent recurrence by strengthening security and rebuilding the emergency response system based on an investigation and analysis of the causes.
- iv) We acknowledge that the basic policy on the individuals who control decision-making of financial and business policies of the business corporation as described in the business report is appropriate. We acknowledge that each of the initiatives prescribed in Article 118, Item (iii) (b) of the Regulations for Enforcement of the Companies Act, as described in the Business Report, is in line with the said basic policy, is not harmful the interests of the Company and the common interests of our shareholders, and is not intended to maintain the status of the Company's officers.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

We acknowledge that the audit methods and findings of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We acknowledge that the audit methods and findings of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

## 3. Post-Balance Sheet Event

At a meeting of the Board of Directors held on November 4, 2022, a resolution was passed to acquire shares of JFE Fittings Corporation and acquire JFE Pipe Fitting Mfg. Co., Ltd. n JFE Fittings Corporation, and based on a share transfer agreement executed on the same day, the transfer of the company's shares was completed on May 9, 2023.

May 22, 2023

### Riken Corporation Audit and Supervisory Committee

Full-Time Audit and Supervisory Committee Member	Akira Kunimoto	Seal
Audit and Supervisory Committee Member	Shuji Iwamura	Seal
Audit and Supervisory Committee Member	Osamu Honda	Seal

(Note) Audit and Supervisory Committee members Mr. Shuji Iwamura and Mr. Osamu Honda are outside Directors as defined in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

## **Matters Related to Company Stock Acquisition Rights, etc. of Riken Corporation**

Status of stock acquisition rights for Company Executives (as of March 31, 2023)

(Based on a resolution passed by the Board of Directors on June 25, 2014)

- Number of stock acquisition rights  
23 (100 shares per stock acquisition right)
- Type and number of shares to be acquired upon the exercise  
2,300 common shares
- Exercise price  
100 yen (per stock acquisition right)
- Vesting conditions  
Rights may be exercised on and after the day following the day on which the person loses his/her position as a director or executive officer of the Company. However, such rights may not be exercised when waived.
- Exercise period  
July 15, 2014 - July 14, 2044

- Status of unexercised stock acquisition rights held by officers of the Company of the above

Category	Number of stock acquisition rights	Type and number of shares to be acquired upon the exercise	Number of holders
Directors of the Company (excluding Outside directors/members of the Audit and Supervisory Committee)	23	2,300 common shares	2 persons

(Based on a resolution passed by the Board of Directors on June 23, 2015)

- Number of stock acquisition rights  
38 (100 shares per stock acquisition right)
- Type and number of shares to be acquired upon the exercise  
3,800 common shares
- Exercise price  
100 yen (per stock acquisition right)
- Vesting conditions  
Rights may be exercised on and after the day following the day on which the person loses his/her position as a director or executive officer of the Company. However, such rights may not be exercised when waived.
- Exercise period  
July 15, 2015 - July 14, 2045

- Status of unexercised stock acquisition rights held by officers of the Company of the above

Category	Number of stock acquisition rights	Type and number of shares to be acquired upon the exercise	Number of holders
Directors of the Company (excluding Outside directors/members of the Audit and Supervisory Committee)	38	3,800 common shares	2 persons

(Based on a resolution passed by the Board of Directors on June 24, 2016)

- Number of stock acquisition rights  
57 (100 shares per stock acquisition right)
- Type and number of shares to be acquired upon the exercise  
5,700 common shares
- Exercise price  
100 yen (per stock acquisition right)
- Vesting conditions  
Rights may be exercised on and after the day following the day on which the person loses his/her position as a director or executive officer of the Company. However, such rights may not be exercised when waived.
- Exercise period  
July 14, 2016 - July 13, 2046
- Status of unexercised stock acquisition rights held by officers of the Company of the above

Category	Number of stock acquisition rights	Type and number of shares to be acquired upon the exercise	Number of holders
Directors of the Company (excluding Outside directors/members of the Audit and Supervisory Committee)	57	5,700 common shares	2 persons

(Based on a resolution passed by the Board of Directors on June 22, 2017)

- Number of stock acquisition rights  
41 (100 shares per stock acquisition right)
- Type and number of shares to be acquired upon the exercise  
4,100 common shares
- Exercise price  
100 yen (per stock acquisition right)
- Vesting conditions  
Rights may be exercised on and after the day following the day on which the person loses his/her position as a director or executive officer of the Company. However, such rights may not be exercised when waived.
- Exercise period  
July 13, 2017 - July 12, 2047
- Status of unexercised stock acquisition rights held by officers of the Company of the above

Category	Number of stock acquisition rights	Type and number of shares to be acquired upon the exercise	Number of holders
Directors of the Company (excluding Outside directors/members of the Audit and Supervisory Committee)	41	4,100 common shares	2 persons

## **Riken Corporation's Systems to Ensure the Appropriateness of Operations**

The matters concerning the basic policy for the development of internal control systems passed a resolution by the Company's directors are as follows:

(Basic policy)

The Group has defined the Group Mission Statements outlined in the following paragraph. It also sets out the following Guiding Principles: "Be Customer Driven. Be Compliant with the Law. Be focused on the Basics. Be Open. Be Proactive. Be Prompt." and promotes our corporate activities accordingly.

Furthermore, it is the Company's basic policy that the Directors and employees of the Group shall perform their duties based on the RIKEN Group Code of Conduct, internal company regulations, and social good sense, in accordance with laws, regulations, and social norms.

<Mission Statement>

- We continue to be a corporate citizen committed to protecting global environment and serving the society in which we conduct our business.
- We are committed to creating corporate value from a global perspective by efficiently utilizing the capital invested by our shareholders.
- We will offer products and services that continually exceed our global customers' increasing expectations through constant innovation and continued advancements in knowledge and technology.
- We have high aspirations and a broad vision, and we are always willing to change.

Under this Mission Statement, the Company recognizes that it is an important management responsibility to establish and operate a system for proper business execution, and will strive to further improve the Group's internal control system to make it more appropriate.

### **(1) Systems necessary to ensure that the execution of the duties by directors and employees complies with laws and regulations and our articles of incorporation**

The Group recognizes that thorough compliance (Be Compliant with the Law) is essential for the survival of a company, and all Directors and employees shall comply with laws, regulations, and social norms, act based on fair ethical standards, and strive to establish a management system that will be widely trusted by society.

- (i) In order to establish a system for the Directors and employees of the Group to comply with laws, regulations, and the Articles of Incorporation and to conduct appropriate business activities, the Company has established a Code of Conduct and Guiding Principles that shall apply to the entire Group.
- (ii) To enhance the soundness and efficiency of management, the Company shall establish an Audit and Supervisory Committee Meeting in which the majority of members shall be Outside Directors.
- (iii) In order to establish a management system that is trusted by society, the Compliance Committee, a company-wide committee chaired by the CEO, shall be established to promote various activities necessary to ensure that compliance takes root and is thoroughly implemented.
- (iv) In an effort to ensure thorough compliance, the HR and General Affairs Divisions shall systematically and systematically provide compliance education to directors and employees.
- (v) The Company has also established an external contact point for consultation on compliance matters and reporting of misconduct and operates an internal reporting system that protects whistleblowers.
- (vi) The Internal Control Department shall conduct periodic internal audits to ascertain the status of the Company's business operations, investigate and verify whether all business operations are conducted properly, appropriately, and reasonably in accordance with laws, the Articles of Incorporation, and internal rules and regulations, and whether the Company's systems, organization, and rules and

regulations are proper and appropriate, and report the audit results to the President and the Audit Committee.

(vii) The above compliance-related activities shall be reported to the Board of Directors on a regular basis.

## **(2) Systems for the storage and management of information related to the execution of duties by directors**

Company shall properly record information related to the execution of duties by directors in accordance with laws and regulations and document management rules, including records related to decision-making at meetings of the Board of Directors and other important meetings and documents approved by each director based on the segregation of duties and decision-making standards, and shall retain such records for the prescribed period.

(i) Based on laws and regulations and document management rules, the following documents (including electromagnetic records) shall be stored together with related materials.

(i)-1 Documents required by laws and regulations

- Minutes of General Meeting of Shareholders (Companies Act, Article 318), Minutes of Directors' Meetings (Companies Act, Article 369)

(i)-2 Documents based on document management rules

- Management Committee minutes, Technology Committee minutes, Sustainability Committee minutes, Compliance Committee minutes
- Minutes of other meeting committee meetings chaired and presided over by a director
- Decision documents in which a director is the decision-maker
- Other important documents as stipulated in the document management rules

(ii) Unless otherwise stipulated by law, the above documents shall be managed by the department in charge of each document based on the document management rules.

## **(3) Regulations and Other Systems for Managing Risk of Loss**

The Group shall strive to develop an organized response to various risks of loss in order to minimize the risk of loss by preparing appropriate countermeasures in advance according to the size of the risk and the likelihood of its occurrence.

(i) To establish a risk management system for the whole Group, and to implement appropriate risk responses, risk management rules and related regulations, including a basic risk management policy, shall be established.

(ii) The Company has established a Risk Management Subcommittee and a BCM Subcommittee under the Sustainability Committee to promote various activities necessary for the establishment and promotes the thorough operation of risk management and business continuity plans.

(iii) Based on the risk management rules, we identify and evaluate the risks of business opportunities and risks associated with the execution of business activities in the Group every year, and formulate and promote a risk mitigation plan.

(iv) The Company aims to prevent large-scale accidents, disasters, scandals, etc., and when they occur, a Crisis Response Headquarters with the President (or a person designated by the President) as its chairperson shall be established to address the situation.

(v) The activities related to risk management described above shall be reported regularly to the Board of Directors.

#### **(4) Systems to ensure that directors execute their duties efficiently**

The Company formulates and promotes its Mid-term Management Plan and Annual Management Plan in order to respond to changes in the environment. We strive to improve the efficiency of our directors' day-to-day execution of their duties with the aim of achieving the objectives of the management plans.

- (i) The duties and decision-making authority of directors shall be stipulated in the Organization Rules, the Rules on Segregation of Duties, and the Rules on Decision-Making Standards.
- (ii) The Board of Directors shall make decisions on management policies, matters required by law and other important matters concerning management, and supervise the status of directors' execution of their duties.
- (iii) Under the Board of Directors, a Management Committee chaired by the President shall be established (held, generally, twice a month) to deliberate in advance on matters passed a resolution by the Board of Directors, and to deliberate and make decisions on the execution of the Company's business and the implementation of measures, etc., within the scope of the authority delegated by the Board of Directors.

#### **(5) Systems to ensure the appropriateness of operations of the Group**

The Company aims to establish an internal control system for the RIKEN Group, including its affiliated companies, and strives for appropriate Group management while respecting the autonomy of each subsidiary based on the "Affiliated Companies Management Regulations."

- (i) As group management, we share our Mission Statement and Code of Conduct, and compliance-related regulation manuals with affiliated companies, and collaboratively promote the RIKEN Group Management Plan.
- (ii) For domestic affiliated companies, the Corporate Planning Department, and for overseas affiliated companies, overseas business units will participate in each company's Board of Directors Meetings and conduct interviews to confirm the legality and efficiency of the management.
- (iii) The Internal Control Department periodically conducts audits of affiliated companies.
- (iv) For our major affiliated companies, the Company's Audit and Supervisory Committee members shall be appointed as Corporate Auditors and shall conduct accounting and operational audits.

#### **(6) Employees who assist Audit and Supervisory Committee members in their duties**

When the Audit and Supervisory Committee member requests a full-time employee to assist the Audit and Supervisory Committee in the performance of its duties, the Company shall assign such employee after consultation with the Audit and Supervisory Committee.

#### **(7) Matters related to the independence of employees set forth in the preceding paragraph from directors (excluding directors who are Audit and Supervisory Committee Members)**

The employees set forth in the preceding paragraph shall not receive orders from directors (excluding directors who are Audit and Supervisory Committee Members), but shall be under the direction and orders of

the Audit and Supervisory Committee. The Audit and Supervisory Committee shall be informed of and approve any personnel transfers and evaluations in advance.

**(8) Systems for directors (excluding directors who are Audit and Supervisory Committee Members) and employees to report to the Audit and Supervisory Committee and other systems related to reporting to the Audit and Supervisory Committee.**

Directors (excluding directors who are Audit and Supervisory Committee Members) and employees of the Group shall report to the Audit and Supervisory Committee facts that may cause significant damage to the Group and other important matters concerning business operations. Directors (excluding directors who are Audit and Supervisory Committee Members) and employees who report to the Audit and Supervisory Committee shall not receive any disadvantageous treatment because of such reporting. We actively promote awareness and thorough understanding of this policy.

Matters to be reported to the Audit and Supervisory Committee and the method of reporting shall be established in consultation with the Audit and Supervisory Committee, and directors (excluding directors who are Audit and Supervisory Committee Members) and employees shall carry out appropriate reporting.

Also, the Audit and Supervisory Committee shall establish, in consultation with the Audit and Supervisory Committee, meetings of the Conference Committee at which Audit and Supervisory Committee members shall attend the Committee Meetings and review meeting materials and minutes.

**(9) Matters related to the policy for processing expenses related to the execution of duties by the Audit Committee members.**

When the Company receives a request from Audit Committee members for advance payment or reimbursement of expenses incurred in the performance of their duties as Audit Committee members and other necessary expenses, such as processing of expenses or obligations incurred in the performance of such duties, the Company shall bear these expenses, except when it is deemed that such expenses are not made clear that such expenses are necessary for the performance of their duties.

**(10) Systems to ensure that other Supervisory Committee's audits are conducted effectively**

In an effort to ensure mutual communication with the President, the Audit and Supervisory Committee shall hold regular meetings and collaborate with the Internal Control Department, the accounting auditor, and Corporate Auditors of affiliated companies to ensure the effectiveness of the Audit and Supervisory Committee's audits.

**(11) Overview of the status of operation of systems to ensure the appropriateness of operations**

The Company continuously confirms through internal audits and other means the status of the development and operation of internal control systems with respect to the aforementioned systems to ensure the appropriateness of operations, and reports the status of the systems to the Board of Directors on a quarterly basis. The Company strives to operate a more appropriate internal control system by taking corrective actions for points identified as a result of internal audits.

The status of the operation of the internal control systems for Group during the current consolidated fiscal year is as follows

**(i) Compliance-related efforts**

The Company convenes the Compliance Committee, a company-wide committee chaired by the CEO, to promote the establishment and thorough operation of compliance.

The Company has also established an external contact point for consultation on compliance matters and reporting of misconduct, and operates an internal reporting system that protects whistleblowers and reports quarterly to the Board of directors.

In addition, the company strives to instill compliance awareness among officers and employees through training programs.

(ii) Strengthening of risk management systems

In order to establish a Group-wide risk management system and respond appropriately to risks, the Company has established a Risk Management Subcommittee and a BCM Subcommittee under the Sustainability Committee to ensure that risk management and business continuity plans are firmly in place and thoroughly implemented.

(iii) The Audit and Supervisory Committee's audit systems

The Audit and Supervisory Committee meets regularly with the Representative Director to ensure mutual communication. The Audit and Supervisory Committee also strives to ensure the effectiveness of its audits by holding regular quarterly meetings with the Internal Control Department and the accounting auditor, as well as holding meetings as necessary.



# Consolidated Statement of Changes in Equity of Riken Corporation

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,573	7,119	64,526	(2,894)	77,324
Changes of items during period					
Issuance of new shares	53	53			107
Distribution of dividends of surplus			(1,200)		(1,200)
Profit attributable to owners of parent			4,318		4,318
Acquisition of treasury shares				(1)	(1)
Appropriation of treasury shares			(0)	0	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		5			5
Net changes of items during period other than shareholders' equity					
Total changes of items during period	53	59	3,118	(1)	3,229
Balance at end of current period	8,627	7,178	67,644	(2,896)	80,554

	Accumulated other comprehensive income					Share acquisiti on rights	Non- controllin g interests	Total net assets
	Other Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Foreign currency translatio n adjustmen t	Remeasur ements of defined benefit plans	Total accumulat ed other comprehe nsive income			
Balance at beginning of current period	1,045	(60)	622	2,189	3,797	97	5,863	87,082
Changes of items during period								
Issuance of new shares								107
Distribution of dividends of surplus								(1,200)
Profit attributable to owners of parent								4,318
Acquisition of treasury shares								(1)
Appropriation of treasury shares								(0)
Change in ownership interest of parent due to transactions with non- controlling interests								5
Net changes of items during period other than shareholders' equity	862	71	2,851	339	4,125		546	4,671
Total changes of items during period	862	71	2,851	339	4,125	—	546	7,900
Balance at end of current period	1,908	10	3,474	2,529	7,922	97	6,409	94,983

# Notes to the Consolidated Financial Statements of Riken Corporation

(Notes regarding important matters concerning the preparation of the consolidated financial statements)

1. Amounts are rounded down to the nearest million yen.

2. Matters related to the scope of consolidation

(1) Status of consolidated subsidiaries

Number of consolidated subsidiaries:

20 companies

Names of main consolidated subsidiaries:

RIKEN CASTEC Co., Ltd.

RIKEN ENVIRONMENTAL SYSTEM Co., Ltd.

RINKEN HEAT TECHNO CO., LTD.

P.T. PAKARTI RIKEN INDONESIA

RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD.

RIKEN MEXICO , S.A. DE C.V.

RIKEN OF AMERICA, INC.

EURO-RIKEN GMBH

(2) Status of non-consolidated subsidiaries

Number of non-consolidated subsidiaries:

1 company

Name of non-consolidated subsidiary:

AMTEK RIKEN

It is a small-scale company, and its total assets, net sales, net income/loss, and retained earnings do not have a material effect on the consolidated financial statements.

3. Matters related to the application of the equity method of accounting

(1) Status of affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method:

4 companies

Names of affiliated companies accounted for by the equity method:

Taiwan Riken Corp

SIAM RIKEN IND. CO., LTD.

SHRIRAM PISTONS & RINGS LTD.

Riken Power System (Nanjing) Co., Ltd.

(2) Status of non-consolidated or affiliated companies not accounted for by the equity method

Names of affiliated companies not accounted for by the equity method:

Yaesu Export & Import Co., Ltd.

Companies not accounted for by the equity method are not accounted for by the equity method because they do not have a material impact on current fiscal year net income/loss, retained earnings, etc., and are not significant in the aggregate so are excluded from the application of the equity method.

4. Matters related to the fiscal year of consolidated subsidiaries

The closing date for Riken Corporation of America, RIKEN OF AMERICA, INC., RIKEN MEXICO , S.A. DE C.V., EURO-RIKEN GMBH, P.T. PAKARTI RIKEN INDONESIA, RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD., PT. RIKEN SEAL PRODUCTS (WUHAN) CO., LTD., RIKEN OF ASIA, RIKEN SALES AND TRADING (THAILAND) CO., LTD. is December 31, 2022. In preparing the consolidated financial statements, the financial statements as of the current date are used, and necessary adjustments are made to reflect significant transactions that occurred between the current date and the consolidated balance sheet date.

## 5. Matters related to accounting policies

### (1) Valuation criteria and methods for significant assets

#### (i) Securities

Held-to-maturity debt securities:

Calculated using the amortized cost method (straight-line method).

Other securities

Other than stocks and other securities with no market value:

Calculated using the market value method (valuation differences are processed by the total direct capitalization method and the cost of sales is determined by the moving average method).

Stocks, etc. without market prices:

Calculated using the cost method using the moving-average method.

#### (ii) Inventories:

Mainly calculated using the cost method (a method of book value devaluation determined on decline in profitability) using the moving-average method.

#### (iii) Derivatives:

Market value method

### (2) Methods of depreciation and amortization of significant depreciable assets

Property, plant and equipment (excluding leased assets):

Mainly calculated using the declining-balance method.

However, we apply the straight-line method to buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016. Useful life and residual value are mainly calculated using the same criteria as stipulated in the Corporation Tax Law.

Intangible assets (excluding leased assets):

Calculated using the straight-line method. Useful life is mainly determined by the same criteria as stipulated in the Corporation Tax Law.

Software (for internal use) is amortized by the straight-line method based on the period of internal use (5 to 10 years).

Leased assets:

Leased assets related to finance lease transactions that transfer ownership of the leased assets to the lessee are calculated using the same depreciation method as that applied to owned fixed assets. Lease assets related to finance lease transactions that do not transfer ownership of the leased assets to the lessee are calculated using a method in which the lease period is deemed as the useful life of the asset and the residual value is set at zero.

### (3) Criteria for recording significant allowances

Allowance for doubtful accounts:

To provide for possible bad debt losses, the Company records allowances for general receivables based on historical bad debt ratios, and allowances for specific doubtful receivables based on the financial condition assessment method.

Allowance for bonuses:

To provide for the payment of bonuses to employees, the Company provides for the estimated amount of bonuses to be paid to employees, which is attributable to the current consolidated fiscal year.

Allowance for environmental measures:

To provide for expenditures for the disposal of polychlorinated biphenyls (PCBs), an estimated amount of expenditures that can be reasonably estimated was recorded.

Allowance for product warranties:

Domestic consolidated subsidiaries provide for expenditures for repair work projected to be incurred in the Radio Frequency Anechoic Chambers/Shield Rooms business by posting an estimated amount of expenditures that can be reasonably estimated.

#### (4) Criteria for recording significant income and expenses

The Group is primarily engaged in the manufacture and sale of automotive and machinery parts. We also construct Radio Frequency Anechoic Chambers/Shield Rooms

With respect to sales of merchandise and products, the performance obligation is satisfied when the merchandise and products are delivered to the customer; therefore, income is recognized at that point in time.

Also, for the construction of Radio Frequency Anechoic Chambers/Shield Rooms, the Company recognizes income based on the percentage of completion based on the cost incurred when the performance obligation is fulfilled over a certain period of time based on the contract and the degree of completion can be reasonably estimated. Also, when the degree of progress cannot be reasonably estimated, we recognize as income an amount equal to the section of the cost incurred that is expected to be recovered.

#### (5) Method of accounting for retirement benefits

##### (i) Method of attributing estimated retirement benefits to periods of service

In calculating retirement benefit obligations, we calculate the estimated amount of retirement benefits attributed to the period through the end of the current consolidated fiscal year using the benefit calculation method.

##### (ii) Method of processing prior service costs and actuarial calculation differences

We process prior service costs based on a certain number of years (10 years) within the average remaining service period of employees when incurred.

Actuarial calculation differences are amortized by the straight-line method over a fixed number of years (10 to 13 years) within the average remaining service period of employees at the time of accrual of each consolidated fiscal year and the amount is amortized from the following consolidated fiscal year from when incurred.

#### (6) Criteria for converting foreign currency-denominated assets and liabilities into Japanese yen

Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate prevailing at the end of the fiscal year, income and expenses are translated into yen at the average exchange rate during the fiscal year, and translation adjustments are included in foreign currency translation adjustments and noncontrolling interests in net assets.

#### (7) Processing of hedge accounting

Method of hedge accounting:

The Company has adopted deferred hedge processing. The allocation method is applied to forward exchange contracts when they meet the requirements for the allocation processing.

Hedging methods:

Forward exchange contracts

Hedging target:

Operating receivables in foreign currencies

Hedging policy:

Our basic policy on derivatives transactions is determined by the Management Committee, which has established internal management regulations that stipulate transaction authority and transaction limits, and we use forward exchange contracts to avoid foreign exchange fluctuation risks.

Method of evaluating hedging effectiveness:

Forward exchange contracts are based on scheduled future transactions (e.g., exports), and the assessment of validity is omitted because the probability of execution is extremely high.

(Changes in accounting policies)

Not applicable.

(Notes regarding Accounting Estimates)

## 1. Impairment of fixed assets

### (1) Amount recorded in the Consolidated Financial Statements

Major fixed assets of domestic subsidiaries that have been identified as impaired (After impairment loss is recorded)

Buildings and structures	1,302 millions of yen
Machinery, equipment and vehicles	441 millions of yen
Land	714 millions of yen
Other	314 millions of yen

Major fixed assets of the Company's business units that have been identified as impaired.

Buildings and structures	649 millions of yen
Machinery, equipment and vehicles	1,098 millions of yen
Land	55 millions of yen
Other	11 millions of yen

### (2) Information that contributes to an understanding of the details of accounting estimates

In the current consolidated fiscal year, the Company identified signs of impairment for the fixed assets of the Company's business units that have reported operating losses for two consecutive fiscal years, and compared the total undiscounted future cash flows from the division's operations with the carrying amount of the assets. As a result of comparing the total undiscounted future cash flows from the operations of the units with their carrying amount, no impairment loss was recognized because such undiscounted cash flows exceeded its carrying amount.

Also, during the current consolidated fiscal year, the Company identified an impairment loss for a domestic subsidiary that has reported operating losses for two consecutive fiscal years and a domestic subsidiary that is expected to continue to report operating losses. As a result of comparing the total undiscounted future cash flows from the operations of the subsidiary with its carrying amount, an impairment loss was recognized for the subsidiary whose undiscounted cash flows were less than its carrying amount.

We estimate these future results and cash flows based on the assumption that profitability will improve to a certain degree in the next fiscal year and thereafter.

In the event that the assumptions used in these estimates need to be revised due to external changes in the environment, such as a shortage of semiconductors or increases in raw material prices and energy costs, additional impairment losses may be recognized in the next fiscal year.

## 2. Recoverability of deferred tax assets

### (1) Amount recorded in the Consolidated Financial Statements

Company has recorded deferred tax assets of 1,090 million yen as described in the Notes regarding Tax Effect Accounting in the Notes regarding Non-Consolidated Financial Statements.

### (2) Information that contributes to an understanding of the details of accounting estimates

As described in the Notes regarding Tax Effect Accounting in the Notes regarding Non-Consolidated Financial Statements, the Company has deferred tax assets of 3,163 million yen before offsetting deferred tax liabilities and deducting valuation allowance of 905 million yen from the total deferred tax assets of 4,068 million yen related to the temporary differences that will be deducted in the future

The Company judges the recoverability of deferred tax assets by estimating taxable income within a reasonably estimable period (generally five years) in the future. Estimates of such taxable income are affected by factors such as the forecasted production volume of the automotive industry, which is closely related to the Company.

If the assumptions used in these estimates need to be revised due to changes in the external environment, such as a shortage of semiconductors or increases in raw material and energy costs, there is a possibility that

deferred tax assets that are not expected to be recovered will be reversed in the following consolidated fiscal year.

#### (Additional information)

##### (Change of schedule regarding business consolidation)

As publicly announced in the press release dated July 27, 2022, “Conclusion of a Memorandum of Understanding concerning Consolidation through the establishment of a joint holding company (stock transfer) between Nippon Piston Ring Co., Ltd. and Riken Corporation,” the two companies have entered into a basic agreement to consolidate their management based on a spirit of equality, and are proceeding with specific discussions and considerations.

Also, in our press release dated November 28, 2022, “Notice Regarding the Schedule for the Consolidation of Riken Corporation and Nippon Piston Ring Co., Ltd.,” in consideration of the time required for the examination of the business combination by the Japan Fair Trade Commission, we announced a change in the schedule for the said corporate consolidation. However, on May 2, 2023, we received a notice from the Japan Fair Trade Commission that it will not issue a cease and desist order in connection with the business consolidation, and that all notification and examination procedures for the business consolidation have been completed.

The two companies will continue discussions and considerations with the aim of realizing the business consolidation as soon as possible. Although the schedule for the future has not yet been determined, the following schedule will be publicly announced as soon as it is finalized through a decision by the organizations.

Final signing of agreement on business consolidation	May 23, 2023 (scheduled)
Ordinary General Meeting of Shareholders (resolution to approve the stock transfer)	June 23, 2023 (scheduled)
Tokyo Stock Exchange delisting date	September 28, 2023 (scheduled)
Effective date of the stock transfer	October 2, 2023 (scheduled)

Note: The above is the current schedule and may be subject to change by mutual agreement upon consultation between the two companies when necessary due to the progress of the business consolidation process or for other reasons.

#### (Notes regarding Consolidated Balance Sheets)

1. Accumulated depreciation of property, plant and equipment  
98,988 millions of yen

#### (Notes regarding Consolidated Statements of Income)

1. Impairment losses

Impairment losses were recorded for the following asset groups:

USE	CATEGORY	PLACE	AMOUNT (millions of yen)
Automobile parts manufacturing equipment	Machinery, equipment and vehicles	Kashiwazaki City, Niigata Prefecture	315
Automobile parts manufacturing equipment	Land	Kashiwazaki City, Niigata Prefecture	108
Automobile parts manufacturing equipment	Buildings and structures	Kashiwazaki City, Niigata Prefecture	48
Automobile parts manufacturing equipment	Other	Kashiwazaki City, Niigata Prefecture	65
Total			539

#### (Background)

In the automobile parts manufacturing equipment, the Company and its subsidiaries recognized impairment losses as signs of impairment based on the “Accounting Criteria for Impairment of Fixed Assets” were recognized due to a decline in profitability, etc.

#### (Methods of grouping)



The Company's automotive parts manufacturing equipment is grouped as a cash flow-generating unit, independent of the Company's business units and subsidiaries, that conducts the relevant manufacturing. For idle assets that are not expected to be used in the future, they are grouped into individual asset units based on management accounting classifications.

(Calculation method of recoverable amount, etc.)

In the Company, it is measured at its net realizable value, which is based on a valuation reasonably estimated by a third party. The Company's subsidiaries measure the value in use, which is calculated by discounting future cash flows.

(Notes regarding Consolidated Statement of Changes in Equity)

1. Matters related to outstanding shares

	Current consolidated fiscal year Number of shares at beginning of period (stocks)	Increase in number of shares (shares)	Decrease in number of shares (shares)	End of the current consolidated fiscal year Number of shares (shares)
Common shares	10,648,466	40,400	–	10,688,866

Note: The increase in common shares was due to the issuance of 40,400 new shares.

2. Matters related to treasury shares

	Current consolidated fiscal year Number of shares at beginning of period (stocks)	Increase in number of shares (shares)	Decrease in number of shares (shares)	End of the current consolidated fiscal year Number of shares (shares)
Common shares	645,730	837	85	646,482

(Notes) The increase in treasury stock of common shares was due to the purchase of 837 odd-lot shares.

The decrease in treasury stock of common shares was due to 85 requests for additional purchases of odd-lot shares.–

3. Matters related to share acquisition rights (excluding those for which the first day of the exercise period has not yet arrived)

Company name	Comprehensive income attributable to	Type of shares to be acquired	Number of shares to be acquired			
			Beginning of current consolidated fiscal year	Increase	Decrease	Beginning of current consolidated fiscal year
The Company	Share acquisition rights as stock options	Common shares	23,100	–	–	23,100

#### 4. Matters related to dividends

##### (1) Dividends paid

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
June 24, 2022 Ordinary General Meeting of Shareholders	Common shares	600	60.00	March 31, 2022	June 27, 2022
November 11, 2022 Meeting of the Board of Directors	Common shares	600	60.00	September 30, 2022	December 6, 2022

(2) Of the dividends for the current consolidated fiscal year, those with an effective date in the following consolidated fiscal year

The following proposal was submitted to the Ordinary General Meeting of Shareholders on June 23, 2023.

Resolution	Type of shares	Source of dividends	Total amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Reference date	Effective date
June 23, 2023 Ordinary General Meeting of Shareholders	Common shares	Profit Surplus	602	60.00	March 31, 2023	June 26, 2023

(Notes regarding Financial Instruments)

##### 1. Matters related to the status of financial instruments

###### (1) Policy regarding financial instruments

The Group's principle investment policy is to use short-term deposits, etc., for fund management, and also to procure funds mainly through borrowings from banks and other financial institutions. Derivatives are used to hedge the risk of exchange rate fluctuations in accounts receivable, etc but the Company does not engage in speculative transactions.

###### (2) Description of financial instruments, their risks and risk management systems

Trade notes and accounts receivable which are operating receivables are exposed to customer credit risk. To manage this risk, the Company manages due dates and outstanding balances by counterparty in accordance with the Group's credit management regulations.

We monitor market price fluctuations for stocks, which are investment securities.

For notes and accounts payable-trade, which are operating obligations, most of the payment due dates are within one year.

Long-term borrowings (generally within 5 years) are mainly for financing capital expenditures and M&A.

The Company executes and manages derivatives transactions in accordance with internal rules that stipulate transaction authority. In addition, in order to mitigate credit risk when using derivatives, we only enter into transactions with financial institutions with high credit ratings.

## 2. Matters related to the fair value of financial instruments

As of March 31, 2023, the consolidated balance sheet amounts, fair values, and their differences are as follows. Stocks and other securities with no market value (consolidated balance sheet amount: 5,976 million yen) are not included in (1) Investment securities. Also, for cash and deposits, trade notes and accounts receivable, and trade notes and accounts payable, notes are omitted because the fair values approximate their book values due to their short maturities.

(Millions of yen)

	Consolidated balance sheets Balance sheet amounts (*1)	Fair value (*1)	Difference
(1) Investment securities			
Affiliated companies' shares	5,300	7,749	2,449
Other securities	11,867	11,867	—
(2) Long-term borrowings (including current portion of long-term borrowings)	(10,000)	(9,857)	(142)
(3) Derivatives transactions (*2)	15	15	—

(\*1) Items recorded in liabilities are shown in parentheses.

(\*2) Net receivables and obligations arising from derivative transactions are presented on a net basis, and items that, in the aggregate, result in a net liability are presented in parentheses.

### 3. Matters related to the breakdown of the fair value of financial instruments by appropriate category

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Of the inputs used to calculate the observable fair value, the fair value calculated based on quoted market prices for the assets or liabilities for which such fair value is calculated that are formed in an active market.

Level 2 fair value: Of the inputs used to calculate the observable fair value, the fair value calculated using the inputs used to calculate the fair value other than Level 1 inputs.

Level 3 fair value: Fair value calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

#### (1) Financial instruments whose fair value is recognized in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	11,867	—	—	11,867

#### (2) Financial instruments whose fair value is not recognized in the consolidated balance sheets

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Affiliated companies' shares	7,749	—	—	7,749
Long-term borrowings (including current portion of long-term borrowings)	—	9,857	—	9,857
Derivatives transactions	—	15	—	15

#### (Notes) Description of valuation techniques and inputs used in the calculation of fair value

Other marketable securities and stocks of affiliated companies are listed stocks and are valued using quoted market prices. Listed stocks are classified as Level 1 fair value because they are traded in an active market.

The fair value of long-term borrowings (including current portion of long-term borrowings) is calculated based on the discounted present value of the total principal and interest and the interest rate that takes into account the remaining term of the obligations and credit risk, and is classified as Level 2 fair value.

Derivatives transactions are classified as Level 2 fair value using the discounted current value method with observable inputs such as foreign exchange rates.

(Notes regarding Income Recognition)

1. Information that disaggregates income arising from contracts with customers

Main geographic markets

(Millions of yen)

	Automotive & Industrial Machinery parts business	Other (*1)	Total
Japan	33,628	12,873	46,501
Asia	20,357	301	20,658
U.S.	10,563	169	10,732
Other	8,353	136	8,489
Income arising from contracts with customers	72,902	13,479	86,382
Other income	—	—	—
Net sales to external customers	72,902	13,479	86,382

(\*1) “Other” is a business segment not included in the reportable segments and includes the piping fittings business, EMC products business, and thermal engineering products business.

Timing of income recognition

(Millions of yen)

	Automotive & Industrial Machinery parts business	Other (*1)	Total
Goods or services transferred at some point in time	72,902	12,065	84,968
Goods or services transferred over a period of time	—	1,414	1,414
Income arising from contracts with customers	72,902	13,479	86,382
Other income	—	—	—
Net sales to external customers	72,902	13,479	86,382

(\*1) “Other” is a business segment not included in the reportable segments and includes the piping fittings business, EMC products business, and thermal engineering products business.

2. Information that provides a basis for understanding income arising from contracts with customers

As stated in “5. Matters related to accounting policy (4) Criteria for recording significant income and expenses” in “Notes regarding important matters concerning the preparation of the consolidated financial statements.”

3. Information to understand the amount of income for the current consolidated fiscal year and the following consolidated fiscal years and thereafter

(1) Balance of contract assets, etc.

	(Millions of yen)
	Amount—
Receivables arising from contracts with customers (beginning balance)	19,751
Receivables arising from contracts with customers (ending balance)	21,713
Contract assets (beginning balance)	78
Contract assets (ending balance)	249

Contract assets arise from the construction of Radio Frequency Anechoic Chambers/Shield Rooms.

(2) Transaction price allocated to remaining performance obligations

Since the Group does not have any significant contracts with an initial projected contract period of more than one year, the practical expedient method is applied and the statement regarding the transaction price allocated to the remaining performance obligations has been omitted. The amount of consideration received from contracts with customers does not include the amount of significant variable consideration not included in the transaction price.

(Notes regarding per share information)

1. Net asset value per share	8,810.30 yen
2. Earnings per share	431.60 yen
3. Diluted earnings per share for the current fiscal year	430.61 yen

(Significant subsequent events)

(Corporate consolidation through acquisition)

On May 9, the Company acquired 76.56% of the shares of JFE Pipe Fitting Mfg. Co., Ltd. from JFE Steel Corporation, making NIPPON JFE Pipe Fitting Mfg. Co., Ltd. a subsidiary of the Company. Also on the same day, the company implemented a trade name change to NIPPON PIPE FITTING Corp. (hereinafter, “NIPPON PIPE FITTING”)

1. Overview of corporate consolidation

(i) Name of acquired company and its business

Name of acquired company: JFE Pipe Fitting Mfg. Co., Ltd.

Description of business: Manufacturing and sales of fittings for gas, water, and other piping, as well as parts for construction and industrial machinery, Prefabricated piping processing

(ii) Main reason for the corporate consolidation

In recent years, the automotive industry has been undergoing a once-in-a-century transformation, and the market perception of the Company's core business, engine components, has become increasingly harsh. As stated in our Midterm Plan “PLAN2022,” the Company plans the expansion of new next-generation businesses, such as non-ICE (internal-combustion engines, such as automobile engines), and has been considering proactive use of M&A to expand its portfolio in a business domain with a high affinity.

NIPPON PIPE FITTING manufactures and sells an extensive lineup of piping fittings and enjoys a position as one of the leading players in the industry, maintaining strong relationships with many customers over the years for this reason for our high-quality product capabilities.

While NIPPON PIPE FITTING has a solid presence in the field of gas pipe fittings, we recognize that our core products are accurately segregated from those of Company. In order for both companies to continue to properly and timely fulfill their supply responsibilities in the manufacture and sale of piping fittings, which are important products that support lifelines, the acquisition of these shares is expected to generate extensive synergies. In addition to enabling significant productivity improvements and the establishment of a sustainable structure capable of supplying high quality products, the decision to acquire the shares was based on our belief that the acquisition will accelerate the Company's efforts to become carbon neutral and to address climate change issues.

By welcoming NIPPON PIPE FITTING to the Group, the Company aims to achieve sustainable growth and increased corporate value through mid- to long-term management stability by continuously providing customers with high-quality products that leverage the strengths of both companies.

(iii) Date of corporate consolidation

May 9, 2023 (deemed acquisition date: April 1, 2023)

(iv) Legal form of corporate consolidation

Acquisition of shares with cash consideration

(v) Name of company after consolidation

NIPPON PIPE FITTING Corp.

(vi) Percentage of voting rights to be acquired

76.56%

(vii) Main basis for the decision to acquire the company

The Company is acquiring its shares as cash consideration.

2. Acquisition cost of the acquired company and breakdown by type of consideration

As per the agreement with the counterparty of this share acquisition, this information will not be disclosed.

The acquisition cost of the shares was determined based on the share value reasonably calculated by a third party.

3. Details and amounts of major acquisition-related expenses

Major acquisition-related costs include advisory and other expenses, which have not been finalized at this time.

4. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

The amount has not been finalized at this time.

5. Assets received and liabilities assumed on the date of corporate consolidation and their major breakdowns

The amount has not been finalized at this time.



(Borrowing large sum of capital)

Based on a resolution passed on March 22, 2023 by the Company's Board of Directors, the Company borrowed funds on April 28, 2023 as follows mainly to fund the acquisition of shares in NIPPON PIPE FITTING Corp. (formerly JFE Pipe Fitting Mfg. Co., Ltd.).

- (1) Lender: Mizuho Bank, Ltd.
- (2) Loan amount: 3 billion yen
- (3) Loan rate: base rate + spread
- (4) Loan date: April 28, 2023
- (5) Loan period: 5 years
- (6) Collateral: Unsecured and unguaranteed

# Statement of Changes in Equity of Riken Corporation

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity												
	Share capital	Capital surplus		Retained earnings								Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings						Total retained earnings		
					Reserve for dividends	Reserve for overseas operations	Reserve for reduction entry	Reserve for reduction entry of replaced property	General reserve	Retained earnings brought forward			
Balance at beginning of current period	8,573	6,604	6,604	1,457	4,000	10,000	10	33	5,500	13,501	34,504	(2,894)	46,787
Changes of items during period													
Issuance of new shares	53	53	53										107
Distribution of dividends of surplus										(1,200)	(1,200)		(1,200)
Profit for the current fiscal year										5,625	5,625		5,625
Acquisition of treasury shares												(1)	(1)
Appropriation of treasury shares										(0)	(0)	0	0
Reversal of reserve for reduction entry							(0)			0	—		—
Provision of reserve for reduction entry of replaced property								(1)		1	—		—
Reversal of reserve													
Net changes of items during period other than shareholders' equity													
Total changes of items during period	53	53	53	—	—	—	(0)	(1)	—	4,427	4,425	(1)	4,531
Balance at end of current period	8,627	6,658	6,658	1,457	4,000	10,000	10	31	5,500	17,929	38,929	(2,896)	51,319

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total of valuation and translation adjustments		
Balance at beginning of current period	1,039	(55)	984	97	47,869
Changes of items during period					
Issuance of new shares					107
Distribution of dividends of surplus					(1,200)
Profit for the current fiscal year					5,625
Acquisition of treasury shares					(1)
Appropriation of treasury shares					0
Reversal of reserve for reduction entry					–
Provision of reserve for reduction entry of replaced property					–
Reversal of reserve					
Net changes of items during period other than shareholders' equity	805	66	871	–	871
Total changes of items during period	805	66	871	–	5,403
Balance at end of current period	1,844	11	1,855	97	53,272

# Notes to the Non-Consolidated Financial Statements of Riken Corporation

(Notes regarding matters concerning significant accounting policies)

1. Amounts are rounded down to the nearest million yen.

2. Asset valuation criteria and methods

(1) Securities

Held-to-maturity debt securities:

Calculated using the amortized cost method (straight-line method).

Stocks of subsidiaries and affiliates:

Calculated using the cost method using the moving-average method.

Other securities

Other than stocks and other securities with no market value:

Calculated using the market value method (valuation differences are processed by the total direct capitalization method and the cost of sales is determined by the moving average method).

Stocks, etc. without market prices:

Calculated using the cost method using the moving-average method.

(2) Inventories:

Cost method based on the moving average method (method of writing down the book value of assets due a decline in profitability)

(3) Derivatives:

Market value method

3. Fixed assets depreciation method:

Property, plant and equipment (excluding leased assets):

Calculated using the declining-balance method.

However, we apply the straight-line method to buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016. Useful life and residual value are determined based on the same criteria as stipulated in the Corporation Tax Law

Intangible assets (excluding leased assets):

Calculated using the straight-line method.

Useful life is determined based on the same criteria as stipulated in the Corporation Tax Law

Note that software (for internal use) is amortized by the straight-line method based on the period of internal use (5 to 10 years).

Leased assets:

Leased assets related to finance lease transactions that transfer ownership of the leased assets to the lessee are calculated using the same depreciation method as that applied to owned fixed assets. Lease assets related to finance lease transactions that do not transfer ownership of the leased assets to the lessee are calculated using a method in which the lease period is deemed as the useful life of the asset and the residual value is set at zero.

#### 4. Criteria for recording allowances

##### Allowance for doubtful accounts:

To provide for possible bad debt losses, the Company records allowances for general receivables based on historical bad debt ratios, and allowances for specific doubtful receivables based on the financial condition assessment method.

##### Allowance for bonuses:

To provide for the payment of bonuses to employees, the Company records the estimated amount of bonuses to be paid to employees attributable to the fiscal year.

##### Allowance for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount based on the projected benefit obligations and pension benefit assets at the end of the fiscal year. When the estimated amount of pension assets is less than the estimated amount of projected benefit obligations plus or minus unrecognized prior service costs and unrecognized actuarial calculation differences, the difference is recorded as allowance for retirement benefits, and when the difference exceeds the projected benefit obligations, the excess amount is recorded as prepaid pension cost.

(i) Method of attributing estimated retirement benefits to periods of service

In calculating retirement benefit obligations, the estimated amount of retirement benefits is attributed to the period up to the end of the current fiscal year based on the benefit calculation method.

(ii) Method of processing prior service costs and actuarial calculation differences

Prior service costs are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the cost is incurred.

Actuarial calculation differences are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence of each fiscal year, with the amount prorated from the following fiscal year of occurrence.

The method of accounting for unrecognized actuarial calculation differences and unrecognized prior service costs related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

##### Allowance for environmental measures:

To provide for expenditures for disposal of polychlorinated biphenyls (PCBs), etc., the Company records an estimated amount of expenditures that can be reasonably estimated.

#### 5. Criteria for recording significant income and expenses

The company is primarily engaged in the manufacture and sale of automotive and machinery parts. For the sale of such goods and products, the performance obligation is satisfied when the goods and products are delivered to the customer, and therefore income is recognized at that time.

#### 6. Processing of hedge accounting

##### Method of hedge accounting:

The Company has adopted deferred hedge processing. The allocation method is applied to forward exchange contracts when they meet the requirements for the allocation processing.

##### Hedging methods:

Forward exchange contracts

##### Hedging target:

Operating receivables in foreign currencies

##### Hedging policy:

Our basic policy on derivatives transactions is determined by the Management Committee, which has established internal management regulations that stipulate transaction authority and transaction limits, and we use forward exchange contracts to avoid foreign exchange fluctuation risks.

Method of evaluating hedging effectiveness:

Forward exchange contracts are based on scheduled future transactions (e.g., exports), and the assessment of validity is omitted because the probability of execution is extremely high.

(Changes in accounting policies)

N/A

(Notes regarding Accounting Estimates)

1. Impairment of fixed assets

(1) Amount recorded in the Consolidated Financial Statements

Major fixed assets of the Company's business units that were identified in determining the indication of impairment

Buildings and structures	649 millions of yen
Machinery, equipment and vehicles	1,098 millions of yen
Land	55 millions of yen
Other	11 millions of yen

(2) Information that contributes to an understanding of the details of accounting estimates

In the current consolidated fiscal year, the Company identified signs of impairment for the fixed assets of business units that have reported operating losses for two consecutive fiscal years, and compared the total undiscounted future cash flows from the division's operations with the carrying amount of the assets. As a result of comparing the total undiscounted future cash flows from the operations of the units with their carrying amount, no impairment loss was recognized because such undiscounted cash flows exceeded its carrying amount.

We estimate these future results and cash flows based on the assumption that profitability will improve to a certain degree in the next fiscal year and thereafter.

In the event that the assumptions used in these estimates need to be revised due to external changes in the environment, such as a shortage of semiconductors or increases in raw material prices and energy costs, additional impairment losses may be recognized in the next fiscal year.

2. Recoverability of deferred tax assets

(1) Amount recorded in the Consolidated Financial Statements

Deferred tax assets 1,090 millions of yen

(2) Information that contributes to an understanding of the details of accounting estimates

As stated in the notes to the financial statements regarding tax effect accounting, the Company has deferred tax assets of 3,163 million yen before offsetting deferred tax liabilities and total deferred tax assets of 4,068 million yen related to temporary differences, less a valuation allowance of 905 million yen.

The Company judges the recoverability of deferred tax assets by estimating taxable income within a reasonably estimable period (generally five years) in the future. Estimates of such taxable income are affected by factors such as the forecasted production volume of the automotive industry, which is closely related to the Company.

If the assumptions used in these estimates need to be revised due to changes in the external environment, such as a shortage of semiconductors or increases in raw material and energy costs, there is a possibility that deferred tax assets that are not expected to be recovered will be reversed in the next consolidated fiscal year.

(Notes regarding Balance Sheets)

1. Accumulated depreciation of property, plant and equipment 67,399 millions of yen
2. Monetary receivables from and monetary obligations to subsidiaries and affiliates (excluding those separately presented)
  - Short-term monetary receivables 5,737 millions of yen
  - Short-term monetary obligations 5,235 millions of yen

(Notes regarding Statements of Income)

1. Transaction volume with affiliated companies
  - Trading volume from operating transactions
  - Net sales 13,652 millions of yen
  - Amount of goods purchased 18,758 millions of yen
  - Selling, general and administrative expenses 266 millions of yen
  - Trading volume from non-operating transactions 5,174 millions of yen

(Notes regarding Statements of Changes in Equity from Non-Consolidated Financial Statements)

1. Matters related to the class and number of treasury shares

	The fiscal year Number of shares at beginning of period (stocks)	Increase in number of shares (stocks)	Decrease in number of shares (stocks)	The end of the fiscal year Number of shares (stocks)
Common shares	645,730	837	85	646,482

- (Notes) The increase in treasury stock of common shares was due to the purchase of 837 odd-lot shares.  
The decrease in treasury stock of common shares was due to 85 requests for additional purchases of odd-lot shares.



(Notes to the financial statements of Riken Corporation regarding tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

Deferred tax assets	
Allowance for bonuses	316 million yen
Accrued expenses	95 million yen
Accrued enterprise tax	9 million yen
Loss on valuation of inventories	103 million yen
Allowance for retirement benefits	2,193 million yen
Depreciation	598 million yen
Loss on valuation of stocks of affiliated companies	414 million yen
Accrued amount payable	3 million yen
Other	332 million yen
Subtotal	4,068 million yen
Valuation allowance	(905 million yen)
Total deferred tax assets	3,163 million yen
Deferred tax liabilities	
Gain on contribution of securities to retirement benefit trust	(1,242 million yen)
Valuation difference on available-for-sale securities	(806 million yen)
Reserve for reduction entry of replaced property	(13 million yen)
Reserve for reduction entry	(4 million yen)
Forward exchange contracts	(4 million yen)
Total deferred tax liabilities	(2,072 million yen)
Net deferred tax assets	1,090 million yen

2. Breakdown of significant differences between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting, by major item that caused the differences

Statutory effective tax rate	30.5%
(Adjustments)	
Items not permanently deductible for income tax purposes, such as entertainment expenses	0.0%
Items not permanently includable in income, such as dividends received	-20.4%
Inhabitant tax on per capita basis	0.3%
Change in valuation allowance	1.2%
Tax credit for experimental research expenses	-1.2%
Foreign withholding tax	6.0%
Other	-0.1%
Income tax expense ratio after application of tax-effect accounting	16.2%

## Notes regarding transactions with related parties

### 1. Subsidiaries and affiliated companies

Attribution	Name of company, etc.	Percentage of voting rights, etc. held (controlling ownership)	Relation		Details of transactions	Transaction amounts (Millions of yen)	Item	Balance at end of period (Millions of yen)
			Concurrently serving officers, etc.	Business relationship				
Subsidiary	RIKEN CASTEC Co.,Ltd.	Ownership Direct 100.0%	Yes	Outsourcing the manufacturing of automotive casting parts, etc.	Company's products outsource manufacturing	5,800	Accounts payable	675
Subsidiary	NIHON MEKKI INDUSTRY CO.,LTD.	Ownership Direct 64.4%	Yes	Outsourcing of surface processing of piston rings	Custody of funds	—	Deposits	986
Subsidiary	RIKEN BROTHER PRECISION INDUSTRY CORPORATION	Ownership Direct 51.0%	Yes	Outsourcing of camshaft manufacturing	Loan of funds	—	Affiliated companies Short-term loans receivable	817
Subsidiary	RIKEN OF AMERICA, INC.	Ownership Indirect 100.0%	Yes	Sales of Company products in the U.S.	Company's products consignment sales	4,847	Accounts receivable	1,284
Subsidiary	EURO-RIKEN GMBH	Ownership Direct 100.0%	No	Sales of Company products in Europe	Company's products consignment sales	1,853	Accounts receivable	697

- (Notes) 1. For the sale and purchase of products, prices and other transaction terms are determined through price negotiations with reference to prevailing market prices, etc.
2. The Company manages the Group's funds in a centralized manner with respect to loans and deposits of funds. Since balances fluctuate daily based on the basic contract, only balances at end of period are described. Interest rates are determined based on market interest rates.
3. . We recorded 267 million yen as allowance for doubtful accounts for loans to affiliated companies. A provision for doubtful accounts of 138 million yen was also recorded for this fiscal year.

### (Notes regarding Income Recognition)

Information that provides a basis for understanding income arising from contracts with customers

As described in “Notes regarding matters concerning significant accounting policies 5. Criteria for recording significant revenues and expenses.”

### (Notes regarding per share information)

- |   |              |
|---|--------------|
| 1. Net asset value per share                              | 5,295.07 yen |
| 2. Earnings per share                                     | 562.27 yen   |
| 3. Diluted earnings per share for the current fiscal year | 560.98 yen   |

### (Significant subsequent events)

### (Borrowing large sum of capital)

As the same information has been described in the “Notes to the Consolidated Financial Statements of Riken Corporation (Significant subsequent events),” this note has been omitted.