COMPANY RESEARCH AND ANALYSIS REPORT

NPR-RIKEN CORPORATION

6209

Tokyo Stock Exchange Prime Market

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Contents

Summary

FY3/26 ended with higher profits that exceeded the upwardly revised forecasts. Despite forecasting lower profits for FY3/27, consolidation synergies are progressing steadily

NPR-RIKEN CORPORATION <6209> (hereafter, also "the Company") is a holding company established by major piston ring manufacturers RIKEN CORPORATION (hereafter, also "RIKEN") and Nippon Piston Ring Co., Ltd. (hereafter, also "NPR") through a business consolidation in October 2023. Effective April 1, 2026, the Company implemented a domestic group reorganization and transitioned to an operating holding company. The Company is pursuing synergies under an integrated governance framework while leveraging the long-cultivated brand strengths of both companies, aiming for sustained growth and enhanced corporate value.

1. Developing the Automobile and Industrial Machinery Parts Business, the Piping Products Business, and the Thermal Engineering Business

To maximize consolidation synergies, the Company carried out a domestic group reorganization effective April 1, 2026, reorganizing the Group's businesses into six segments — Piston Ring Business, Marine & Industrial Components Business, Precision Components Business, Casting Components Business, Piping Components Business, and Semiconductor & Electronics-related Business — and established a business division for each segment. This will enable agile management with an emphasis on speed in strategic planning and decision-making, while also promoting business operations with a focus on ROIC through improved profitability and asset efficiency. Effective FY3/26, the Company changed its business segment classifications to four segments: Automobile and Industrial Machinery Parts Business, Piping Products Business, Thermal Engineering Business, and Others. For automotive engine components such as piston rings, the Company leverages its strengths in advanced precision machining, surface treatment, materials, and powder metallurgy technologies to supply a wide range of products to major automakers worldwide. The Piping Products Business provides piping equipment such as pipe fittings and is the leading company in Japan's pipe fittings industry. In addition, the Company positions semiconductor and electronics-related businesses, including the Thermal Engineering Business, as growth areas and is promoting business portfolio reform.

2. FY3/26 ended with higher profits that exceeded the upwardly revised forecasts

In the consolidated results for FY3/26, the Company reported net sales of ¥163,114mn (down 4.2% year on year (YoY)), operating profit of ¥12,847mn (up 8.8%), ordinary profit of ¥17,345mn (up 18.2%), and profit attributable to owners of parent of ¥14,027mn (up 60.2%). The results exceeded the previous forecast (following the second upward revision to all profit line items announced on February 13, 2026) and, compared with the initial forecast announced at the beginning of the fiscal year on May 15, 2025, which had projected lower profits, the Company instead achieved higher profits. Net sales decreased due to factors including the dissolution of a joint venture in the previous fiscal year and a decline in customers' production volumes. However, operating profit increased as the effects of pricing optimization, mainly in automotive-related businesses, and cost reductions, including consolidation synergies and production optimization, more than offset the impact of lower sales, higher labor costs, and U.S. tariffs. Ordinary profit also benefited from improved foreign exchange gains/losses in non-operating income and expenses, while profit attributable to owners of parent was also supported by the recognition of gain on return of assets from retirement benefit trust in extraordinary income.

3. Forecasts for FY3/27 include lower profits amidst continued uncertainty, although the forecast appears conservative

In the consolidated results for FY3/27, the Company forecasts net sales of ¥162,000mn (down 0.7%), operating profit of ¥10,000mn (down 22.2%), ordinary profit of ¥13,500mn (down 22.2%), and profit attributable to owners of parent of ¥9,000mn (down 35.8%). The Company forecasts lower net sales and profits, taking into account uncertainty in the business environment, including weaker demand resulting from heightened geopolitical risks, rising raw material and energy costs, and higher labor costs. Profit attributable to owners of parent is also expected to be affected by the absence of the extraordinary income recorded in the previous fiscal year. However, FISCO believes there is upside potential, as in the previous fiscal year, taking into account the steady progress in pricing optimization and cost reductions, including consolidation synergies, as well as the yen's depreciation relative to the Company's assumptions.

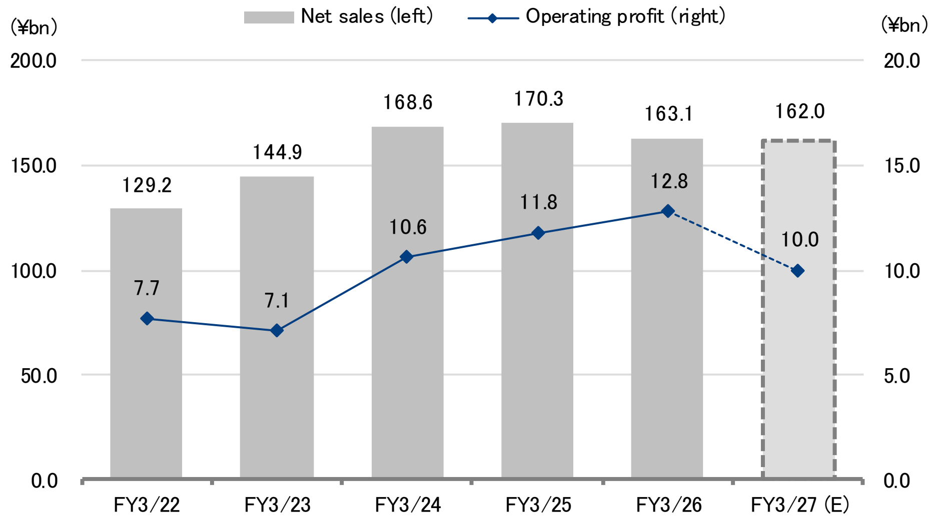
4. Consolidation synergies are progressing steadily, with further acceleration of business portfolio reform expected

The Company formulated its First Midterm Management Plan (FY3/25–FY3/27) in February 2024. To achieve sustained growth and enhance corporate value, it established the following medium-term management policies: 1) Generate synergies through consolidation, 2) Reform business portfolio, and 3) Strengthen sustainability management and develop a foundation for growth. With respect to its quantitative targets, the Company achieved an ordinary profit ratio of 10.6% in FY3/26, exceeding the target of 9% or more through the effects of pricing optimization and cost reductions, including consolidation synergies, thereby achieving its final-year target one year ahead of schedule. Regarding its target of an ROE of 8% or more, the Company achieved an ROE of 9.2% in FY3/26, also benefiting from the recognition of extraordinary income, thereby achieving its final-year target one year ahead of schedule. Although the Company forecasts a temporary decline in profits and ROE for FY3/27 due to uncertainty in the external environment, cumulative consolidation synergies are expected to reach approximately ¥3.0bn–¥3.5bn over the period from FY3/25, exceeding the target of ¥3.0bn for the three-year plan. Overall, progress appears to be steady. Beyond FY3/27, the domestic group reorganization implemented in April 2026 is expected to accelerate the generation of consolidation synergies and business portfolio reform.

Key Points

- RIKEN and NPR completed a business consolidation and transitioned to an operating holding company in April 2026
- FY3/26 ended with higher profits that exceeded the upwardly revised forecasts
- Forecasts for FY3/27 include lower profits amidst continued uncertainty, although the forecast appears conservative
- Consolidation synergies are progressing steadily, with further acceleration of business portfolio reform expected

Results trends



Notes: Figures for FY3/24 and prior fiscal years are the simple sum of figures from the individual results of RIKEN and NPR
Source: Prepared by FISCO from the Company's financial results

Company profile

RIKEN and NPR completed a business merger and transitioned to an operating holding company in April 2026

1. Company profile

The Company is a holding company established through a business consolidation of major piston ring manufacturers RIKEN and NPR in October 2023. In April 2026, the Company implemented a group reorganization and transitioned to an operating holding company, while also transitioning its headquarters from a dual-headquarters structure to a single headquarters at Sanbancho, Chiyoda-ku, Tokyo. In FY2027, the Company plans to relocate its headquarters to the Tokyo Sankei Building in Otemachi, Chiyoda-ku, Tokyo, where all headquarters functions will be consolidated. The Company aims to achieve sustained growth and enhance corporate value by pursuing synergies under an integrated governance framework while leveraging the long-cultivated brand power of both companies.

2. History

RIKEN's history started with the invention of a manufacturing method for piston rings in 1926 (patents acquired in various countries) by Dr. Keikichi Ebihara of the Okochi Research Laboratory of the Institute of Physical and Chemical Research. In 1927, to commercialize the invention, Rikagaku Kogyo was established and started mass production of piston rings for the first time in Japan. After name changes, splits and mergers, RIKEN Industries Co. was founded in 1941. Next, following post-war reorganization and other developments, the Company was relaunched (establishment of Riken) as Riken Kashiwazaki Piston Ring Industries Co. in 1949 (renamed as Riken Piston Ring Industries Co. in 1950) and Riken Kumagaya Cast Iron Co. (renamed as Kumagaya Cast Iron Co. in 1951). It was listed on the Tokyo Stock Exchange (hereafter, also "TSE") in 1952 and changed its name to RIKEN CORPORATION in 1979.

NPR's history began with the establishment of Suzuki Seisakusyo in 1912 by Tomonori Suzuki, who studied the technologies of marine engines on his own. He started to design and make hot bulb marine engines, rice polishing machines and other products. Suzuki keenly sensed the need for domestic production of piston rings and devoted himself to their manufacture. He completed prototypes of piston rings in 1931 and changed the name of the company to Nippon Piston Ring Seisakusyo. In 1934 the company was incorporated as a joint-stock company and it opened a factory in Kawaguchi City in Saitama Prefecture. An aerial bombardment in 1945 destroyed the head office building, and the factory was temporarily closed at the end of the war. The Company listed its shares on the TSE in 1949.

Since their establishment as piston ring manufacturers, both companies have contributed to the development of the global automotive industry for many years. However, amid what has been described as a once-in-a-century transformation of the auto industry, the companies determined that pursuing synergies under an integrated governance framework while leveraging the brands that both companies have built over many years would be the optimal approach to addressing the various challenges they face and achieving sustained growth and enhanced corporate value. Based on this understanding, the companies completed a business consolidation on October 2, 2023 and established a holding company that listed its shares on the Tokyo Stock Exchange Prime Market (RIKEN and NPR, which became wholly owned subsidiaries, delisted on September 28, 2023).

History

RIKEN

Date	Event
1926	Dr. Keikichi Ebihara of the Okochi Research Laboratory of the Institute of Physical and Chemical Research invented a manufacturing method for piston rings. (Acquired patents in various countries)
1927	Established Rikagaku Kogyo to commercialize the inventions of the Institute of Physical and Chemical Research Succeeded in mass production of piston rings for the first time in Japan
1941	Established Riken Industries Co. after renaming, corporate split-up, merger with other companies and so on
1949	After the post-war reorganization, Riken Industries Co. was relaunched as Riken Kashiwazaki Piston Ring Industries Co. (renamed as Riken Piston Ring Industries Co. in 1950) and Riken Kumagaya Cast Iron Co. (renamed as Kumagaya Cast Iron Co. in 1951). This marked the founding of RIKEN CORPORATION
1952	Listed on Tokyo Stock Exchange
1979	Changed the corporate name to RIKEN CORPORATION
2023	Acquired shares of NIPPON PIPE FITTING CORPORATION to make it a subsidiary Delisting of RIKEN CORPORATION due to consolidation with Nippon Piston Ring Co., Ltd. through the establishment of a joint holding company

Nippon Piston Ring (NPR)

Date	Event
1912	Tomonori Suzuki who learned marine engine technology on his own opened Suzuki Seisakusyo
1931	Suzuki completed prototypes of piston rings, and changed the company name to Nippon Piston Ring Seisakusyo. (Incorporated as a joint-stock company in 1934)
1949	Listed on the Tokyo Stock Exchange
2014	Acquired the business of metal injection molding from Sumitomo Metal Mining Co., Ltd. Acquired the business of dental implant from ISHIFUKU Metal Industry Co., Ltd.
2022	Acquired all shares of Normeca Asia Co., Ltd., making it a subsidiary
2023	Delisting of Nippon Piston Ring Co., Ltd. due to consolidation with RIKEN CORPORATION through the establishment of a joint holding company

NPR-RIKEN CORPORATION

Date	Event
2023	RIKEN CORPORATION and Nippon Piston Ring Co., Ltd. established NPR-RIKEN CORPORATION by means of share transfer and listed its shares on the Tokyo Stock Exchange Prime Market
2024	RIKEN CORPORATION acquired the shares of SHINWA VANES CO., LTD. Formulated the First Midterm Management Plan Shares of joint venture company RIKEN Brother Precision Industry Corporation transferred and joint venture dissolved
2025	NPR absorbed and merged NPR FUKUSHIMA WORKS CO., LTD., a consolidated subsidiary
2026	Transitioned to an operating holding company through its group reorganization The Company assumed the sales, technology development, and corporate functions of its subsidiaries, RIKEN and NPR, and transitioned both companies into its manufacturing subsidiaries Subsidiary Riken Corporation of America acquired all shares of Hastings Holding Corp., making it a subsidiary

Source: Prepared by FISCO from the Company's website and securities report

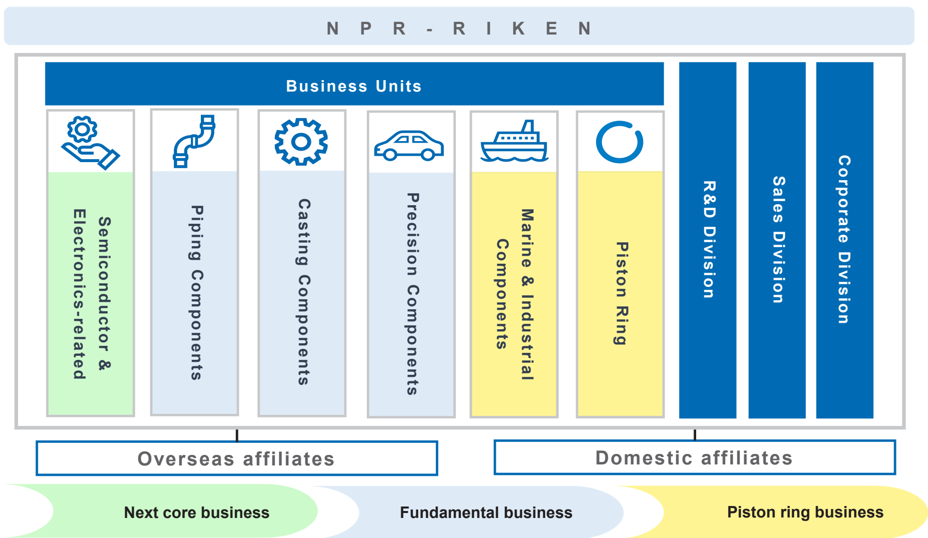
Business overview

Implemented a group reorganization to maximize consolidation synergies

1. Group reorganization

To maximize consolidation synergies, the Company implemented a domestic group reorganization effective April 1, 2026, assuming the sales, technology development, and corporate functions of RIKEN and NPR, and consolidating its strategic planning and management functions as it transitioned to an operating holding company. In addition, the Company eliminated the former RIKEN and former NPR organizational framework, divided the Group's businesses into six segments — Piston Ring Business, Marine & Industrial Components Business, Precision Components Business, Casting Components Business, Piping Components Business, and Semiconductor & Electronics-related Business — and established a business division for each segment. This will enable agile management with an emphasis on speed in strategic planning and decision-making, while also promoting business operations with a focus on ROIC through improved profitability and asset efficiency. As part of the reorganization, the manufacturing divisions were made direct subsidiaries of the Company. With regard to group governance, the Company will use the organizational reorganization as an opportunity to establish unified rules across the Group, while taking a stronger leadership role in strategy and policy formulation to build a resilient and efficient governance structure capable of responding to change. These domestic group reorganizations will accelerate the generation of consolidation synergies. As of June 1, 2026, the Company had 16 domestic consolidated subsidiaries, 21 overseas consolidated subsidiaries, and 6 equity-method affiliates.

Group reorganization



Source: The Company's results briefing materials

As part of the domestic group reorganization, RIKEN was reorganized as the manufacturing subsidiary for the piston ring business and changed its name to NPR-RIKEN NIIGATA CORPORATION. NPR was reorganized as the manufacturing subsidiary for the precision components business and changed its name to NPR-RIKEN PRECISION CORPORATION. Riken Kumagaya Kikai Co., Ltd. succeeded to the precision components business of Riken Corporation Kumagaya Plant and changed its name to NPR-RIKEN PRECISION SAITAMA CORPORATION. Riken Castec Co., Ltd. succeeded to the materials business of the Riken Kashiwazaki Plant and changed its name to NPR-RIKEN CASTEC CORPORATION. NPR Iwate Co., Ltd. succeeded to NPR's piston-ring manufacturing-related assets and changed its name to NPR-RIKEN IWATE CORPORATION. Riken Trading Co., Ltd. succeeded to NPR's trading business for general-purpose products and other products and changed its name to NPR-RIKEN TRADING CORPORATION. In addition, the Company also changed the names of certain companies without implementing a company split.

Outside Japan, the Company announced the closure of the Michigan Plant operated by its U.S. subsidiary in July 2025 and completed the merger of its subsidiaries in Thailand in February 2026. In April 2026, the Company's subsidiary, Riken Corporation of America, acquired all shares of U.S.-based Hastings Holding Corp. (hereafter, also "HHC"), making it a subsidiary. The Company also postponed the planned April 2026 integration of its U.S. subsidiaries.

Mainstay products are automobile engine parts

2. Business overview

Effective FY3/26, the Company changed its business segment classifications to four segments: Automobile and Industrial Machinery Parts Business, Piping Products Business, Thermal Engineering Business, and Others (EMC*1 business, METAMOLD*2, and medical and disaster emergency medical-related products, among others). Sales shares by segment for FY3/26 (shares relative to total sales before elimination of intersegment transactions) were 74.3% for the Automobile and Industrial Machinery Parts Business, 10.4% for the Piping Products Business, 5.6% for Thermal Engineering Business, and 9.7% for Others. Additionally, sales shares by region were 51% for Japan, 6% for China, 16% for other Asian countries, 12% for the U.S., 8% for Europe, and 7% for other countries and regions.

*1 EMC is an abbreviation for Electro-Magnetic Compatibility.
*2 METAMOLD is the registered trademark for NPR-RIKEN Group's metal injection molding product.

The mainstay products in the Automobile and Industrial Machinery Parts Business are piston rings and valve seat inserts, etc., which are engine components. The Company also offers items such as sintered products, engineered plastic products, and casting components related to automobile engines, transmissions, drive, and the chassis, as well as industrial machinery parts, and parts for marine engines. Following revisions to the camshaft production structure, the Company transferred its shares in RIKEN Brother Precision Industry Corporation, a joint venture between RIKEN and BROTHER PRECISION INDUSTRY Co., Ltd., to BROTHER PRECISION INDUSTRY in November 2024, thereby dissolving the joint venture. However, the Company continues to supply camshaft materials. In April 2026, the Company acquired HHC as a subsidiary. HHC has manufacturing bases in the U.S. and the Czech Republic and has an overwhelmingly strong brand presence in the North and Central American aftermarket piston ring market. By adding the Hastings brand to the RIKEN and NPR brands, the Company will capture survivor benefits in piston rings and secure a top position in the global aftermarket. As part of its business portfolio reform, the Company will discontinue domestic production of products other than camshafts in its Casting Components Business (including steering knuckles and housings, other suspension components, and hydraulic components) in September 2027. The Casting Components Business at its Indonesian subsidiary will continue.

Mainstay products in the Piping Products Business are pipe fittings and other piping components. In May 2023, RIKEN acquired NIPPON PIPE FITTING Corp., a major manufacturer of pipe fittings, as a subsidiary, becoming the leading company in the domestic pipe fitting industry.

The Thermal Engineering Business develops, manufactures, and sells the proprietary metallic heating element PYROMAX® and ceramic heating element PYROMAX SUPER®, and provides heat treatment solutions using these products, including heater units and industrial furnaces. In February 2024, RIKEN acquired SHINWA VANES CO., LTD., which has strengths in small- to medium-sized heater units for low-temperature ranges, as a subsidiary. The Company is promoting expansion in applications for semiconductor manufacturing equipment, including through the use of M&A.

Others includes the EMC business, which develops and sells anechoic chambers, the METAMOLD™ business, and medical and disaster emergency medical-related businesses, among others.

The Company's strengths include its advanced precision processing, surface treatment, materials, and powder metallurgy technologies

3. Characteristics and strengths

The main roles of piston rings include functions to seal gas leaks in an engine's combustion chamber, control lubricating oil (engine oil), and dissipate combustion heat. They are used within the combustion chamber under harsh conditions at temperatures reaching 300°C, and perform important functions related directly to engine performance. There are, in effect, only four companies in the world (one in the U.S., one in Germany, and two in Japan), including NPR-RIKEN, that are capable of supplying high-quality piston rings. Although advanced technological capabilities, including low-friction technologies, improved wear resistance, and high-performance, high-quality materials and surface treatment technologies, are required, both predecessor companies have strengths in advanced precision processing, surface treatment, materials, and powder metallurgy technologies, enabling the Company to supply a wide range of products to major automakers worldwide, including Toyota Motor Corporation <7203> and Honda Motor Co., Ltd. <7267>.

Advancing business portfolio reform in response to changes in the business environment

4. Risk factors and measures

One risk factor is that the number of vehicles produced may decrease due to changes in demand and the impact of infectious diseases, disasters, etc. However, the global automobile market will grow slowly, due in part to vehicle use expanding in emerging countries. So rather than a change in the number of vehicles produced, a risk factor for the Company at the current time is the impact of environmental regulations (greater fuel efficiency of engines, declining use of gasoline engines, support for cleaner engines, the spread of EVs, etc.) driven by the global movement toward decarbonization. The Company is promoting technology development as engines evolve, including better fuel economy gasoline engines and next-generation engines like hydrogen and alternative fuels, and reforming its business portfolio with a focus also on expanding business in non-ICE* fields based on trends in vehicle electrification.

* ICE is an acronym for internal combustion engine (an engine that runs on gasoline).

Results trends

FY3/26 ended with higher profits that exceeded the upwardly revised forecasts

1. Overview of FY3/26 results

In the consolidated results for FY3/26, the Company reported net sales of ¥163,114mn (down 4.2% YoY), operating profit of ¥12,847mn (up 8.8%), ordinary profit of ¥17,345mn (up 18.2%), and profit attributable to owners of parent of ¥14,027mn (up 60.2%). The average exchange rates were ¥149 = $1 and ¥169 = €1 (compared to ¥151 = $1 and ¥164 = €1 in the previous fiscal year). The results exceeded the Company's previous forecast (its second upward revision to all profit line forecasts announced on February 13, 2026, which projected net sales of ¥160,000mn, operating profit of ¥11,000mn, ordinary profit of ¥15,000mn, and profit attributable to owners of parent of ¥11,000mn). Compared with the initial forecast announced at the beginning of the fiscal year on May 15, 2025 (net sales of ¥162,000mn, operating profit of ¥8,500mn, ordinary profit of ¥11,400mn, and profit attributable to owners of parent of ¥7,300mn), which had called for a decline in profits, the Company ultimately reported an increase in profits. Net sales declined due to the dissolution of a joint venture in the previous fiscal year and a decrease in global automobile production. However, operating profit increased as the effects of lower net sales, higher labor costs, and the impact of U.S. tariffs were offset by the benefits of pricing optimization, primarily in the automotive-related business, as well as cost reductions resulting from consolidation synergies and production optimization.

Outline of results for FY3/26

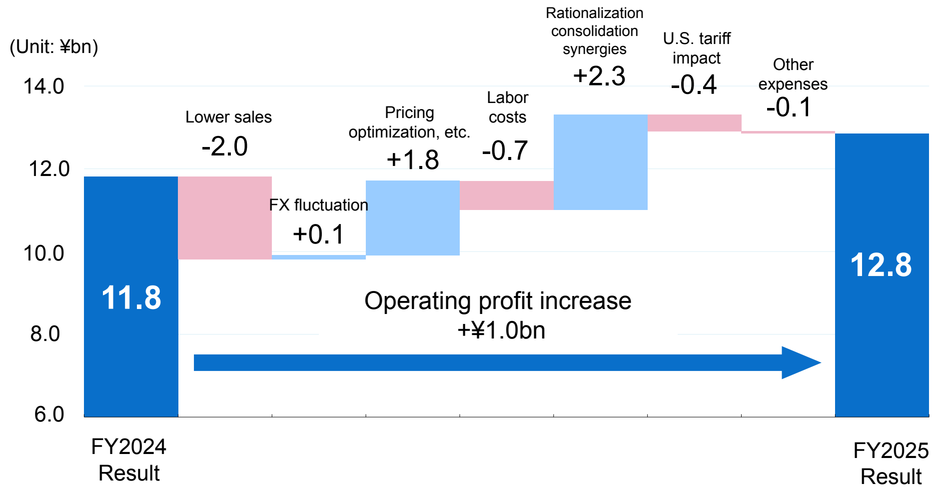
(¥mn)

	FY3/25		FY3/26		YoY		Initial forecast	First revision	Second revision	Vs. Second revision	
	Results	% of net sales	Results	% of net sales	Change	Change %				Amount above forecast	Achievement rate
Net sales	170,340	-	163,114	-	-7,226	-4.2%	162,000	158,000	160,000	3,114	101.9%
Gross profit	40,792	23.9%	42,197	25.9%	1,405	3.4%	-	-	-	-	-
SG&A expenses	28,985	17.0%	29,350	18.0%	365	1.3%	-	-	-	-	-
Operating profit	11,807	6.9%	12,847	7.9%	1,040	8.8%	8,500	9,500	11,000	1,847	116.8%
Ordinary profit	14,678	8.6%	17,345	10.6%	2,667	18.2%	11,400	13,000	15,000	2,345	115.6%
Profit attributable to owners of parent	8,756	5.1%	14,027	8.6%	5,271	60.2%	7,300	9,000	11,000	3,027	127.5%
Exchange rate											
US$/¥	151	-	149	-	-2	-	140	140	149	-	-
Euro/¥	164	-	169	-	5	-	155	155	169	-	-

Note: The initial forecast refers to the forecast announced on May 15, 2025; the first revision refers to the revised forecast announced on November 14, 2025; and the second revision refers to the revised forecast announced on February 13, 2026.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Gross profit increased 3.4% YoY, while the gross profit margin rose 2.0 percentage points (pp) to 25.9%. SG&A expenses increased 1.3% and the SG&A ratio rose by 1.0pp to 18.0%. As a result, the operating profit ratio increased 1.0pp to 7.9%. The ¥1.0bn increase in operating profit was attributable to a ¥2.0bn decrease from lower sales, a ¥0.1bn increase from exchange rate fluctuations, a ¥1.8bn increase from pricing optimization and other factors, a ¥0.7bn decrease from higher labor costs, a ¥2.3bn increase from rationalization and consolidation synergies, a ¥0.4bn decrease from the impact of U.S. tariffs, and a ¥0.1bn decrease from higher expenses and other factors. In non-operating income (expenses), foreign exchange gains/losses improved by ¥1,228mn, from a foreign exchange loss of ¥649mn in the previous fiscal year to a foreign exchange gain of ¥579mn. Extraordinary gains included an ¥897mn increase in gain on the sale of investment securities (¥1,176mn recorded versus ¥279mn in the previous fiscal year), as well as a ¥2,975mn gain on return of assets from retirement benefits trust. Extraordinary losses included a ¥943mn increase in impairment losses (¥2,244mn recorded versus ¥1,301mn in the previous fiscal year), as well as ¥409mn in business structure improvement expenses.

Analysis of changes in operating profit



Source: The Company's results briefing materials

2. Trends by segment

By segment (before elimination of intersegment transactions), the Automobile and Industrial Machinery Parts Business recorded net sales of ¥123,209mn (down 3.6% YoY), and operating profit of ¥10,405mn (up 15.0%). The Piping Products Business recorded net sales of ¥17,259mn (down 7.6%), and operating profit of ¥644mn (down 46.2%). The Thermal Engineering Business recorded net sales of ¥9,204mn (down 3.7%), and operating profit of ¥879mn (down 10.2%). The Others segment recorded net sales of ¥16,093mn (down 3.7%), and operating profit of ¥1,497mn (up 39.0%).

The Automobile and Industrial Machinery Parts Business recorded lower net sales due to the dissolution of a joint venture in the previous fiscal year and lower customer production volumes. However, operating profit increased owing to the effects of pricing optimization and cost reductions resulting from consolidation synergies and production system optimization. The operating profit ratio rose 1.3pp YoY to 8.4%. The Piping Products Business posted declines in both net sales and operating profit due to reduced demand against a backdrop of labor shortages in the construction industry and surging material costs. The operating profit ratio declined 2.7pp to 3.7%. The Thermal Engineering Business recorded lower net sales and operating profit. However, excluding the impact of the change in the fiscal year-end of a subsidiary (in the previous fiscal year, the Company consolidated 13 months of SHINWA VANES' results following the change in its fiscal year-end), performance was essentially unchanged from the previous fiscal year, with solid demand from semiconductor manufacturing equipment manufacturers. The operating profit ratio declined 0.6pp to 9.6%. The Others segment recorded lower net sales but a substantial increase in operating profit. In the EMC business and METAMOLD™ business, high-margin products performed well, and the operating profit ratio improved 2.9pp to 9.3%.

Segment overview

(¥mn)

	FY3/25		FY3/26		YoY	
	Results	Composition / Margin	Results	Composition / Margin	Change	Change %
Net sales	170,340	-	163,114	-	-7,226	-4.2%
Automobile and Industrial Machinery Parts Business	127,778	74.0%	123,209	74.3%	-4,569	-3.6%
Piping Products Business	18,676	10.8%	17,259	10.4%	-1,417	-7.6%
Thermal Engineering Business	9,562	5.5%	9,204	5.6%	-358	-3.7%
Other	16,716	9.7%	16,093	9.7%	-623	-3.7%
Adjustment	-2,394	-	-2,652	-	-	-
Operating profit	11,807	6.9%	12,847	7.9%	1,040	8.8%
Automobile and Industrial Machinery Parts Business	9,050	7.1%	10,405	8.4%	1,355	15.0%
Piping Products Business	1,197	6.4%	644	3.7%	-553	-46.2%
Thermal Engineering Business	979	10.2%	879	9.6%	-100	-10.2%
Other	1,077	6.4%	1,497	9.3%	420	39.0%
Adjustment	-497	-	-580	-	-	-

Notes 1. Segment classifications were changed starting in FY3/26 and figures for FY3/25 are presented under the new classifications
Notes 2. Percentage of net sales for consolidated net sales represents the ratio relative to total sales before elimination of intersegment transactions.
Source: Prepared by FISCO from the Company's financial results

By region, net sales were ¥83.1bn in Japan (down ¥2.2bn YoY), ¥9.7bn in China (down ¥0.0bn), ¥25.7bn in other Asia (down ¥2.6bn), ¥20.2bn in the U.S. (down ¥0.0bn), ¥13.8bn in Europe (down ¥0.4bn), and ¥10.6bn in other markets (down ¥1.9bn). In the Japanese market, net sales declined due to the impact of the dissolution of a joint venture. In Asian markets, China was flat, while the rest of Asia recorded lower net sales due to the sluggish automobile market in ASEAN. In other markets, the aftermarket business was sluggish amid heightened geopolitical risks.

Net sales by region

(¥bn)

	FY3/25		FY3/26		YoY	
	Results	Composition	Results	Composition	Change	Change %
Net sales	170.3	-	163.1	-	-7.2	-4%
Japan	85.4	50%	83.1	51%	-2.2	-3%
China	9.7	6%	9.7	6%	-0.0	-0%
Other Asia	28.3	17%	25.7	16%	-2.6	-9%
U.S.	20.2	12%	20.2	12%	-0.0	-0%
Europe	14.2	8%	13.8	8%	-0.4	-3%
Other	12.5	7%	10.6	7%	-1.9	-15%

Source: Prepared by FISCO from the Company's results briefing materials

The Company's finances are sound

3. Financial position

Total assets at the end of FY3/26 increased ¥9,909mn from the end of FY3/25 to ¥228,954mn. This was mainly because machinery, equipment, and vehicles (net) decreased ¥2,059mn and assets for retirement benefits decreased ¥1,493mn, while cash and deposits increased ¥1,083mn, merchandise and finished goods increased ¥1,959mn, and investment securities increased ¥8,654mn. Total liabilities decreased ¥5,094mn to ¥59,281mn. Income taxes payable increased by ¥994mn, while notes and accounts payable decreased by ¥578mn and electronically recorded obligations decreased by ¥643mn. In addition, total short- and long-term borrowings decreased ¥5,270mn to ¥14,067mn. Total net assets increased ¥15,003mn to ¥169,673mn. Retained earnings increased by ¥10,398mn, valuation difference on available-for-sale securities increased by ¥3,643mn, foreign currency translation adjustments increased by ¥804mn, and accumulated remeasurements of defined benefit plans increased by ¥369mn. As a result, the equity ratio increased 3.7pp to 70.0%.

Regarding the Company's credit rating, on December 1, 2025, Rating and Investment Information, Inc. published a release maintaining an A- [Stable] rating. In FISCO's view, the Company's finances, including its cash flow situation, are sound.

Consolidated balance sheet and consolidated cash flow statements (simplified)

(¥mn)

	End of FY3/24	End of FY3/25	End of FY3/26	Change
Total assets	220,164	219,045	228,954	9,909
Current assets	104,348	105,376	109,124	3,748
Non-current assets	115,816	113,668	119,830	6,162
Total liabilities	70,745	64,375	59,281	-5,094
Current liabilities	44,668	35,726	37,215	1,489
Non-current liabilities	26,077	28,648	22,065	-6,583
Total net assets	149,418	154,669	169,673	15,003
Shareholders' equity	120,530	122,506	132,785	10,278
Equity ratio (%)	63.8%	66.3%	70.0%	3.7pp

	FY3/24	FY3/25	FY3/26
Cash flows from operating activities	18,496	17,477	16,343
Cash flows from investing activities	-13,548	-7,085	-4,855
Cash flows from financing activities	-8,615	-8,404	-10,375
Cash and cash equivalents at fiscal year-end	22,261	25,760	27,069

Source: Prepared by FISCO from the Company's financial results

Outlook

Forecasts for FY3/27 include lower profits amidst continued uncertainty, although the forecast appears conservative

● FY3/27 forecasts

In its consolidated results for FY3/27, the Company is forecasting net sales to decrease 0.7% YoY to ¥162,000mn, operating profit to decrease 22.2% to ¥10,000mn, ordinary profit to decrease 22.2% to ¥13,500mn, and profit attributable to owners of parent to decrease 35.8% to ¥9,000mn. The assumed exchange rates are ¥150 = $1 and ¥180 = €1 (compared to ¥149 = $1 and ¥169 = €1 in FY3/26). The results of HHC, which was acquired in April 2026, will be reflected in the consolidated results during the FY3/27. The Company will also continue to promote pricing optimization and cost reductions, including consolidation synergies and production system optimization. However, it forecasts lower net sales and profits, taking into account uncertainty in the business environment due to lower demand stemming from heightened geopolitical risks, as well as rising raw material and energy costs and higher labor costs.

FY3/27 consolidated results outlook

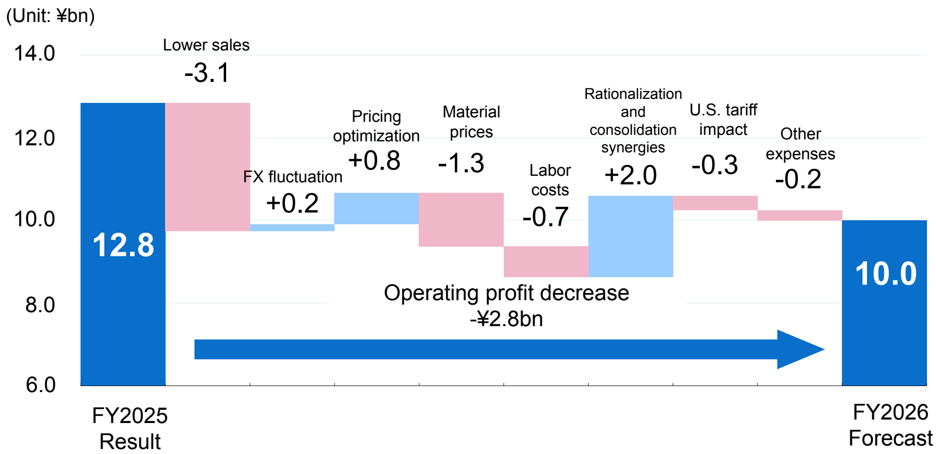
(¥mn)

	FY3/26		FY3/27		YoY	
	Results	% of net sales	Forecast	% of net sales	Change	Change %
Net sales	163,114	-	162,000	-	-1,114	-0.7%
Operating profit	12,847	7.9%	10,000	6.2%	-2,847	-22.2%
Ordinary profit	17,345	10.6%	13,500	8.3%	-3,845	-22.2%
Profit attributable to owners of parent	14,027	8.6%	9,000	5.6%	-5,027	-35.8%
Exchange rate						
US$/¥	149	-	150	-	1	-
Euro/¥	169	-	180	-	11	-

Source: Prepared by FISCO from the Company's financial results

The projected ¥2.8bn YoY decrease in operating profit reflects a ¥3.1bn decrease from lower sales, a ¥0.2bn increase from exchange rate fluctuations, a ¥0.8bn increase from pricing optimization and other measures, a ¥1.3bn decrease from higher material costs, a ¥0.7bn decrease from higher labor costs, a ¥2.0bn increase from rationalization and consolidation synergies, a ¥0.3bn decrease from the impact of U.S. tariffs, and a ¥0.2bn decrease from higher expenses and other factors. Profit attributable to owners of parent will also be affected by the absence of the extraordinary gains recorded in the previous fiscal year. However, although the Company is conservatively forecasting a decline in profits for FY3/27 in light of uncertainty in the business environment, we at FISCO believe there is upside potential, as in the previous fiscal year, given the steady progress in cost reductions, including pricing optimization and consolidation synergies, as well as the yen remaining weaker than assumed.

Analysis of changes in operating profit forecast for FY3/27



Source: The Company's results briefing materials

Growth strategy

Promoting business portfolio reform in response to changes in the business environment

1. Business environment

The global auto market is expected to follow a trend of growing demand centering on emerging countries, but to respond to global warming and energy problems, environmental regulations and vehicle electrification are expected to accelerate and internal combustion engines to decline over the medium- to long-term. At the same time, development is proceeding on hydrogen engines and e-fuel engines. Comparing the CO_2 emissions of EVs and Hybrid Electric Vehicles (HEVs) from well to wheel, it has been shown that HEVs with 50% thermal efficiency engines, on which R&D is underway, are competitive with EVs, which suggests the possibility that HEVs will be an option in next-generation mobility. In addition, in March 2023, the European Union (EU) changed its previous policy that would have banned sales of cars with gasoline engines in 2035. They will now be tolerated past 2035 if the engines use synthetic fuel made from CO_2 and hydrogen. Moreover, due to issues surrounding the disposal of used EV batteries and the Trump administration's policy of rolling back environmental regulations aimed at decarbonization in the U.S., among other factors, the pace of EV adoption is modestly slowing down.

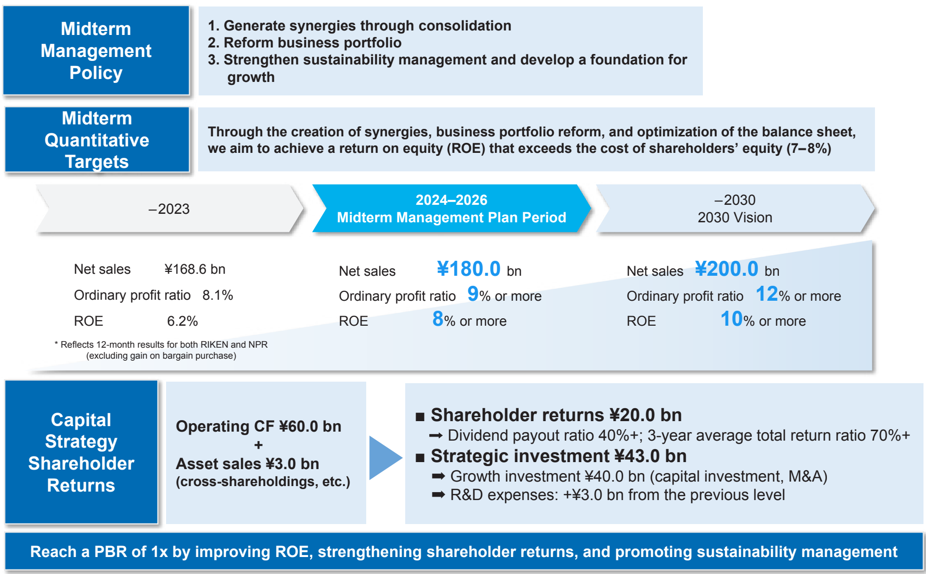
In response to changes in the business environment amid what has been described as a once-in-a-century transformation in the auto industry, the Company is promoting technological development aimed at advancing engines, including further improving the fuel efficiency of gasoline engines and developing technologies for next-generation engines powered by hydrogen and alternative fuels. Although the pace of EV adoption has slowed somewhat, the Company believes the long-term shift toward electrification remains unchanged and is therefore also focusing on expanding its business in non-ICE areas. Furthermore, by actively utilizing M&A and reshaping its business portfolio with future growth potential and profitability in mind, the Company aims to strengthen its resilience to the expansion of BEVs and achieve sustained growth.

Steady progress in generating consolidation synergies

2. First Midterm Management Plan (FY3/25–FY3/27)

The Company formulated its First Midterm Management Plan (FY3/25–FY3/27) in February 2024. To achieve sustained growth and enhance corporate value, it established the following medium-term management policies: 1) Generate synergies through consolidation, 2) Reform business portfolio, and 3) Strengthen sustainability management and develop a foundation for growth. The Company is targeting net sales of ¥180.0bn, an ordinary profit ratio of 9% or more, and an ROE of 8% or more in FY3/27, the final year of the plan. In addition, the targets under the long-term 2030 Vision for FY3/31 are net sales of ¥200.0bn, an ordinary profit ratio of 12% or more, and ROE of 10% or more. To this end, the Company aims to generate returns on equity (ROE) that exceed its cost of equity (7–8%) by generating synergies, reforming its business portfolio, and optimizing its balance sheet.

First Midterm Management Plan overview



Source: The Company's results briefing materials

Regarding progress toward its quantitative targets, the target of an ordinary profit ratio of 9% or more was achieved one fiscal year ahead of schedule in FY3/26, reaching 10.6% due to the effects of pricing optimization and cost reductions, including consolidation synergies. Ordinary profit reached a record high of ¥17.3bn on an absolute basis (compared with the simple combined total of RIKEN and NPR). Regarding the target of an ROE of 8% or more, the Company achieved 9.2% in FY3/26, supported in part by the recording of extraordinary income, achieving its final-year target one fiscal year ahead of schedule. The Company also achieved an ROE exceeding its cost of equity (7–8%). Although the Company forecasts a temporary decline in profit and ROE in FY3/27, reflecting uncertainty in the external environment, it expects consolidation synergies to reach approximately ¥3.0–3.5bn on a cumulative basis from FY3/25, including the effects of the group reorganization in April 2026, thereby achieving its target of ¥3.0bn over the three-year period. Overall, progress appears to be steady.

In generating consolidation synergies, on the net sales side, the Company will work to expand the share of existing businesses by utilizing the brand power and sales networks of both companies and enhancing product lineups, provide diverse solutions by establishing a technical proposal-based sales structure and responding to hydrogen and alternative fuels, and create and commercialize new products. The Company plans to achieve cost synergies of ¥3.0bn over the three-year period. The breakdown consists of ¥1.4bn in the business divisions, generated through procurement cost reductions from joint purchasing (such as the standardization of purchased product specifications and the mutual supply of lower-cost internally manufactured processed products), the consolidation of logistics sites (including logistics sites in the Kanto region), and manufacturing cost reductions achieved by optimizing domestic and overseas production sites (including the sharing of manufacturing know-how between the two companies, the transfer and consolidation of processing operations, the effective use of surplus production capacity, and the standardization of specifications for jointly ordered and similar items). The remaining ¥1.6bn is expected to come from the administrative divisions through the integration of corporate functions, IT infrastructure integration, and other reductions in SG&A expenses.

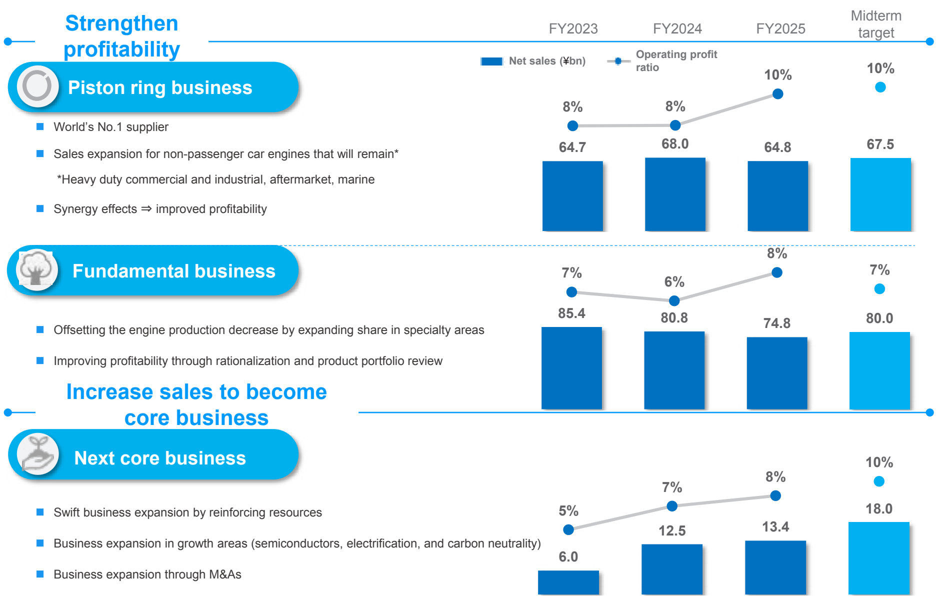
Regarding cash allocations, ¥63.0bn of cash to be generated over the three years (operating cash flow of ¥60.0bn + sales of assets like cross-held shares of ¥3.0bn) will be appropriately allocated for further growth and shareholder returns. Specifically, the Company is planning cash outflows of ¥20.0bn on shareholder returns (with a payout ratio of 40% or more and an average total payout ratio of 70% or more over the three-year period) and ¥43.0bn on strategic investments (¥40.0bn on growth investments, including capital investment and M&A, and an increase of ¥3.0bn in R&D expenses from previous levels). As an inorganic investment in a growth area, the Company acquired HHC in April 2026 for US$83.5mn. In addition, it has been reducing its cross-held shares, and the ratio of cross-held shares to net assets declined from 24.1% at the end of FY3/24 to 15.9% at the end of FY3/26. Going forward, the Company aims to reduce the ratio to 15.0% or lower by the end of FY3/27 and to 10.0% or lower by the end of FY3/30.

Develop next core business into third pillar

3. Business strategy and progress

As for business strategy, toward business portfolio reform, the Company categorized its business into the piston ring business, which seeks to strengthen profitability, fundamental business (sintered products, engineered plastic products, casting components and precision machined components for automobiles and industrial machinery, and piping products for the construction and industrial sectors) and the next core business (existing businesses in growth fields, new products, new businesses), which aims to expand sales scope and become a core business, and will promote business strategies for each of these categories. Regarding the piston ring business and fundamental businesses, the ICE components market will contract over the long term due to vehicle electrification, but a certain level of medium- to long-term demand is expected when including commercial, industrial, and shipping applications. Also, based on the fact that the aftermarket (approximately 1.5bn automobiles are owned globally) will trend steadily for a long period of time, and stable earning sources will expand through the business integration effects. Regarding next core business, the Company will aim for sales and profit expansion over the medium- to long-term by investing management resources into growth areas.

Business strategy by strategic business unit



Source: The Company's results briefing materials

(1) Piston ring business

As the global No. 1 supplier of piston rings, the piston ring business will work to improve profitability by strengthening sales expansion in non-passenger vehicles where engines are expected to remain in use (commercial, industrial, aftermarket, and marine applications), generating consolidation synergies, and implementing fundamental productivity improvements. At the same time, it will also promote the development of innovative product technologies for carbon neutrality, including technologies for hydrogen and alternative fuels.

As measures implemented through FY3/26, the Company withdrew from piston ring production in Taiwan and examined the integration of its domestic cast iron piston ring business. Compared with the midterm management plan's final year (FY3/27) targets of net sales of ¥67.5bn and an operating profit ratio of 10%, the FY3/26 results were net sales of ¥64.8bn and an operating profit ratio of 10%. The operating profit ratio improved as a result of pricing optimization and synergy effects. Beyond FY3/27, the Company will continue to pursue fundamental productivity improvements and generate further synergies, while expanding sales in the aftermarket, including through its newly acquired subsidiary HHC, with the aim of establishing a stable earnings base as the global No. 1 supplier.

(2) Fundamental business

The fundamental business will make up for the decline in engine production by expanding its share in its core areas and will improve profitability through rationalization and revisions to the product portfolio. For precision machine components for automobiles and industrial machinery (sintered products like valve seat inserts, engineered plastic products like seal rings for automobile transmissions, precision machined parts, and casting components), the Company will reinforce cost competitiveness and will identify and dig deeply into competitive market products with the aim of being a top supplier globally. In piping products for the construction and industrial sectors, making NIPPON PIPE FITTING a subsidiary and becoming the leading company in the domestic pipe fitting industry, the Company will promote the development of new products in response to growing demand for prefabrication and labor-saving piping products amid a shortage of pipefitters, thereby increasing its presence in the construction sector.

As a measure implemented through FY3/26, the Company transferred its shares in RIKEN Brother Precision Industry (dissolving the joint venture) and revised the production structure of its camshaft business. For sintered products, the Company decided to close the Michigan facility of its U.S. subsidiary (with production ending in November 2025) and transfer production to other facilities. Against the Midterm Management Plan's final-year (FY3/27) targets of net sales of ¥80.0bn and an operating profit ratio of 7%, the Company achieved net sales of ¥74.8bn and an operating profit ratio of 8% in FY3/26. Although net sales were impacted by the dissolution of the joint venture and weak construction demand, the operating profit ratio improved, driven by rationalization, product portfolio review, pricing optimization, and other initiatives. The Company plans to complete domestic production of products other than camshafts in the casting components business by September 2027, and will continue to review its business portfolio after FY3/27 to improve profitability.

(3) Next core businesses

The next core business will expand its business in growth areas (semiconductors, electrification, and carbon neutrality), promote rapid business development by reinforcing resources, and expand the business portfolio that will drive the next generation by utilizing M&A and other means. Specific business fields include the thermal engineering business, EMC business, METAMOLD™ business and other new products and new businesses (electric unit products, highly functional engineered plastic products, electromagnetic noise countermeasure products, medical device products). Against the midterm management plan's final-year (FY3/27) targets of net sales of ¥18.0bn and an operating profit ratio of 10%, the Company achieved net sales of ¥13.4bn and an operating profit ratio of 8%. Business scale has expanded, led by the Thermal Engineering Business and the EMC business.

The Thermal Engineering Business develops, manufactures, and sells the proprietary PYROMAX® metallic heating element, the PYROMAX SUPER® ceramic heating element, heater units, industrial furnaces, and other products for a wide range of industries, including semiconductor manufacturing equipment manufacturers. In 2024, the Company acquired SHINWA VANES, a fabless manufacturer with strengths in heaters for semiconductor manufacturing equipment, as a subsidiary. The Company is making progress in generating synergies with SHINWA VANES, creating a full product lineup, and enhancing its ability to respond to new product development needs from semiconductor manufacturing equipment manufacturers. Going forward, demand is expected to increase due to the spread of AI and investment in data centers, and the Company will also strengthen its sales functions and supply chain to respond to strong customer demand. In addition, in a wide range of industries beyond the semiconductor industry, demand for heating elements and heater units is expected to increase over the medium to long term as the transition from gas-fired heating to electric resistance heating progresses against the backdrop of carbon neutrality. Accordingly, continued growth is expected.

The EMC business develops, designs, provides construction management and after-sales services for anechoic chambers required for EMC testing*1 conducted by auto manufacturers, electronics manufacturers, and others. It also develops and sells radio wave absorbers used on the walls of anechoic chambers. Demand for new and renovated anechoic chambers is increasing because of the growing need for EMC testing against the backdrop of advances in CASE*2. In FY3/24, the Company delivered Japan's first large anechoic chamber compliant with CISPR16-1-4, the latest international standard, and the number of orders for large-scale projects has since been increasing.

*1 Testing to confirm that electromagnetic waves given off by an electronic device do not have a negative impact on other devices or that when electromagnetic waves given off by another device are received, the device does not malfunction.
*2 CASE is an acronym for Connected, Automated/Autonomous, Shared & Services, and Electric.

The METAMOLDTM business develops metal injection molded (MIM) products for complex-shaped parts used in a wide range of applications, including automobiles, aerospace, and industrial and medical equipment. In the automotive field, these products are used for ball screw circulation components in electric power steering and suspensions. Furthermore, the Company is promoting expanded sales to industrial equipment, such as ball screw circulation components for SCARA robots. The Company will utilize the competitive advantage of complexly shaped parts with high precision and high strength, which can be supplied at a low cost through metal injection molding. The Company also plans to build an efficient, targeted marketing system, greatly strengthen project acquisition capability, and expand into areas such as CASE-related parts, robots, sensors, and the medical field.

In other new products and new businesses, the Company is developing products for electric drive units, such as ultra-thin actuators and ultra-light wave reducers that are more compact and lighter for applications in industry, nursing care and medical robots, and to respond to expansion in the next-generation mobility and robot markets, the Company will develop and expand sales of highly functional engineered plastic products that utilize technology to join different materials together, develop and expand sales of electromagnetic noise countermeasure products that act as a countermeasure to magnetic hindrance utilizing technology cultivated in the EMC business, and promote the development of products for medical devices implanted in the body using biocompatible materials. The Company aims to expand sales and profits over the medium- to long-term and make them core businesses. The Company's thin, high-torque axial gap motor incorporating a pressed powder core has been adopted for use in an agricultural support transport robot. In functional resin products, the Company commercialized plastic gears incorporating insert-molded metal components in 2024, and their adoption for drive units in electrically assisted bicycles has been expanding. In addition, the Company is pursuing a strategy of acquiring new customers and expanding its product portfolio by supplying new EMI (Electromagnetic Interference) countermeasure products, including electromagnetic noise countermeasure cores for the audio and industrial equipment markets and electromagnetic noise countermeasure sheets for automotive in-vehicle multimedia systems and the medical and measurement equipment markets.

In the medical equipment products field, the Company markets NiFreeTTM, a new titanium-tantalum alloy for medical applications. Its advantages include being nickel-free, non-magnetic, highly biocompatible, suitable for long-term implantation in the human body, and less expensive than precious metals (platinum) used for medical devices. NiFreeT was initially developed in-house by the Company for use with piston rings as a shape memory alloy, but it was then re-classified as a medical-use material because it is nickel-free and presents excellent processability. The Company is working to commercialize it as quickly as possible for application in implantable medical devices such as dental screws, guidewires, catheter reinforcements and medical devices centered on orthopedics. In addition, the Company is conducting new product development with Medtronic <MDT>, one of the world's major medical device manufacturers, as a part of its joint development project for implantable medical devices. Furthermore, recently the Company has launched EpiShuttle® isolation units for transporting patients with highly contagious diseases (manufactured by EpiGuard with the Company's subsidiary Normeca Asia Co., Ltd. holding exclusive sales rights for Japan).

The Company is also advancing hydrogen-related business centered on hydrogen engines. In July 2025, it concluded a partnership agreement with the City of Yokohama, the Gotoh Educational Corporation (Tokyo City University), and Nisshin OilliO Group Corporation <2602> to conduct demonstration research on a hydrogen engine conversion bus and other related initiatives. It also opened a hydrogen station in Kashiwazaki City, Niigata Prefecture, in March 2026. The Company is also promoting initiatives aimed at contributing to local communities and realizing a carbon-neutral society, including collaborating with the Kashiwazaki City Zero Carbon City Strategy to contribute to local production for local consumption of energy, using hydrogen engine development as a foundation.

Targeting a payout ratio of 40% or more and a total payout ratio of 70% or more

4. Shareholder return policy

The Company has adopted a basic policy of providing shareholder returns while emphasizing capital efficiency and the total payout ratio. Under the first midterm management plan, it aims to enhance shareholder returns by maintaining a payout ratio of at least 40% and targeting a three-year average total payout of at least 70%, including ¥10.0bn for treasury share acquisition. As a result, the DOE is expected to be around 3% in FY3/27. Based on this basic policy, the annual dividend for FY3/26 was ¥210 per share (interim: ¥50; year-end: ¥160), an increase of ¥80 from the previous year, resulting in a payout ratio of 40.3%. For FY3/27, the Company forecasts an annual dividend of ¥210 per share (interim: ¥80; year-end ¥130), unchanged from the previous fiscal year, with a forecast payout ratio of 62.8%. The Company will conduct treasury share acquisitions in a timely and flexible manner, while taking into account its business outlook and market conditions.

Dividend history and forecast

(Unit: ¥bn)	FY2024 Results	FY2025 Results	YoY Change	FY2026 Forecast
Annual dividend	¥130	¥210	+¥80	¥210
Interim dividend	¥45	¥50	+¥5	¥80
Year-end dividend	¥85	¥160	+¥75	¥130
Total dividends	3.5	5.6	+2.2	5.6
Treasury share acquisition	4.0	-		TBD
Net profit (*)	8.8	14.0	+5.3	9.0
Dividend payout ratio	40%	40%	+0%	63%
Total return ratio	86%	40%	-46%	TBD

* Profit attributable to owners of parent

Source: The Company's results briefing materials

5. Sustainability management

To support the sustainable growth of companies and society, the Company has set forth six major items in its sustainability management (Reinforcement of carbon neutrality initiatives, Promotion of diversity, equity and inclusion, Contribution to local communities, Improvement of corporate governance, Improvement of employee engagement and human resource development strategy, and Creation of safe and secure workplaces), and is promoting sustainability management on this basis. Regarding its key performance indicators (KPI) for FY3/27, the Company aims to reduce GHG emissions by 39% compared with FY3/14 (51% by FY3/31), increase the ratio of female managers to 3% or more domestically and 7% or more on a consolidated basis, raise the acquisition rate of paternity leave to 50% or more in Japan, increase the ratio of those practicing code of conduct to 80% or more for the code established in FY3/24, and increase investment in human resource development for employees in Japan by 30% compared to FY3/23. As of the end of FY3/26, the Company had already achieved its FY3/27 targets for a 46.4% reduction in GHG emissions, a consolidated female manager ratio of 8.0%, an acquisition rate of paternity leave in Japan of 59.3%, and a ratio of those practicing code of conduct of 92.0%. To strengthen initiatives for carbon neutrality, the Company intends to upgrade to high-efficiency facilities, introduce solar power generation, procure renewable energy, purchase green electricity certificates, and utilize J-credits (carbon offset). Also, in March 2026, both NPR and RIKEN received certification as a 2026 Health & Productivity Management Outstanding Organization (Large Enterprise Category) under the Certified Health & Productivity Management Outstanding Organization Recognition Program operated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. As part of its human capital investment initiatives, the Company will introduce the NPR-RIKEN Academy program, which is designed to enhance employees' skills.

Acceleration of business portfolio reform expected

6. FISCO's view

Although the automobile engine parts industry is expected to face a challenging business environment due to the shift toward EVs and other factors, the pace of EV adoption has slowed and scenarios in which ICEs continue to coexist remain plausible. Accordingly, the Company's piston ring business and fundamental business are likely to continue generating stable earnings through appropriate business strategies. In light of these factors, FISCO believes investor sentiment toward the automobile engine parts industry is overly pessimistic. Furthermore, progress in generating consolidation synergies has been steady as of FY3/26. In addition, the next core business, which the Company has identified as a priority area, continues to expand, driven by the high-value-added Thermal Engineering Business and EMC business. Looking beyond FY3/27, the domestic group reorganization implemented in April 2026 is expected to accelerate both the generation of consolidation synergies and business portfolio reform. Accordingly, the progress of the Company's growth strategies, particularly the generation of consolidation synergies, will merit close attention.

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