

03 Foundation for Value Creation

This section describes our sustainability, priority issues, environment, human capital management and corporate governance, which form the basis for the value co-creation that supports our growth strategy.

Message from the Sustainability Officer



Balancing social value and economic value in our business activities

Toru Matsui, Representative Director, Member of the Board, Executive Vice President

Our Commitment to Sustainability Embodied in “Nitterra”

As a Group, we have managed our business around the concept of sustainability. As our corporate philosophy states, we are committed to creating new value for people around the world by leveraging our best technologies and accumulated experience. Therefore, we always seek to create products and services that help solve social issues.

In April 2023, we changed our English trade name to Nitterra Co., Ltd. “Nitterra” is a combination of the Latin words “niteo” meaning “shine” and “terra” meaning “earth.” This expresses the Group’s desire and stance to become a company that not only contributes to a sustainable society but also brightens the Earth. It is directly related to sustainability. As the Nitterra Group, we will further refine our technologies and ideas to create a competitive advantage as a manufacturing company and contribute to the realization of a more prosperous society.

Toward Evolution of Sustainability Management

In advancing sustainability management, we face the challenge of balancing the value we provide to society with the economic benefits we gain. What contributes to society and positively impacts our business in

the long term can negatively impact our bottom line in the short term. To overcome such dilemmas, we are working to create a framework that uses a method to quantify the non-financial impacts of our various actions. Through this method, we will achieve compatibility between the value we provide to society and the economic benefits we gain. First, we will reflect some cases of the implementation of the method on the climate change measures of the next Medium-term Management Plan. Then we will apply the method to areas other than the global environment, so that all of our Group’s business activities will be underpinned by sustainability.

Accelerate Initiatives to Combat Climate Change

With the goal of achieving carbon neutrality by 2050, we have set quantitative targets for the key themes of our Eco Vision 2030: responding to climate change, expanding environmentally friendly products, conserving water resources and managing waste. As for responding to climate change, each of the major business companies has created and is pursuing its own roadmap. We are on a solid path toward our goal of reducing CO₂ emissions by 30% by 2030 compared to FY2018. However, as the global requirement for climate action has increased from the previous 2°C target to the 1.5°C target, we



recognize the need to further strengthen our efforts by introducing new technologies such as ammonia co-firing and hydrogen co-firing, and by pursuing production processes that are not dependent on fossil fuels.

As a Group, we hope to develop new businesses by combining various technologies through open innovation while leveraging our core technologies. In FY2023, we applied our accumulated fuel cell technologies to develop a reversible SOC^{*1} system that can generate hydrogen from electricity and electricity from hydrogen and air in a single unit. This technology stores excess electricity as hydrogen for use on demand, helping to make efficient use of renewable energy. We also launched the desiccant air conditioner business for supermarkets and drugstores. This air conditioner controls indoor ventilation and humidity to achieve both energy savings and a comfortable indoor environment. In addition, we are promoting the “Regional CCUTM”^{*2} project to create a circular economy with local communities by utilizing our CO₂ capture technology, in which we are conducting a demonstration project to capture and transport CO₂ emitted from the plant and reuse it to grow mandarin oranges in greenhouses.

While developing new technologies and products, we are also working to reduce CO₂ emissions from existing manufacturing operations. For example, we are studying the use of hydrogen combustion for ceramic firing furnaces. We will pursue production processes that utilize clean energy.

Improve Sustainability Around Human Capital

We view our employees as our greatest management resource (human capital) and devote our energy to their development in order to maximize their value. In order to transform our business portfolio, which is a key management priority, we are making significant investments in the transformation of our human capital portfolio.

We are also working to diversify our human resources to enhance our competitiveness as a global company. For example, Nitterra Ventures Company, our new business creation unit, actively promotes people with a global perspective to leadership positions. Diversity is a driver of innovation because it brings together a variety of ideas. In order to achieve this vision, it is essential that we first break down cultural and linguistic barriers.

In terms of employee engagement, overall satisfaction improved from the previous year. I think this is the result of employees becoming more aware of the changes the Company is going through. On the other hand, I understand that they want management to share more information. We will address that in due course.

As a Group, we are also committed to improving sustainability in all aspects of our management, with human capital at the core of our activities. As we expand our business globally, one of the challenges we face is human rights.

We continue to strengthen our human rights initiatives within the supply chain while simultaneously expanding our supplier network. We conduct regular surveys and engage in communication activities to promote understanding of the ideas and actions we are pursuing. We will continue to promote human rights due diligence while keeping an eye on social conditions.

To Grow Sustainably as a Company that Brightens the Earth

It is necessary for us to have a clear understanding of our Group's impact on the external environment. In September 2023, we registered as an early adopter of the Taskforce on Nature-related Financial Disclosures (TNFD) to advance activities related to the growing global need for biodiversity conservation. We will evaluate the impact of our



business activities on the natural environment and the risks associated with loss of nature, and disclose relevant information.

I believe that sustainability management entails fostering a corporate culture where not only management, but also all employees, are aware of sustainability and the resolution of social issues at all times in the course of their work. Our goal is to become a company where everyone naturally says to each other, “Is the business we are doing now worthy of the Nitterra name? Will it brighten the future of the Earth?” To achieve this, first, executive leaders must take the initiative. For example, in preparation for the next Medium-term Management Plan, corporate officers, including younger members, discuss the simulation of social and financial impacts to further raise awareness of this issue.

While clearly communicating the Group's sustainability philosophy and initiatives to our stakeholders, we will challenge ourselves to achieve growth that balances social and economic value. We look forward to your expectation and support for the positive impact that our Group will have in the future.

^{*1} SOC: Solid Oxide Cell

^{*2} CCU: Carbon dioxide Capture Utilization

CSR and Sustainability Charter CSR Basic Policy

We are committed to delivering new value to people all over the world and contributing to society, as expressed in our corporate philosophy. This commitment is associated with our concept of sustainability, which is to help solve social issues through business activities.

We established the CSR and Sustainability Charter and the CSR Basic Policies (12 in total), which dictate Group action guidelines for CSR, to present our concept more clearly, communicate it widely both internally and externally, and promote CSR and sustainability.

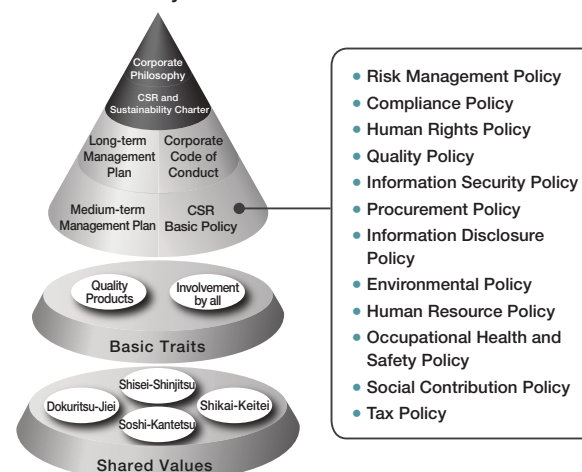
▶ P.2

Promotion System

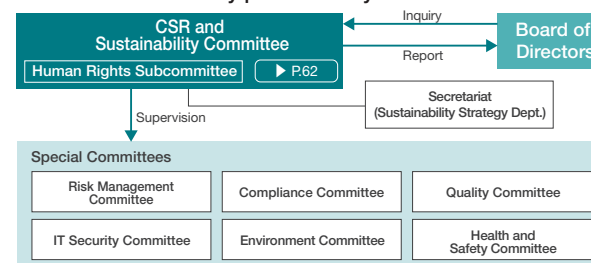
In our Group, each division responsible for each policy leads and drives activities in its respective ESG area to implement its respective policy, based on the CSR Basic Policy set forth in the Nittoku Way, the Group's philosophy system. If necessary, we establish special committees to strengthen the promotion. We have also established a CSR and Sustainability Committee to monitor and oversee these activities.

The CSR and Sustainability Committee (which holds regular meetings four times a year and extraordinary meetings as necessary) is chaired by an outside director and has two functions: to report and make proposals in response to consultations on sustainability from the Board of Directors, taking into account external perspectives; and to supervise each special committee. They invite outside experts as guests to the Board to broaden knowledge and perspectives during consultations from the Board of Directors meetings. They additionally hold multifaceted discussions to encourage sustainability management in the long term and make reports and proposals to the Board. Each special committee monitors the effective execution of its respective specialized operations, and the CSR and Sustainability Committee oversees them. Special committees share important information with the CSR and Sustainability Committee, such as the status of CO₂ emission reduction and risk assessment. Regarding human rights themes, we have established a subcommittee to promote them. In order to realize an ideal approach to sustainability management based on the Medium-term Management Plan, the CSR and Sustainability Committee met 10 times in FY2023 and discussed the incorporation of sustainability elements into the next Medium-term Management Plan, the promotion system for respecting human rights, and the revision of the CSR Basic Policy.

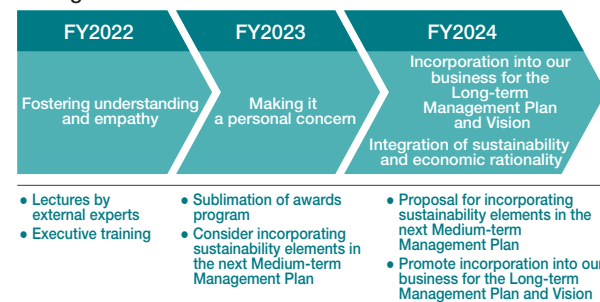
The Nittoku Way



CSR and sustainability promotion system



CSR and Sustainability Committee Medium-term Management Plan



Message from the Chair of the CSR and Sustainability Committee

Chiharu Takakura,

Outside Director, Chair of the CSR and Sustainability Committee



Recognizing External Environments

How we, as a company, perceive and address various issues facing society and the planet, such as climate change, biodiversity and human rights, has become increasingly important. In this era of uncertainty, non-financial information is gaining significance alongside financial information. We recognize the need to integrate a sustainability perspective into our business development. So, we hope to enhance the sustainability of society and our Group by working to solve social issues through our Group business operations.

Mission and Vision of the CSR and Sustainability Committee

In this Committee, we take sustainability management into account and fully discuss how we can help resolve social challenges based on our core competence and management philosophy. The CSR and Sustainability Committee aims to achieve its mission and vision through reporting and making proposals to the Board of Directors.

Mission

Shift Nitterra Group Sustainability Management to future-oriented resolutions by improving corporate value through the coexistence of society and our Group beyond the current framework toward a sustainable society.

Vision

Our pursuit of creating a sustainable coexistence between human happiness, the earth and the universe with our accumulated experience and technology has gained the understanding and sympathy of society.

CSR and Sustainability Committee

The members deepened various discussions on how to achieve the FY2023 target of raising the sense of ownership and how to conduct business from a sustainability perspective. Consequently, the scope of our activities has expanded to include the study of visualization of non-financial information, multifaceted discussions by young executives on the Company's priority issues (materiality), and the brushing up of the internal awards system. In addition, we hosted study sessions with guest experts for Board members to raise awareness of wellbeing among Board members and managers, and confirmed the effectiveness of each special committee. In FY2024, we would like to further discuss the review of priority issues (materiality) with a view to the next Medium-term Management Plan and identify appropriate items. We also plan to focus on new global trend issues such as biodiversity, in addition to human capital management, in order to achieve sustainability management in the medium to long term. Furthermore, we would like to help revamp the internal awards system and continuously improve board and employee engagement by promoting sustainability-related activities.

We have identified eight priority issues (materiality) to be addressed in order to realize a sustainable society.

For these priority issues, we have defined major initiatives, targets, and outputs, and are carrying out activities from a medium- to long-term perspective. For FY2023, we have made progress as follows. We will continue to address these issues and contribute to the realization of a sustainable society.

Environment	Responding to climate change ▶ P.47		
Major Initiatives	Reduction of CO ₂ emissions	Goals and Outputs	CO ₂ emissions: 30% reduction from the FY2018 level by FY2030
Progress in FY2023	Reduced by 31.7% (191K tons)		
Initiatives in FY2023	<ul style="list-style-type: none"> Formulate a roadmap for 2030 Start operation of photovoltaic power generation facilities installed at the Komaki Plant, Nittoku Spark Tec WKS Nino Plant, and NTK CERATEC Headquarters Factory Establish energy-saving standards for air conditioning, production equipment, air system and lighting (15 items in total) and start operation Establish a dedicated website on our intranet to address climate change, and start providing information to employees 		
Recognition of Issues in FY2024 and Beyond	<ul style="list-style-type: none"> Revision of target values to suit the 1.5°C target Promotion of CO₂ reduction activities at overseas Group companies 		

Environment	Providing environmentally friendly products		
Major Initiatives	Dissemination and expansion of environmentally friendly products	Goals and Outputs	(1) Sales ratio of precious metal plugs: at least 50% (2) Sales ratio of wide range oxygen sensors: at least 50%
Progress in FY2023	1) 47% 2) 40%		
Initiatives in FY2023	<ul style="list-style-type: none"> The shortage of semiconductors for automobiles has been resolved, and sales of four-wheeled vehicles with a high installation rate of precious metal plugs have recovered, leading to an increase in the sales ratio of precious metal plugs In the market for China, where the ratio of wide-range oxygen sensors is high, sales ratio growth was lower than expected due to the acceleration of the conversion to electric vehicles To include LCA calculation in the certification system for environmentally friendly products, the certification was suspended in FY2023, but it is scheduled to be resumed in FY2024 		
Recognition of Issues in FY2024 and Beyond	Assessment of the market environment, including trends in EVs and competing products		

Society	Developing technologies, products, and businesses for contributing to the resolution of social issues (1)		
Major Initiatives	Development of fuel cells	Goals and Outputs	Disseminating high-efficiency distributed power supply systems with an eye on the use of CO ₂ -free hydrogen fuel
Progress in FY2023	Delayed completion of mass production launch and additional production of SOFC cell stacks		
Initiatives in FY2023	Although sales expansion of existing system manufacturers has slowed down, efforts are being made to realize the listing of other system manufacturers and propose new applications (fuel diversity, etc.)		
Recognition of Issues in FY2024 and Beyond	<ul style="list-style-type: none"> Slowing expansion of the commercial and industrial market Proactive proposals for new system manufacturer candidates and new applications (fuel diversity, etc.) 		

Society	Developing technologies, products, and businesses for contributing to the resolution of social issues (2)		
Major Initiatives	Development of applications for lead-free piezoelectric materials	Goals and Outputs	Promoting substitution for lead-based piezoelectric materials
Progress in FY2023	Finalization of mass production specifications for some products toward the application of lead-free piezoelectric materials		
Initiatives in FY2023	Continuously proposing to customers alternatives from lead-based piezoelectric materials to lead-free piezoelectric materials in anticipation of future regulations		
Recognition of Issues in FY2024 and Beyond	Identification of regulatory trends for leaded materials		

Society	Developing technologies, products, and businesses for contributing to the resolution of social issues (3)		
Major Initiatives	Development of sensing IoT business	Goals and Outputs	Improving operational efficiency through automation, optimization and generalization
Progress in FY2023	Development of aquaculture systems (water quality management systems, water tanks, filtration tanks, etc.) for land-based shrimp farming is underway		
Initiatives in FY2023	<ul style="list-style-type: none"> Achievement of the target stocking density and yield in land-based shrimp aquaculture in FY2023 Ongoing development of the Nitterra aquaculture system 		
Recognition of Issues in FY2024 and Beyond	Cost reduction of the Nitterra aquaculture system as a whole		

Society	Developing technologies, products, and businesses for contributing to the resolution of social issues (4) ▶ P.44		
Major Initiatives	Carbon Neutrality as a service	Goals and Outputs	Establishing and introducing a synthetic fuel (methane) production system
Progress in FY2023	Establishing a system to collect, transport, and use CO ₂ and demonstrate the collection and recycling of CO ₂ during regional demonstration		
Initiatives in FY2023	Recycling CO ₂ emitted from gas boilers to promote the growth of mandarin oranges during regional demonstration		
Recognition of Issues in FY2024 and Beyond	<ul style="list-style-type: none"> Reduction of the amount of electricity used to recover CO₂ and expansion of the number of CO₂ utilization sites during regional demonstration Launching of the demo methanation device 		

*Carbon Neutral as a service is our vision of a decarbonized circular society and solution services. For more information, please visit our website:
<https://ngkntk.disclosure.site/en/themes/174/>
https://www.ngkntk.co.jp/english/business/innovation/new_business/ccu/

*Goals and Outputs are set for the last fiscal year of the Long-term Management Plan, unless a different fiscal year is indicated in the table.



Society Global human resource management ▶ P.52			
Major Initiatives	1) Promotion of employment of women, foreign nationals, and mid-career employees 2) Examination of a New Personnel System	Goals and Outputs	1) Percentage of female, foreign nationals, and mid-career employees in managerial posts: 25% 2) Improve the results of employee satisfaction surveys
Progress in FY2023	1) 24.9% (an increase of 5.0 points year on year) 2) 3.46 (an increase of 0.13 points year on year)		
Initiatives in FY2023	1) • We continued to implement the Raise UP Program (selective training for female manager promotion). Effective in improving the mindset of female employees and increasing the proportion of female managers • Holding DE&I lectures to foster a culture that accepts diversity • Implementing immediate mid-career employment 2) • Starting from FY2023, in addition to measuring employee satisfaction, engagement has also been assessed • We held a workshop for department managers to share initiatives, discuss specific actions of each department, and cultivate a mindset of connection, or "symbiosis," with other departments		
Recognition of Issues in FY2024 and Beyond	1) Providing education programs for managers 2) Resolving issues in each department identified based on the gap between expectations and satisfaction		

Governance Corporate governance ▶ P.61			
Major Initiatives	1) Increasing the ratio of female and foreign nationals as to directors 2) Increasing the ratio of outside directors	Goals and Outputs	1) Percentage of female and foreign nationals as directors: at least 30% 2) Percentage of outside directors: at least one-third
Progress in FY2023	1) 45% (5 out of 11 directors) (as of the end of FY2023) 2) 64% (7 out of 11 directors) (as of the end of FY2023)		
Initiatives in FY2023	Already achieved		
Recognition of Issues in FY2024 and Beyond	-		

Governance Risk management ▶ P.74			
Major Initiatives	Management of serious incidents signs and prevention of their occurrence	Goals and Outputs	Establishing a risk management system that contributes to management decision making
Progress in FY2023	<ul style="list-style-type: none"> Promoting measures for priority risks Updating risk maps and periodically reviewing priority risks Selecting global priority risks and formulating response policies 		
Initiatives in FY2023	<ul style="list-style-type: none"> Monitoring the status of countermeasures for priority risks by the department in charge of risk management, and promoting risk reduction activities We created a global risk map after conducting risk assessments at overseas Group companies and analyzing and assessing risks. Selecting global priority risk, determining policies for responding to each priority risk in consultation with the office risk management department at the headquarters 		
Recognition of Issues in FY2024 and Beyond	<ul style="list-style-type: none"> Supporting response to and monitoring of global priority risks Improving the accuracy of risk assessments and the effectiveness of responses 		

Governance Compliance ▶ P.75			
Major Initiatives	Survey of employees' awareness and continuous education	Goals and Outputs	Conducting compliance awareness surveys and disclosing the results
Progress in FY2023	<ul style="list-style-type: none"> Implemented improvement activities based on the results of the compliance awareness surveys Expanding compliance education 		
Initiatives in FY2023	<ul style="list-style-type: none"> Based on the results of the compliance awareness survey, departments and Group companies with low evaluations formulate improvement measures and implementation schedules, and implement measures Providing compliance education at all levels at Group companies in Japan 		
Recognition of Issues in FY2024 and Beyond	<ul style="list-style-type: none"> Checking the effectiveness of remediation measures Reviewing the timing of implementation of compliance education by level 		

Governance Information security ▶ P.77			
Major Initiatives	Maintaining and strengthening incident response organizations and building preventive systems	Goals and Outputs	Establishing an information security management system
Progress in FY2023	1) Strengthening security monitoring (building a log correlation analysis platform, building a global 24/7 monitoring system) 2) Promoting global ISMS (creating and deploying ISMS standards) 3) Auditing IT security (all domestic and overseas sites)		
Initiatives in FY2023	1) Changing the monitoring service to strengthen security monitoring, and building a monitoring log analysis platform 2) Strengthening cooperation with each RHQ to control global security 3) Conducting IT security audits at all sites		
Recognition of Issues in FY2024 and Beyond	1) Complying with local data protection regulations 2) Establishing a new organization to realize overall global control 3) Streamlining and enhancing IT security audits		

*Goals and Outputs are set for the last fiscal year of the Long-term Management Plan, unless a different fiscal year is indicated in the table.

Carbon Neutrality as a Service

In order to contribute to the realization of a carbon-neutral society, we are developing methanation-related technologies (hydrogen production technology using ceramic solid electrolytes and CO₂ recovery technology using technologies of oxygen concentrators).

We are also working to develop technologies that can contribute to the prevention of global warming by using this technology to capture CO₂ emitted from plants and retail facilities and utilize it as a resource.

Regional CCU™

Regional CCU™ is a vision to realize sustainable cities by utilizing current industries centered on the capture and utilization of carbon dioxide.

By optimally managing the amount of carbon dioxide emissions and demand, as well as the amount of electricity produced from renewable energy sources, carbon dioxide, hydrogen, methane, and electricity are exchanged and circulated locally. We will contribute to the realization of a carbon-neutral society that takes advantage of local characteristics by passing on an affluent society that aims to achieve net-zero carbon dioxide emissions to the next generation.



* CCU is an abbreviation for carbon dioxide capture & utilization, and refers to the capture and utilization of carbon dioxide.

Regional CCU™ Project, a joint public-private partnership aimed at realizing a circular economy Launched a demonstration experiment to grow mandarin oranges using collected CO₂

In cooperation with Gamagori City, TAKEMOTO OIL & FAT CO., LTD., and Shinto Tsushin Co., Ltd., we have launched the Regional CCU™ Project with the aim of realizing a circular economy by collecting and transporting CO₂ emitted during the product manufacturing process at factories in Gamagori City, and reusing it for greenhouse mandarin orange cultivation.

Project Overview and Effects

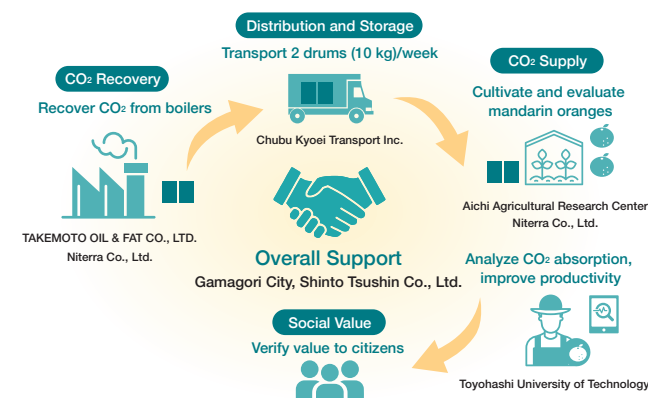
In this project, CO₂ emitted from TAKEMOTO OIL & FAT's Kameiwa Plant will be collected in drums for distribution using our capture technology, and transported by Chubu Kyoei Transport Inc. to the Evergreen Fruit Tree Laboratory in the Aichi Agricultural Research Center's Horticultural Research Department. The transported CO₂ will be reused for a demonstration experiment as a gas to promote the growth of greenhouse mandarin oranges. With the cooperation of citizens, we will verify the social value of products that reuse CO₂ through the grown mandarin oranges.

Evergreen Fruit Tree Laboratory in the Aichi

Agricultural Research Center's Horticultural Research

Department conducts tests on controlling the temperature and CO₂ concentration in the greenhouse with technical cooperation from the Toyohashi University of Technology in order to obtain high yield products in the cultivation of greenhouse mandarin oranges. During the winter, the closed greenhouses tend to lack the CO₂ required for the photosynthesis of crops, so they currently use the CO₂ generated by burning kerosene. By replacing this method, we aim to establish sustainable facility agriculture that contributes to carbon neutrality in the region by establishing a supply chain that collects CO₂ generated at factories in Gamagori City and provides it to farms.

In addition, by introducing a history management system, we will keep a history of CO₂ recovery and supply, find the optimal frequency of supply, and eventually build a database that will visualize the demand and supply of CO₂ in the region, and aim to make it easier to handle CO₂ in the region.



Future Expansion

Starting in 2025, in addition to cultivating greenhouse mandarin oranges, we plan to reuse CO₂ for various purposes in the region, and to conduct a small-scale sales trial of CO₂ in 2026. By 2030, we will aim to reduce CO₂ emissions by 100,000 tons per year to realize a circular economy, with a view to utilizing CO₂ for e-fuel such as methanation.

Comment from person in charge

With the support and empathy of various partners, including Gamagori City, we have been able to start the demonstration experiment of our Regional CCU™ concept, which aims to reuse CO₂ emitted as waste as a resource. We will promote further technological innovation and partner collaboration to increase the amount of CO₂ reuse efficiently and economically.

T.T., Energy Business Division



Environmental Policy

As a globally developing core manufacturing corporation, we aim to promote environmental conservation activities linked with corporate management while maintaining a good balance with corporate growth, based on the participation of all of our employees, in order to contribute to the construction of a sustainable society.

Action Guidelines

- Through all of our business activities, we make particular efforts to reduce CO₂ emissions and improve energy efficiency, toward the realization of a decarbonized society, conserve water resources, manage waste, and develop, offer and expand environmentally friendly products.
- We prevent environmental pollution through the control of chemical substances that place a burden on the environment.
- We promote resource circulation by working to ensure sustainable use of resources and reduce environmental impact during and after product use.
- We recognize the benefits derived from ecosystem services and strive to conserve biodiversity.
- We strive to raise environmental awareness among our employees to ensure that they all positively participate in activities.
- We observe the laws, ordinances and agreements concerning environmental conservation.
- We aim to substantiate information disclosure to stakeholders and communication activities, and also conduct activities for coexistence with the regional community.
- In order to achieve these targets, we will continuously improve our environmental management system and strive to reduce our environmental impact.
- We keep encouraging all of our business partners, including suppliers, to understand the Policy and join our efforts to promote environmental conservation.

Promotion System

In order to comply with environmental laws and regulations and promote environmental conservation, the Group has established the Central Environment Committee, chaired by the officer appointed by the Environmental Advisor (President), which holds two regular meetings per year, as well as irregular meetings as required. The Central Environment Committee is supervised by the CSR and Sustainability Committee (chaired by an outside director), an advisory organ of the Board of Directors. It confirms the progress of Eco Vision 2030 and the Group's environmental issues, and strives for continuous improvement. In FY2023, two meetings of the Central Environment Committee were held. There, the committee reported and discussed matters such as the progress of Eco Vision 2030, non-conformities in internal audits, countermeasures to soil and groundwater pollution risks, progress of the climate change initiatives roadmap, and future plans.

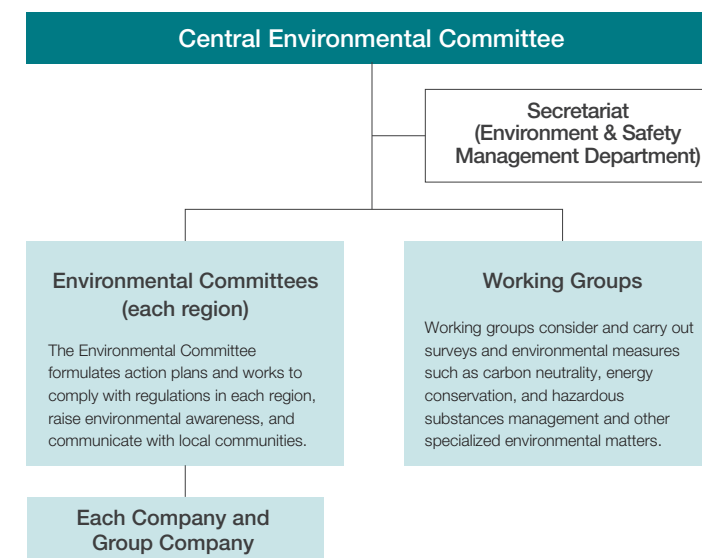
Each internal company manages its own targets on items relevant to business activities and conducts activities integrated with business to achieve Eco Vision 2030. Meanwhile, we formulate action plans and work to comply with regulations in each region, raise environmental awareness, and communicate with local communities. Various working groups are established as cross-functional teams across the internal companies to promote specialized matters such as carbon neutrality, energy conservation, and chemical substances.

Environmental Management System

The Group obtained multi-site ISO 14001 certification for the Company and 10 domestic Group companies. Other domestic and overseas group companies also established environmental management systems, with one domestic and 16 overseas companies individually certified under ISO 14001. 96% of Group employees have obtained ISO 14001 certification.

* For more information on the social and environmental information verification report, please visit our website: https://ngkntk.disclosure.site/resource/pdf/08en_independent_verification_report.pdf

Environmental Promotion System



*Regions: Units of environmental management system activities

Eco Vision 2030

Protecting the global environment is the foundation of a sustainable society. For all our stakeholders, we must face it head on as a key management issue.








On the premise of aiming for carbon neutrality in 2050, the Group has established “Eco Vision 2030,” which shows the vision (or goal) of what we want to be by 2030 and the vision of what we will pursue until 2040.

For Eco Vision 2030, we analyzed the impacts that our businesses and products would have on society and our company and identified 13 issues with the greatest impact. Among them, the four issues identified to have a greater impact are Responding to Climate Change, Expanding Environmentally Friendly Products, Conserving Water Resources, and Waste Management. We positioned these issues as the four important issues and set quantitative targets for them. Responding to climate change, in other words, striving to mitigate climate change by reducing CO₂ emissions, is an important issue on a global scale and is also an important issue for our Group as a manufacturing company. Reducing CO₂ emissions from business operations is the responsibility of our Group.















Therefore, it is very important to be aware of the magnitude of the environmental impact of the entire product life cycle, from the manufacturing stage of raw materials necessary for product manufacturing to the stage when products have completed their mission and are disposed of. From this standpoint, our Group established an eco-friendly product certification system in FY2021 that focuses on the magnitude of the environmental impact of the supply chain, including our own production processes, and announced products that meet the certification criteria as Nittoku Green Products. Through this initiative, we will expand our lineup of environmentally friendly products and accelerate manufacturing that contributes to the resolution of environmental issues in society. In addition, conserving water resources necessary for business operations and reducing resource input and waste emissions will lead to a reduction in CO₂ emissions. For this reason, we aim to respond more synergistically by addressing the four important issues as interrelated issues rather than as individual issues.

The progress of the four important issues is maintained steadily, and CO₂ emissions in our Responding to Climate Change in particular are moving ahead of schedule. Through Eco Vision 2030, our Group will work together to help achieve global carbon neutrality and zero emissions.

Four Important Issues

Eco Vision 2030 issues	The milestone to be achieved in 2030	Our Vision for 2040
Responding to Climate Change  	CO ₂ emissions: 30% reduction from the FY2018 level	Implementing activities toward realization of a decarbonized society *Aiming for carbon neutrality by 2050
Expanding Environmentally Friendly Products  	Expand Nittoku Green Products	All products contribute to the improvement of the global environment and contribute to making sustainable society come true
Conserving Water Resources 	Water consumption intensity: Keep below FY2018 level	Implementing sustainable business operations in response to global water risks
Waste Management  	Achieve over 95% effective utilization rate	Contribute to a global recycle-oriented society by promoting zero emissions
	Reduce at least 1% of waste intensity compared to FY2018	
	Promote 3R (reduce, reuse, recycle) activities	

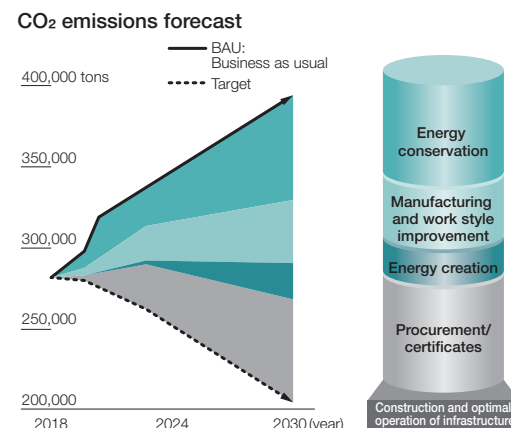
Other Issues

Eco Vision 2030 issues	The milestone to be achieved in 2030	Our Vision for 2040
Integration with Management 	Address global environmental issues as a business strategy Executive management takes responsibility for promoting Eco Vision 2030 and achieving environmental KPIs.	Continued efforts to address global environmental issues as a business strategy
Globalization of EMS 	Enhance systems for overseas affiliates to share environmental information and monitor and supervise their activities.	The entire group is able to share environmental information, and a monitoring and supervision system has been established for all Group companies.
Analysis of Climate-related Risks and Opportunities  	Analyze climate change risks and opportunities and incorporate them into our business strategies.	Sustainable business growth by analyzing the impact of climate change on our business and incorporate them into our business strategies.
Thorough Environmental Compliance (compliance with environmental laws and eradication of environmental accidents) 	Achieve zero violations of environmental laws and regulations and zero environmental accidents.	We have become a socially trusted company by continuing to achieve zero violations of environmental laws and regulations and zero environmental accidents.
Greater Environmental Awareness  	All employees take environmental education programs and actively engage in environmental conservation activities.	All employees have a high level of environmental awareness and contribute to making sustainable society come true.
Management of Chemical Substances  	Appropriately manage chemical substances to reduce environmental impact.	Contribute to the conservation of biodiversity through the continuous management of appropriate chemical substances.
Promoting Green Procurement  	Achieve 100% introduction of green procurement system.	Implementing environmentally friendly procurement activity to making sustainable society come true.
Expanding Green Logistics  	Reduce CO ₂ emissions by promoting green logistics and optimizing logistics efficiency.	Our green logistics system develop globally.
Enhancing Our Disclosure of Environmental Information 	Responding to stakeholder requests and practicing communication that leads to dialogue with stakeholders.	Responding to stakeholder requests and practicing communication that leads to dialogue with stakeholders.

Responding to Climate Change

Our Group has set a target of reducing CO₂ emissions by 30% in Scope 1 and 2 by 2030, and has created a roadmap to achieve this goal.

In the future, CO₂ emissions are expected to increase in line with business growth if no countermeasures are taken (BAU: Business as usual). However, by implementing various measures in the four main plans (Plan A: Energy saving, Plan B: Improvement of monozukuri and work style, Plan C: Energy creation, and Plan D: Procurement/certificates), we will achieve both the planned reduction of CO₂ emissions and also economic growth.



Plan	Examples of measures
Plan A Energy conservation	(1) Reduction of standby energy for production equipment and ancillary equipment (holidays and weekdays) (2) Installation of energy-efficient production equipment (that meets Japan's Top Runner Program requirements) and optimization of operation conditions (3) Interlocking operation of air conditioners and air supply/exhaust systems, and optimization of operation conditions (4) Renewal of production equipment and ancillary equipment (5) Reduction of heat dissipation and periodic inspections for energy loss (air leaks, etc.) (6) Effective use of heat (7) Horizontal deployment of various cases (8) Switching to LED lighting, reviewing illumination intensity, and adopting dimming systems (9) Energy conversion from gas to renewable energy (hydrogen, ammonia, etc.)
Plan B Manufacturing and work style improvement	Productivity improvement, yield improvement; operating rate improvement, LT reduction; consolidation and downsizing of production areas; review of operational rules; review of manufacturing conditions (profiles, etc.)
Plan C Energy creation	Introduction of solar power and storage batteries; introduction of SOFC and cogeneration
Plan D Procurement/certificates	Promoting electric power procurement (use of electric power with low emission factor); purchase of renewable electricity and environmental certificates
System Construction and optimal operation of infrastructure	(10) Construction of an energy platform and introduction of EMS * Coordination with production planning * Energy management, continuous improvement, and promotion of optimal control * Reduction of waste and spare equipment through promotion of preventive and predictive diagnosis

Information Disclosure Based on TCFD Recommendations

In July 2020, the Nitterra Group announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Based on the TCFD recommendations, we disclose important information related to climate change as outlined below.



* For more information please visit our website: <https://ngkntk.disclosure.site/en/themes/168/>

Governance

Regarding the approach of management concerning climate change, the CSR and Sustainability Committee compiles recommendations based on climate related risks and opportunities and reports to the Board of Directors, which then makes final decisions on these recommendations.

In addition, the CSR and Sustainability Committee receives reports from the sustainability department, and reviews and monitors the progress of priority issues, including our Responding to Climate Change. For specific activities such as reducing CO₂ emissions, the Environmental Committee manages the progress of targets and confirms issues, and strives for continuous improvement. Risks related to climate change are assessed by the Risk Management Committee as part of company-wide risk management.

Strategy (risks & opportunities)

We looked at the entire supply chain, projected social and regulatory trends in the short, medium, and long term, and then listed a wide range of risks and opportunities.

We assessed the business impact of risks based on scenarios assuming risks related to the transition to a low-carbon economy and risks related to physical changes caused by climate change. As opportunities, we considered the opportunity for management reform through climate change mitigation and adaptation measures.

We summarized the risks and opportunities related to climate change submitted a report to the CSR and Sustainability Committee for confirmation.

▶ P48-49

Climate-related risks

Risk item			Business impact (risk)	Assessment (impact)			Timing of the impact			
				Small	Medium	Large	Short term	Medium term	Long term	
<div>2°C scenario</div> <div>Risks related to the transition to a lower-carbon economy</div>	Policy and legal	Carbon tax	• If a carbon tax is introduced, taxes levied on fuel will increase procurement costs, resulting in a rise in the costs of energy and raw materials.			●				
		Carbon border tax	• If a carbon border tax is introduced, taxes will be levied on products to be exported, resulting in the reduction in the cost competitiveness of the products.			●				
		Regulations on carbon emissions	• The achievement of GHG reduction targets will be required, resulting in increases in the costs of, for example, making capital investments and purchasing electricity generated from renewable energy sources.			●				
		Sale of gasoline powered vehicles	• In countries that ban the sale of gasoline-powered vehicles, OEM demand will disappear, resulting in a decrease in sales.			●				
	Technology	Proliferation of energy saving and renewable energy technologies	• The introduction of new energy-saving and renewable-energy technologies will increase the cost related to, for example, capital investments.		●	●				
		Development of new technologies	• Expenditures on the research and development of new technologies will increase.			●				
	Markets	Shift in customer preferences	• After the 2030s, the number of people who choose ZEVs even as used cars will increase, resulting in a decline in demand for spark plug replacement and eventually a decrease in sales. • Products that emit less CO ₂ in their life cycle will be chosen, resulting in a decrease in the sales of conventional products.			●				
<div>4°C scenario</div> <div>Risks related to the physical impacts of climate change</div>	Reputation	Shift in investor preferences	• Investors' opinions will turn against internal combustion engines, resulting in divestments.	●	●					
		Shifts in job-seekers' preferences	• Job seekers' opinions will turn against internal combustion engines. Accordingly, job seekers will not choose us as their place to work.	●	●					
	Acute	Increased severity of extreme weather events	• Typhoons and other extreme weather events will cause damage to plants and other facilities, resulting in shutdown or a decrease in production. Furthermore, additional costs will be incurred to restore equipment. Non-life insurance premiums will also increase.	●	●					
		Chronic	Sea level rise	• Rising sea levels will increase the risk of flooding and storm surges. Plants and transport infrastructure located in coastal areas will be damaged and supply chains will be broken, resulting in the extra costs of addressing these problems.	●	●				
			Changes in precipitation patterns and variability in weather patterns	• Plants in areas facing severe water shortage will be forced to shut or slow down operations due to limitations on water usage, resulting in the cost of shifting production to other plants, increased transportation costs and the like.	●	●				
		Rising mean temperatures	• Employees who work in extreme heat will frequently get heat stroke. To reduce their increased physical burden, the cost of dealing with extreme heat and labor costs will increase.	●	●					

Climate-related opportunities

Aspect	Major opportunity	Timing of the impact		
		Short term	Medium term	Long term
Resource efficiency	• The increasing adoption of new energy-saving and renewable-energy technologies will reduce energy costs.			
Energy source	• The increased demand for hydrogen as a fuel exempt from carbon tax will provide new opportunities in the hydrogen energy market. • The current internal combustion engine business will continue as technologies such as methanation develop and synthetic fuels such as eFuel become more widespread.			
Products and services	• To conform to fuel efficiency regulations, demand for high value-added products will increase.			
	• The hydrogen energy market is expected to grow due to mandatory reduction of GHG emissions. Increased demand for hydrogen technologies, SOFC, and SOEC will provide business opportunities.			
	• Demand will increase for CO ₂ recycling-related solutions (e.g., using electricity to produce hydrogen (SOEC), using recovered CO ₂ as fuel, etc.).			
	• In disaster preparedness, local consumption of locally-produced energy (distributed power generation) will receive attention, resulting in increased demand for SOFCs.			
	• Demand will increase for ceramics-related technologies and products used in electric motors and generators.			
Markets	• The development of new climate-related technologies that meet social needs will provide business opportunities.			
Resilience	• In disaster preparedness, the continuous reinforcement of the BCM and BCP of our group, including our supply chain, will help enhance our resilience.			

Assessment (impact)

Small: Impact of several hundred million yen

Medium: Impact of around 5 billion yen

Large: Impact greater than or equal to 10 billion yen

Timing of the risk/opportunity

Short term: Short term until around 2025 in line with the target year of our Medium-term Management Plan

Medium term: Medium term until around 2030 in line with the target year of our Long-term Management Plan

Long term: Long term until around 2040 in line with the vision of our Long-term Management Plan

Business risks, opportunities and responses under the climate-related scenarios

To further clarify climate-related risks and opportunities, we examined business environments and responses by business type under both 2°C and 4°C scenarios. With regard to our business related to internal combustion engines, whose sales revenue makes up 80% of the total at present, we are facing a major change. On the other hand, geared toward the realization of a decarbonized society, hydrogen-related and other new needs and markets are expected to arise. Therefore, in the 2030 Long-term Management Plan NITTOKU BX, we designated Environment & Energy as one of the business fields on which to focus. Toward 2040, we will push forward with the transformation of our business portfolio (40% ICE business, 60% non-ICE business).

* The financial impact of the internal combustion engine business
Based on analysis by IHS Markit Automotive, we forecast the number of vehicles with internal combustion engines to decline beginning in the mid-2030s due to increased restrictions on internal combustion engines as a result of climate change measures in many countries. At the same time, demand for spark plugs, which is the core of our internal combustion engine business, reflects not only use in new vehicles, but also use in repair work. Here, since we expect vehicles with internal combustion engines will continue in use, our forecasts indicate that sales will peak after 2040 and then gradually decline. Given this situation and assuming a 5% decrease in revenue in the ICE business beginning FY2040 onward compared with FY2023 levels, we estimate a decrease in revenue of about 25 billion yen and a decrease in operating profit of about 6 billion yen.

Revenue from ICE business for FY2023: 505.3 billion yen
Operating income from ICE business for FY2023: 121.2 billion yen
Assumed decrease in sales of products for internal combustion engines beginning in FY2040: 5%
Revenue: 505.3 billion yen x 5% = 25.3 billion yen
Operating income: 121.2 billion yen x 5% = 6.1 billion yen

Risk management

The Nitterra Group faces various risks and opportunities in each type of business. Therefore, we must monitor regulatory trends closely and assess the respective impacts on business in terms of risks and opportunities related to climate change.

The Risk Management Committee evaluates risks from a company-wide perspective by analyzing their impact, likelihood of occurrence, and status of countermeasures to determine whether or not they will have a significant impact on our business activities and ability to achieve targets. Risks evaluated as requiring priority action are designated as priority risks, and the Risk Management Committee confirms the status of mitigation activities. The CSR and Sustainability Committee confirms key opportunities, incorporating these opportunities into our management strategy and priority issues (materialities), when necessary.

Examined business	Product	Responses to future business risks and opportunities	Financial impact	Revenue target in our Long-term Management Plan
Automotive Components Group	Spark plugs, glow plugs, sensors	Under a 2°C scenario, sales of internal combustion engine parts are expected to decline in the future due to stricter regulations on vehicles with internal combustion engines. On the other hand, opportunities will arise in the electric vehicle market and other new markets. Under a 4°C scenario, further energy conservation and toxic-gas emission control will be required in terms of internal combustion engines. Therefore, we will take measures to improve the performance of internal combustion engine parts.	Impact certain revenue sources*	450 billion yen (FY2029)
Fuel Cell Business	Fuel cells	Under either a 2°C or 4°C scenario, demand for non-fossil energy sources is expected to grow. Therefore, we will continue to enhance our measures taken in the relevant markets. Under a 2°C scenario, the proliferation of hydrogen infrastructure is expected. Therefore, the market may grow at an accelerated rate.	Analysts project a 200 billion yen market, with a possibility of an upward swing depending on the wider adoption of hydrogen infrastructure.	300 billion yen (FY2029)
Other Businesses	SPE, packages, oxygen concentrators, bearing balls, etc.	Under either a 2°C or 4°C scenario, the impact on risks and opportunities is small.	Small	

- For the Automotive Components Group, under the 2°C scenario, sales are expected to decline in the future due to stricter regulations. Therefore, the transformation of our business portfolio is required.
- For other business types, under either a 2°C or 4°C scenario, we will conduct business flexibly and strategically while keeping a close watch on market trends. Thus, we have high resilience in terms of both medium- and long-term perspectives.

Metrics and targets

Pursuing carbon-neutrality by the year 2050, our Group has set a goal to reduce CO₂ emissions by 30% by FY2030 compared with FY2018 levels. To make further advancements toward achieving these targets, we have set the CO₂ emission reduction rate as one of the evaluation indicators in the performance-linked stock remuneration system for directors (excluding directors who are Audit and Supervisory Committee Members and outside directors) and corporate officers (excluding employment-type corporate officers).

CO₂ emission reduction measures for Scope 1 and 2, such as energy conservation activities, progressed as planned. Furthermore, our early adoption of energy creation through solar power generation and CO₂-free electricity enabled reductions to exceed our planned values. For Scope 3, 97.6% of total emissions consist of Category 1 Purchased Goods and Services, Category 4 Transportation and Delivery (upstream), and Category 11 Use of Sold Goods, and we set

FY2030 targets for these three categories. We focused on activities aimed at reducing CO₂ throughout the supply chain, such as holding CN seminars for suppliers, supporting CO₂ reduction (Category 1), selecting routes with low CO₂ emissions and changing transportation methods for product delivery (Category 4), and continuing development of environmentally friendly products (Category 11).

CO₂ reduction targets and results

Items	Target	Results
Scope 1 and 2	30% reduction from the FY2018 level by FY2030	Reduced by 31.7% compared with FY2018 in FY2023 [Emissions: 191K tons] [Third-party certification] [Intensity: 0.49 t/million yen]
Scope 3 Category 1 Purchased Goods and Services Part of Category 4 Transportation and Delivery (upstream) Category 11 Use of Sold Goods	30% reduction from the FY2018 level by FY2030	Decreased by 13.4% compared with FY2018 in FY2023 [Emissions: 9.51M tons] [Third-party certification] : Category 4

* The above CO₂ reduction targets were certified as well-below 2°C (WB2°C) targets by the SBT Initiative in June 2022 as science-based targets (SBT).

Conserving Water Resources Third-party certification : Water consumption

Protecting the sustainability of water resources that are essential for maintaining ecosystems is one of the most important issues for the Group. To this end, our Eco Vision 2030 calls for the efficient use of water with a goal of maintaining water consumption intensity at or below FY2018 levels. In FY2023, water consumption intensity for drinking water, well water, and river water was 3.75 m³/million yen, which was a decrease of 30.5% compared with FY2018. The water usage amounted to 1.46 million m³.

Biodiversity Conservation

The need to conserve biodiversity is increasing worldwide, and our Group has positioned it as an environmental issue next to prevention of global warming and promotion of resource recycling. We established the Nitterra Group Biodiversity Action Guidelines in April 2013, which set out our policy for biodiversity measures. We are implementing various measures in cooperation with our business partners and external groups to reduce the

Waste Management Third-party certification : Waste emissions

The Nitterra Group uses a variety of raw materials of which we must make effective use, including recycling. We pursue the reduction and effective use of waste materials in line with our Eco Vision 2030 targets: Achieve over 95% effective utilization rate, Reduce at least 1% of waste intensity compared to FY2018, and Promote 3R (reduce, reuse, recycle) activities. Our effective utilization rate for FY2023 decreased to 89.5% due to an increase in emissions from locations with low effective utilization rates. Our waste intensity was 0.054 tons per million yen, a decrease of 7.3% compared with FY2018. Total emissions were 20,906 tons.

impact of our business operations, such as our energy and resource use, based on the recognition that our activities have an impact on biodiversity.

In October 2023, we participated in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum with the aim of further advancing activities related to biodiversity conservation, and registered as an adopter of the TNFD Recommendations released in September 2023. We will examine the impact of our business operations on nature and the risk of loss of nature, and strive to disclose information appropriately. At the

same time, we will engage in initiatives for natural capital and biodiversity throughout the value chain in cooperation with stakeholders.

As an initial screening, we used ENCORE* to assess the potential dependence and impact of our Group's business on nature. Based on these results, we will proceed with further analysis, and consider countermeasures as necessary.

* ENCORE: Tool for assessing opportunities and risks to natural capital

* For more information on conserving water resources, please visit our website:
<https://ngkntk.disclosure.site/en/themes/170/>

* For more information on waste management, please visit our website:
<https://ngkntk.disclosure.site/en/themes/169/>

* For more information on chemical substances management, please visit our website:
<https://ngkntk.disclosure.site/en/themes/172/>

Segments	Business	Stage of the value chain	Dependencies on nature									Impacts on nature (negative)												
			Supply services		Coordination services						Cultural services	Land/freshwater/ocean-use			Climate change	Resource use/recovery		Pollution/pollution removal					Invasive species	
			Water resources	Other resources	Pollution removal	Water cycle	Climate regulation	Disaster mitigation	Soil stabilization - Soil maintenance	Other regulation		Land ecosystems use	Freshwater ecosystems use	Ocean ecosystems use	GHG emissions	Water use	Other resource use	Waste	Non-GHG air pollution	Soil pollution	Water pollution	Disturbance	Introduction of invasive species	
Automotive Components	Manufacture and sale of spark plugs	Harvesting and procurement of raw materials	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
		Manufacturing of products	M	—	M	M	VL	M	VL	—	—	M	—	—	VH	VH	—	H	H	H	H	M	—	
		Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H	
	Manufacture and sale of oxygen sensors	Harvesting and procurement of raw materials (metals and minerals)	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
		Harvesting and procurement of raw materials (resin)	H	—	L	L	L	M	L	—	—	H	—	—	VH	H	—	H	H	H	H	—	—	
		Manufacturing of products	M	—	M	M	VL	M	VL	—	—	M	—	M	H	VH	—	H	H	H	H	M	—	
Ceramics	Manufacture and sale of industrial ceramic products (piezoelectric ceramics)	Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H	
		Product use	—	—	—	—	H	M	M	—	—	M	—	—	H	—	—	—	VH	L	L	H	M	
		Harvesting and procurement of raw materials	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
	Manufacture and sale of semiconductor manufacturing equipment product	Manufacturing of products	M	—	M	M	VL	M	VL	—	—	M	—	—	VH	VH	—	H	H	H	H	M	—	
		Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H	
		Harvesting and procurement of raw materials	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
	Manufacture and sale of medical oxygen concentrator	Manufacturing of products	M	—	M	M	VL	M	VL	—	—	M	—	—	VH	VH	—	H	H	H	H	M	—	
		Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H	
		Harvesting and procurement of raw materials (metals and minerals)	H	—	L	H	H	M	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
	New businesses	Manufacture and sale of bearing balls	Harvesting and procurement of raw materials (resin)	H	—	L	L	L	M	L	—	—	H	—	—	VH	H	—	H	H	H	H	—	—
			Manufacturing of products	M	—	VL	—	VL	—	—	—	—	M	—	—	VH	—	—	H	M	—	M	—	—
			Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H
Manufacture and sale of solid oxide fuel cells (SOFCs)		Harvesting and procurement of raw materials	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M	
		Manufacturing of products	M	—	—	M	—	—	VL	—	—	M	—	—	VH	VH	—	H	H	H	H	M	—	
		Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	H	L	L	H	H	
Manufacture and sale of ozone generators	Harvesting and procurement of raw materials (metals and minerals)	H	—	—	H	H	—	M	—	—	VH	H	—	VH	VH	—	H	H	H	H	H	M		
	Harvesting and procurement of raw materials (resin)	H	—	L	L	L	M	L	—	—	H	—	—	VH	H	—	H	H	H	H	—	—		
	Manufacturing of products	M	—	M	M	VL	M	VL	—	—	M	—	—	VH	VH	—	H	H	H	H	M	—		
Logistics	—	—	—	—	H	M	M	—	—	M	—	M	H	—	—	—	—	H	L	L	H	H		

Dependence on nature

VH High
H
M
L Low
VL No dependence

Impact on nature

VH High
H
M
L Low
— No impact

ENCORE results modified to take into account actual business

* For more information on biodiversity conservation, please visit our website: <https://ngkntk.disclosure.site/en/themes/173/>

Human Resource Policy

We acknowledge that our employees are our most important management resource. In light of this, we respect the diversity and individuality of our employees and strive to develop the Group as a whole by ensuring that these self-leading and innovative human resources can fully demonstrate their capabilities.

Action Guidelines

- We foster aspiring human resources who can act to bring about changes and also change themselves (self-leading and innovative human resources) and establish an environment where they can perform to the best of their abilities.
- We strive to nurture a corporate culture where human resources with different qualities can fully realize their own capabilities and ensure that the right human resources are assigned to the right posts.



Message from the Officer in Charge of Human Resources

Creating an organization where diverse human resources can play an active role

Executive Officer
Tomohiro Yamaguchi

In our 2030 Long-term Management Plan “NITTOKU BX,” we have set “change drastically beyond the current way” as our actions toward our vision for 2040. The core message of this vision is to be a company that coexists with a diverse range of human resources with aspirations. We are not only concerned with “what ceramics can do,” but also with the acquisition and development of autonomous human resources, the combination of diverse knowledge and expertise, as well as more engagement with the aim of maximizing our human capital and thereby improving corporate value so that we can take on challenges beyond the realm of ceramics and beyond the world and our own imagination.

To realize our vision, we need a diverse range of human resources who have aspirations. We consider diversity, equity & inclusion (DE&I) to be one of our most important management strategies as we believe that harnessing each

employee's individual qualities and helping them fully demonstrate their abilities are essential for companies to attain sound growth and ensure happiness for all employees. We strive to understand and accept diverse human resources regardless of attributes such as gender and age, and to provide each with the best support and opportunities in a fair way.

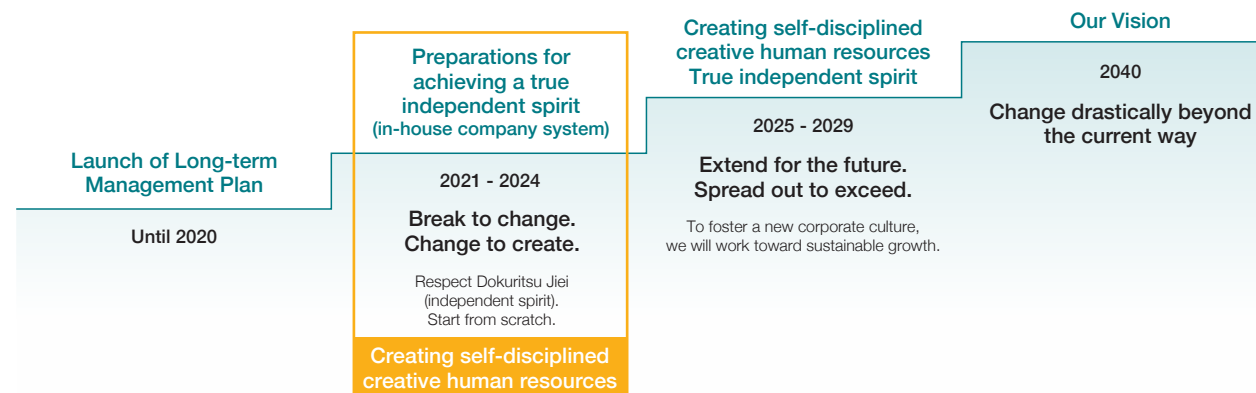
In addition, to raise the value of human capital, we recognize that human resources are the most important management resources for a company. Knowing this, and to achieve the goals of our Long-term Management Plan, we have defined the human resources we seek as “self-disciplined creative human resources” and are taking systematic and consistent actions to create this kind of human resources. Among these, we consider the development of next-generation leaders to be an issue of tremendous importance, and we are working to cultivate managers from early stages and develop human resources for upper management.

The Group's external environment is in a period of dramatic change.

In order to address this and build an organization that can withstand harsh business environments, we began with our internal environment, carrying out organizational reforms. These included introducing the in-house company system, spinning off some businesses, and other actions. As part of improving our internal environment, we have introduced skill maps, which we are using to qualitatively measure the skills of individuals.

In addition, we believe that boosting employee engagement will also make a significant contribution to increasing corporate value. To realize our goal of creating a company that is attractive to employees, we carry out employee satisfaction surveys with the aim of increasing engagement even in a changing environment.

To create innovation for “change beyond the current way,” we will transform our organization to allow every employee to fully demonstrate their capabilities and play an active role.



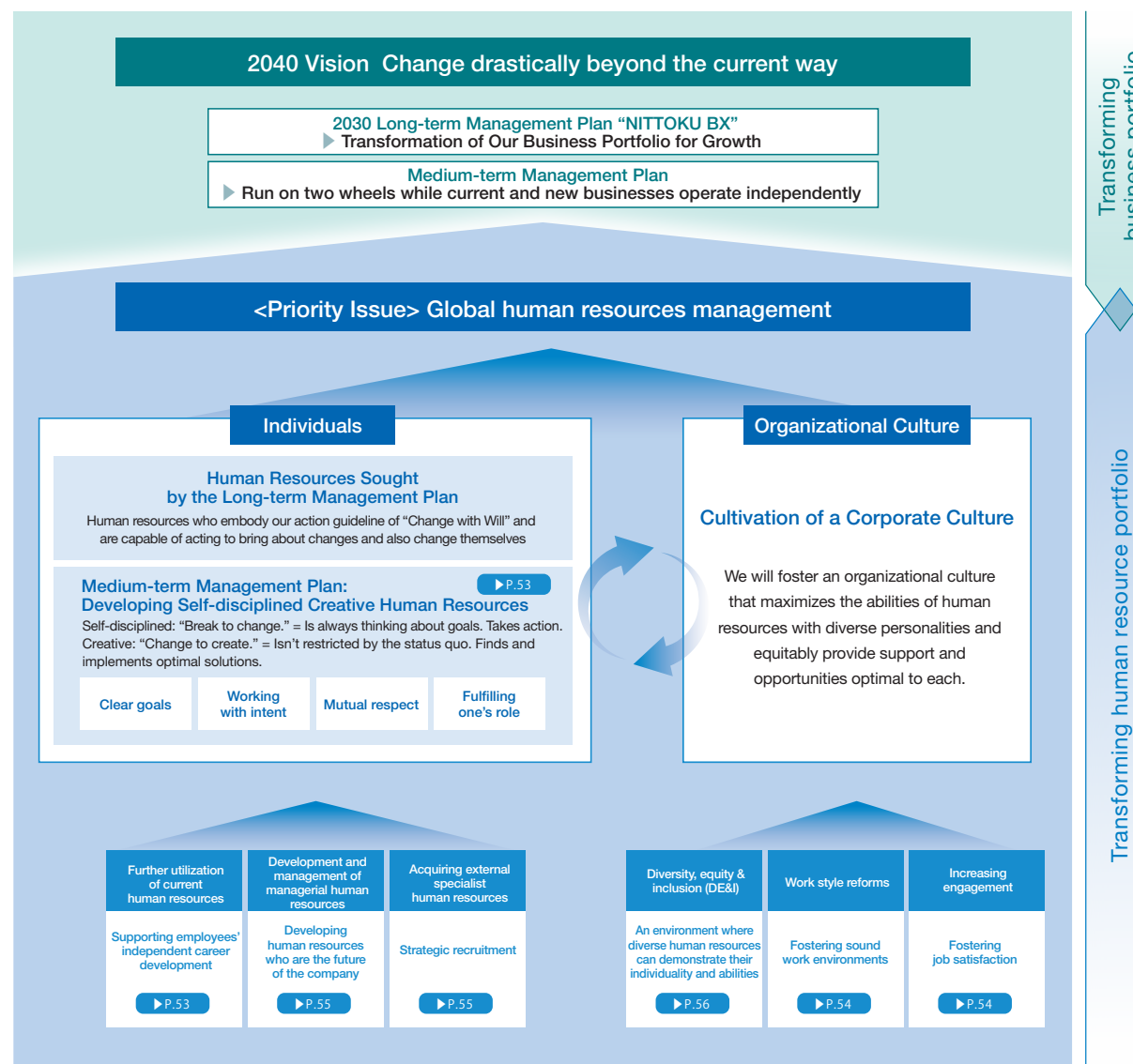
Human Resources Strategy and Global Human Resources Management

Transforming our business portfolio is the main pillar of our Long-term Management Plan. In order to achieve this, we believe that practicing “ambidextrous” management of both our current and new businesses is essential. Putting this “ambidextrous” management into practice will rely on our most valuable management asset: our human resources. With the goals of providing our human resources both with opportunities to play an active role and an environment in which they can develop, and of fostering a sound organizational culture, we have made global human resources management one of our priority issues. Our first step was to define the human resources we seek as “self-disciplined creative human resources.” This “ideal talent profile” is what will drive our global HR management. In order to produce such human resources, we will provide current employees with even more opportunities to play an active role and an even better environment in which to develop, while also strategically acquiring “pointy” experts with highly specialized skills from outside the Company.

We are also focusing on developing the next generation of management members, providing ongoing training programs for selected human resources to acquire the attitude, thinking, and knowledge necessary for management.

Further, we are actively working to foster an organizational culture that will maximize the abilities of the self-disciplined creative human resources we develop and acquire. We recognize and accept diverse human resources regardless of gender, year of hire, or other attributes. We are committed to promoting Diversity, Equity, and Inclusion (DE&I) by, among other things, equitably providing support and opportunities optimal to each of our diverse human resources, as well as by offering them diverse work style options that will allow them to thrive. Through such efforts, we believe that we will be able to increase employee engagement. For example, we offer various remote work options, as well as flextime, allowing employees to choose their ideal work style.

Outline of Human Resources Strategy



Self-disciplined creative human resources

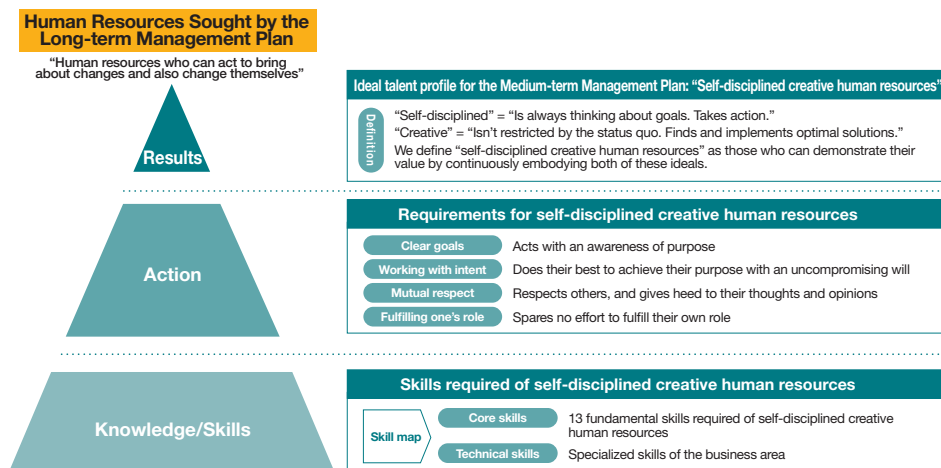
We have defined the human resources needed to achieve the Medium-term Management Plan as “self-disciplined creative human resources.” “Self-disciplined” = “Is always thinking about goals. Takes action.” “Creative” = “Isn’t restricted by the status quo. Finds and implements optimal solutions.” We define self-disciplined creative human resources as those who can demonstrate their value by continuously embodying both of these ideals. We have set four requirements for self-disciplined creative human resources: “Clear goals,” “Working with intent,” “Mutual respect,” and “Fulfilling one’s role.”

As a specific initiative to create self-disciplined creative human resources, we have defined the necessary skills for our talent. We are developing company-wide skill maps that visualize the skills of our current employees on two axes: Core Skills and Technical Skills. The former are based on the four requirements for self-disciplined creative human resource, while the latter are the skills required in each business area the Group is focuses on in accordance with its core competencies. Skill maps reveal the gap between the skills we have and the skills we need. As part of our efforts to create an environment where employees are able to increase their own skills to fill these gaps, we are developing training programs where employees can develop their skills.

Supporting employees' independent career development throughout the career design cycle

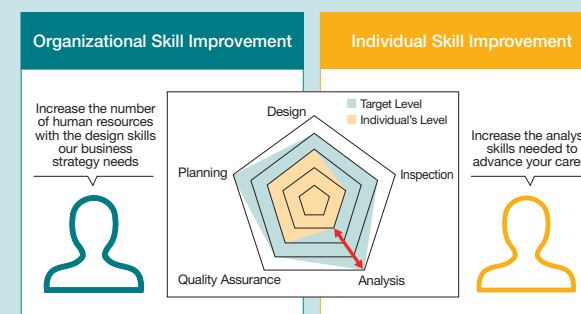
In order to support employees' independent career development, we have developed a mechanism we call the career design cycle. The cycle consists of three steps. WILL: Using the My Career framework, in which employees discuss their career with supervisors every year, to think about what they want to accomplish and what they want to become. CAN: Using the skill map to identify the skills they need to acquire or improve. MUST: Aligning the union between the roles expected of an employee with their WILL and CAN through regular interviews and everyday one-on-ones with workplace supervisors. We have created systematized educational content in order to support the realization of the careers employees design. We also provide them with opportunities for self-improvement by giving them personalized lists of recommended training courses according to the core skills they want to develop. If at some point during the career design cycle, employees have concerns regarding their daily work or career, we offer a career consultation helpline that they can contact at any time. Employees certified as career consultants provide one-on-one counseling to employees, supporting them so that the consulting employees can find answers for themselves.

Three Elements of the Career Design Cycle



Leveraging skill maps to realize the transformation of our business portfolio

We are facilitating an environment in which each and every employee can work to improve their core skills. In addition to core skills, the common skill map also contains technical skills at a level of granularity useful for the company as a whole. Previously, skill maps for these specialized skills were created



and utilized by individual workplaces. The company-wide skill map makes it possible to check not only the technical skills related directly to an employee's current job, but also those that are not. At the same time as we check the technical skills of individual employees, we are also working to identify the technical skills that are a high priority for our business strategy in order to transform our business portfolio. If we do not have enough employees with these high-priority skills, we will consider efforts to make up this shortfall.

Personnel system

Key Points of the New Personnel System

- Introduced a role grading system for managerial positions
- Introduced the specialist (SP) position qualification system
- Evaluation-based remuneration tied to performance and initiative

In April 2022, the Company revamped its personnel system. In order to accelerate the creation of self-disciplined creative human resources who can realize the themes of the Medium-term Management Plan to “Break to change” and “Change to create,” we have incorporated the Group Human Resource Policy. This policy clearly defines the direction of human resource policies that the entire Group will pursue, creating a highly fair personnel system that rewards achievements and challenges regardless of age, gender, and other personal attributes. We have introduced a system in which employee compensation reflects the results produced by each in-house company, and we expect each employee to be aware of the output that contributes to our business and performance, and to work in a more efficient manner.

A role grading system was introduced for managerial positions, and by setting role ranks and salaries according to the roles required, we established a system so that the actual roles played by the employees and their compensation are aligned. By abolishing the annual requirement for promotion for staff positions as well, we have been able to quickly appoint excellent human resources in both managerial and staff positions, regardless of tenure. In addition, as human resources who can make a positive impact on our business management and performance by utilizing their high level of expertise, we have established qualifications for specialist positions (SP positions). The M positions, the traditional managerial positions, will focus on management, while SP positions will concentrate on demonstrating expertise toward more efficient business operations. By further clarifying the roles of each individual, we will realize speedy innovation and the placement of the right people in the right roles to promote the achievement of organizational goals.

We also revised our evaluation system, providing more opportunities for interviews than in the past, working to build an environment that clarifies employee evaluations through detailed follow-ups and where employees can achieve autonomous career development.

Through the new personnel system, we aim to encourage changes in employee awareness, develop richly creative human resources who can fulfill their roles, and foster a corporate culture that rewards challenges.

Initiatives to improve employee engagement

The Group recognizes improving engagement as a vital step towards leveraging our self-disciplined creative human resources by respecting the diversity and individuality of our employees, and is engaged in activities aimed at improving engagement.

As part of these efforts, we conduct employee surveys in order to visualize organizational issues and lead to organizational improvements.

The results of these surveys are provided as feedback to executives, who engage in dialogues about which issues to tackle, leading to improvement activities.

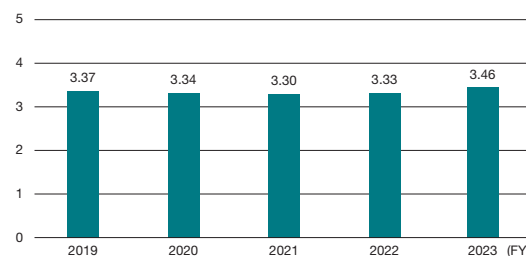
We support a variety of improvement activities at each of our organizations, including interviews with young employees, interviews with section managers, and workshops, all of which are organized by the HR department. We also organize meetings where each department shares its improvement activities. This leads to the promulgation of the best examples, promoting organizational improvement.

Further, we directed the heads of each department to share with their employees the significance of improving engagement and the purpose of the employee survey. Additionally, we have used the results of the survey as a performance indicator for calculating executive bonuses since FY2022. This has served to accelerate efforts to improve engagement. The response rate for FY2023 was 96.3%, an improvement of 3.7 percentage points over the previous fiscal year.

As a result of these activities, overall employee satisfaction in FY2023 improved by 0.13 points over the previous fiscal year.

Moving forward, the Group as a whole will continue to engage in improvement activities by utilizing the results of the survey to identify our challenges and implement solutions.

Overall Satisfaction



In FY2023, we introduced a crowd survey tool to allow each organization to analyze results by qualification, age, and other factors. By measuring the gap between expectations and satisfaction, we are now able to identify issues more clearly, leading to the consideration of targeted measures.

Work style reforms

Work Style Reform Declaration

We recommend “diversified work styles” for “Creating an organization comprised of passionate individuals working together” of NITTOKU BX.

- Promote comfortable remote work to employees.
Create an environment with the goal of a remote work rate of 70% or more.
- Prepare tools that respond to change and create new value.
To that end, we will invest in digital solutions. And we want you to find the best for yourself from the many options and become a “self-disciplined human resource who can continue to add value.” The Nitterra Group respects each person’s values and aspirations.

In order to realize the vision for work style reforms set forth in the 2030 Long-term Management Plan “NITTOKU BX,” we issued the Work Style Reform Declaration in 2021, and are working to create environments that facilitate diverse work styles. We aim to maximize employee performance and improve engagement by allowing employees to find the best option for themselves from the many available, producing “self-disciplined human resources who can continue to add value.” To that end, we are advancing the following two initiatives.

(1) Promoting diversification of where we work and working hours

- Remote area work system (Introduced in FY2024)
By moving away from a working style that restricts employees’ location, we will be able to secure excellent human resources living in remote areas and prevent turnover.
- Remote work from family residences outside Japan
We aim to improve work-life balance by creating an environment in which employees can choose their ideal work style.
- Flexible hours for part-time workers (Introduced in FY2023)
Giving part-time employees flexibility with working hours also enables them to work efficiently and achieve harmony between their work and private lives.

(2) Review and revision of work style measures

By reviewing our work style measures, we can identify issues, revise them to achieve our vision for work style, and consider further measures.

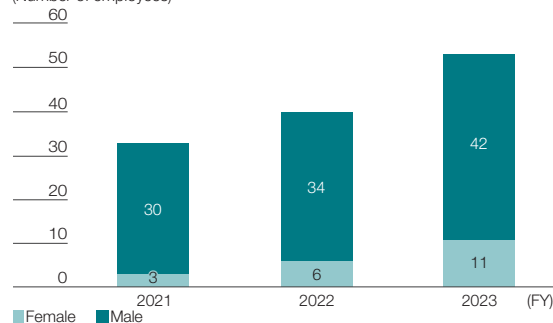
Recruitment strategy

In terms of recruitment, in order to respond quickly to changes in the business environment and to transform our human resource portfolio, we are aggressively pursuing employment of mid-career personnel, mainly in headquarters, new business, and IT departments and including those at the managerial level. We are also working to hire foreign employees in our effort to adapt to the rapid advancement of globalization and encourage diverse talent to play active roles. For new graduates, we have been hiring foreign employees every year, recently with a special focus on hiring foreign employees who have acquired more specialized skills from overseas universities, in addition to those who have studied in Japan.

Furthermore, we have been working to increase the ratio of female employees and the employment rate of people with disabilities. The inclusion of mid-career employees and foreign nationals in each workplace has built greater diversity, equity, and inclusion across the Company.

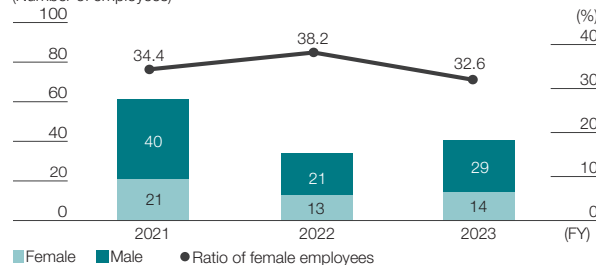
Mid-career employment (non-consolidated)

(Number of employees)



New graduate employment (non-consolidated)

(Number of employees)



* Due to company spinoffs, recruitment has been handled by each Group company since FY2021. The graph shows the number of employees hired by the Company on a non-consolidated basis.

Development and management of managerial human resources

In order to discover and develop our next generation of managers, we have enacted a number of training programs. These include the Management Sparring Dojo management development program, the HAGI Program, which aims to develop the next generation of global managers, and the selective Nittoku Business School training program. Graduates of the Management Sparring Dojo are finding success in management positions, while employees who have completed the HAGI Program and the Nittoku Business School curriculum are making contributions in core positions within the Group. We have also established a selective human resources development program in a number of countries and regions in an effort to develop business leadership. Personnel matters regarding core positions throughout the Group are discussed once a month at the Corporate Management Committee.

Management Sparring Dojo

We established the Management Sparring Dojo, a unique management human resources development program aimed at cultivating the competencies and viewpoints required for management by talent who will become our next management team (future members of the Corporate Management Committee).

The Management Sparring Dojo program is designed to help participants not just develop the attitude and thinking required of members of the next management team, but also acquire the knowledge (including management philosophy, sustainability, data science, and geopolitics) a manager needs.

HAGI Program

As our businesses expanded globally, in 2016, we started a program to find and develop the next generation of global managerial human resources, targeting all Group companies. In the program, candidates for general manager-level management positions from all across the Nitterra Group of all nationalities explore the core concepts required for managers, etc., among other topics. It was named the HAGI Program after Hagi City in Yamaguchi Prefecture, where the Shoka Sonjuku school developed diverse human resources at the end of the Edo period. The program is chaired by Chairman of the Board Shinichi Odo. Under the program, seminars have been held on a continuous basis to

provide employees with opportunities to learn together with a focus on gaining practical knowledge from a Group-wide perspective. We are thereby developing leaders with the will and sense of mission required to take the Nitterra Group into the future.

Nittoku Business School

Targeting human resources in Japan, we run Nittoku Business School classes for employees who are almost qualified to participate in the HAGI Program. Through the Nittoku Business School, participants gain an understanding of critical thinking and strengthen their critical thinking skills, and acquire knowledge and skills in areas such as management strategies, marketing, and business analysis. The curriculum includes case studies based on actual examples, and is intended to help participants to develop the spirit, techniques, physical stamina, and other aspects required of leaders.



A Nittoku Business School session



A HAGI Program session

Our Vision

Cultivate a culture where diverse human resources capable of embodying “Change with Will” can perform to the best of their abilities

We consider diversity, equity & inclusion (DE&I) to be one of our most important management strategies as we believe that harnessing each employee's individual qualities and helping them fully demonstrate their abilities are essential for companies to attain sound growth and ensure happiness for all employees. We strive to recognize and accept diverse human resources regardless of gender, age, disability, nationality, as well as lifestyle and personality, and to provide each with the best support and opportunities in a fair manner. We utilize new values and ideas coming from an employee-friendly workplace that accepts such people by combining different “knowledge.”

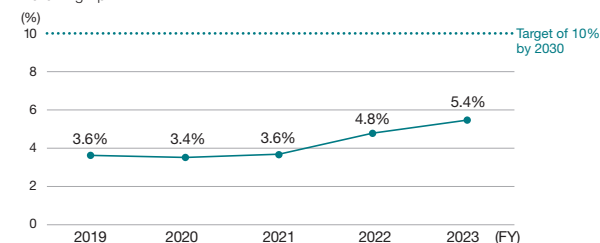
Initiatives to Promote DE&I

1. Selective female manager promotion training

Our Group aims to increase the ratio of women, foreign nationals, and mid-career employees in managerial positions to 25% by 2030. As a concrete indicator of the expected effects of our organizational restructuring, we have set a new target of 10% female managers by 2030. A specific effort to increase the ratio of women in managerial positions is the Raise UP Program, a training program for selective promotion of women to managerial positions. We encourage the growth of women, creating opportunities for them to acquire the knowledge, skills, and attitude required for managerial positions with the support of executives, supervisors, and other mentors. We launched this program in 2019, which has resulted in 25 women being placed in managerial positions. As a result of our training programs, the ratio of female managers is gradually trending upwards every year. Moving forward, we are aiming to become a company where increasingly diverse human resources can play leadership roles.

Ratio of female managers

* Nitterra Co., Ltd. on non-consolidated basis. Figures for each fiscal year are as of the following April 1.



Vision and action policy for diversity, equity & inclusion (DE&I)

Vision

- Growth of the company and happiness of the individual
- Diversification of decision-making levels

Action policy

- Promoting diversity and implementing our career policy
- Developing flexible work styles
- Creating a culture of inclusion

2. Creating a work environment favorable to diverse human resources

We made efforts to more easily allow male employees to take childcare leave. This includes holding seminars on the revised Child Care and Family Care Leave Law for supervisors and those in the child-rearing generation, respectively. It also includes holding seminars on strategies for balancing childcare and work. As a result, 87% of male employees took childcare leave and leave for childcare purposes in FY2023, and the rate is increasing yearly.

As a measure to help employees work through career issues, we established a career consultation helpline, and also conducted career training programs targeting specific employees, such as those aged 45 or 55 years old. We have also put much effort into expanding flexible work style options in an effort to create an environment where employees can have their careers they want. Current options include remote work, flextime, and part-time work, the latter of which is not limited to those taking care of children or family members.

3. Spreading internal understanding of DE&I

In order to make our workplaces “environments where everyone can continue to find success in their own way,” we are working to spread understanding of DE&I within the Company. One specific effort we made was to designate a week in February 2024 as DE&I Week, a period to think about and promote DE&I with employees. DE&I Week included a lecture by an outside director on what DE&I is, as well as the importance of inclusion. This served as an opportunity for employees to think about inclusion as something that affects them. We also conduct repetitive training on diversity, the Nittoku Way, and compliance for managers. In addition, we provide all employees with information on a variety of DE&I-related topics, including the aforementioned activities, through the monthly “Diversity Forum” newsletter issued by the HR department. By doing so, we strive to regularly disseminate information on and spread understanding of DE&I.

Initiatives Regarding Foreign Employees

Promoting DE&I through empathy and compromise to become a Nitterra where diverse human resources can shine

T.P.
Diversity, HR Development, HR Development Department,
HR Communication Company



When I joined the company in 2017, the company had not hired many foreign employees in Japan, so I had few opportunities to hear from them. I thought it was important to have a place to hear their requests and concerns, so we started holding regular exchange meetings. This led to a number of initiatives, such as the creation of “Nittokupedia,” an encyclopedia of information compiled by foreign employees on living in Japan and working at Nitterra. It serves as a handbook that communicates to new foreign employees the problems they experienced when they first arrived in Japan, and the solutions they found. It is still being updated by our foreign employees. The meetings also lead to the creation of our overseas remote work system, contributing to the gradual creation of an environment where foreign employees can play an active role. I think that empathizing with people like this is the first step towards DE&I.

Of course, inclusion is about more than just empathy. It's also important to compromise. By conducting workplace-wide training on cross-cultural communication, we helped everyone understand the cultural differences between Japanese and foreign employees, providing them with the impetus to think about how to achieve compromise. By expanding these initiatives and applying them not just to foreign employees, but to everyone, we hope to contribute to the realization of a Nitterra where diverse human resources with aspirations can shine.

Occupational Health and Safety Policy

With high respect for humanity, we act on occupational health and safety as the Company's starting point.

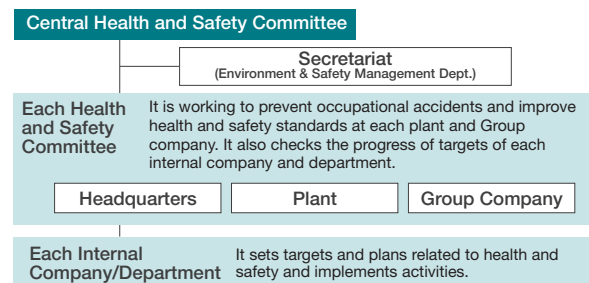
* This policy applies to everyone involved in the Group's business activities, including but not limited to full-time, temporary, and contract employees, suppliers, construction contractors, and visitors.

Action Guidelines

- To prevent health damage, injuries at work, and illnesses of employees, we will provide a healthy and safe working environment and act to improve physical and mental health.
- We will comply with laws and voluntary regulations regarding Occupational Health and Safety.
- We will continuously improve the occupational health and safety management system and health and safety performance.
- We will eradicate injury at work by eliminating hazards for occupational health and safety and by reducing risks.
- We will promote ability and awareness of occupational health and safety through education and enlightenment.
- We will inform all employees about this policy and engage in health and safety activities with the participation of all employees in accordance with the action plan agreed upon with employee representatives.

Promotion System

In order to eliminate occupational accidents and create a pleasant workplace environment, the Group has established an Occupational Health and Safety Management System (OHSMS). The system is managed by the Central Health and Safety Committee chaired by the Chief Safety and Health Officer, which holds two regular meetings per year, as well as irregular meetings as required. The Central Health and Safety Committee is supervised by the CSR and Sustainability Committee, an advisory organ of the Board of Directors chaired by an outside director. It is responsible primarily for reporting on health and safety issues within the Group, and on health and safety activities within each in-house company, as well as for implementing management reviews by the Health and Safety Officer. Each in-house company and department develops and its own goals and plans, and engages in health and safety activities through the Health and Safety Committee of each plant. In FY2023, two meetings of the Central Health and Safety Committee were held. There, the committee reported and discussed matters such as occupational accidents, the global health and safety system, progress on equipment safety measures, and health and productivity management activities. It also conducted a review of the fiscal year and previews of the next fiscal year's activities.



Occupational Health and Safety Initiatives

Risk assessment initiatives

Risk assessments (RA) are the core activity of our OHSMS. In risk assessment, we thoroughly study the potential hazards of equipment, chemical substances, and tasks at every workplace (including both current and new businesses), evaluate each hazard's risks to health and safety, and implement hard and soft countermeasures (residual risk management), prioritizing the most dangerous hazards.

In addition, workplace leaders observe work and review RA results to ensure that all workplaces are working together to reduce risk. In the event of an accident, an accident alert is promptly distributed to all Group companies. At a later date, a report outlining permanent countermeasures to the accident will be distributed to all Group employees in order to raise awareness, and measures will be taken to prevent similar accidents.

Education

To prevent accidents from occurring, we conduct education and training activities from the viewpoints of "people," "products," and "systems." The Health and Safety Guidelines book distributed to all employees summarizes the basics of health and safety, and is available in English and Portuguese. Each workplace holds group readings to ensure that each and every employee practices safe behavior. We provide training using hazard simulators to simulate accidents so that trainees can experience the fear of having an accident, which is difficult to describe in words, and so that they can learn how to avoid accidents. In addition to 29 types of hazard simulators, two types of protective equipment fitting check devices are also available. Through a variety of educational and training activities, including stratified and specialized training, we aim to build a safety culture.

Health and Productivity Management Initiatives

The Nitterra Group regards the health of employees as one of its important managerial resources for sustainable corporate growth and is fostering the health of individual employees for "health and productivity management." In December 2017, we made a declaration on health and productivity management as the entire Nitterra Group and are implementing countermeasures to support mental health and against lifestyle-related diseases and passive smoking.

In particular, we have achieved 100% of employees undergoing health checkups, the basis for employee health management, and we are also focusing on voluntary health checkups such as gynecological examinations and H. pylori examinations. As a measure to prevent lifestyle diseases, we are conducting the Health Challenge Campaign, which presents cafeteria points to employees who meet the campaign's targets. To prevent passive smoking, we have established a company smoking cessation clinic, and smoking was banned throughout the premises from April 2023. We are growing our various health management measures not only at the Company, but also among Group companies, including actions to establish habits for weight loss and exercise across the entire Group.

Declaration on health and productivity management

- The Nitterra Group declares that we will support the health of each and every employee and promote Kenkoikei (health and productivity management) by viewing the health of our employees as one of the most important management resources in order to realize sustainable growth.
- We will respect the diversity and individuality of each employee and promote the creation of a workplace in which each employee can fully demonstrate his or her abilities as well as work energetically.
- We will work together with the labor and health insurance unions to actively engage in health promotion activities that include employees' families from a long-term perspective.

President & Chief Operating Officer Takeshi Kawai

Kenkoikei is a registered trademark of NPO Kenkoikei.

Human Rights Policy

We are working to resolve various social issues to realize sustainable societies. We recognize that as a prerequisite for this, it is important to respect the human rights of people who are affected by our business activities, and that it is essential to continuously fulfill such responsibilities in truly contributing to the realization of sustainable societies. To this end, we respect human rights as set out in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and make our best efforts to protect the dignity of these people based on the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Action Guidelines

- We comply with the laws and regulations of all countries and regions in which we conduct our business activities. If where national laws and international human rights differ, we seek ways to respect internationally recognized human rights wherever possible.
- We identify negative impacts that we could have on human rights through our business activities, and strive to prevent, mitigate, or eliminate the causes of such impacts.
- We establish a scheme for our employees and suppliers to access or report, and accept consultations and notifications concerning human rights. Upon receiving consultations or notifications, we investigate the facts, and if any problem is identified, we remedy it through an appropriate response.
- We disclose efforts and progress promptly on human rights actions and keep updating ones through discussions and dialogues with various internal and external stakeholders.
- This policy applies to all Corporate Officers and employees of the Group. We provide appropriate education and trainings to ensure that all Corporate Officers and employees understand and act with this policy.
- We keep encouraging all of our business partners, including suppliers, to understand the Policy and join our efforts to respect human rights.

* For more information please visit our website: <https://ngkntk.disclosure.site/en/themes/175/>

Promotion System

The Group recognizes that human rights problems affect a wide range of areas, which is why each department is tasked with tackling human rights issues that affect it. The progress made and challenges encountered in this progress are monitored by the departments themselves, as well as by the relevant special committee.

In recent years, countries around the world have enacted much legislation on the subject of “business and human rights.” In order to ensure the Group’s respect for human rights meets global standards, we began talks in FY2022 primarily between the departments engaged in human rights due diligence (namely, the Business Management Department, Sustainability Strategy Department, Human Resources Strategy Department, Environment & Safety Management Department, and Procurement Department). Since then, we have continuously conducted discussions regarding human rights. Our human rights initiatives are supervised by the Human Rights Subcommittee of the CSR and Sustainability Committee, the latter of which is an advisory body to the Board of Directors chaired by an outside director.

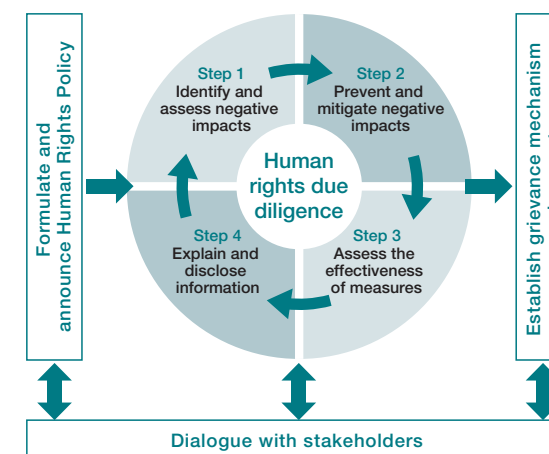
Respect for Human Rights

We recognize that our business affects a wide range of people from our employees to the employees of our business partners, and residents of local communities. As such, we are committed to respecting human rights through the identification and assessment of negative impacts on human rights related to our business activities. We also work to respect human rights through the establishment of structures to prevent, mitigate, and correct negative impacts.

Human Rights Policy Formulation and Announcement

We established the Human Rights Policy as one of our CSR basic policies in 2020. In January 2023, we revised the Human Rights Policy due to the increasing importance and expectations of corporate efforts to respect human rights, as well as the need for initiatives within the Group and over the entire value chain.

Overview of our efforts to respect human rights



Human Rights Due Diligence

We make efforts to identify, assess, prevent, and mitigate human rights risks related to our business activities.

To identify human rights risks, we organize the main value chains and stakeholders of the Group and extract any risks generally assumed for each value chain. We then organize these risks, taking reports from international organizations, media databases, other surveys, and benchmarks of other companies into account. From there, we conduct a human rights risk assessment, map, and identify human rights risks in priority areas.

We currently encourage efforts to respect human rights by focusing on priority risks directly in our Group and our supply chain based on these results. We also recognize that identified human rights risks may change due to changes in social conditions, the progress of the Group's business, the development of new business partners, and other factors. In order to enhance the effectiveness of our human rights initiatives, the departments engaged in human rights due diligence are tasked with regularly reviewing the risk map.

Human Rights Risks in Priority Areas

Our Group	Supply chain
<ul style="list-style-type: none"> Occupational health and safety insufficiencies Long working hours Discrimination (of all forms, including racial, gender, ethnic and national, disability, and religious) Dysfunction of the complaint handling mechanism 	<ul style="list-style-type: none"> Conflict minerals Forced labor Child labor Health hazards to local residents due to environmental pollution Occupational health and safety insufficiencies Long working hours Discrimination Dysfunction of the complaint handling mechanism Violation of indigenous rights

Surveys of Our Group and the Supply Chain

Our Group	Compliance awareness survey	<ul style="list-style-type: none"> We conducted the survey domestically once every two years (in FY2023, we enhanced the questions on human rights).
	Human rights and labor survey	<ul style="list-style-type: none"> Conducted annually
Supply chain	Survey through the CSR and Sustainability Procurement Guideline checksheet	<ul style="list-style-type: none"> We conducted the survey once every two years (in FY2023, we enhanced the questions on human rights).

Our Group

We conduct compliance awareness surveys for employees and surveys on human rights and labor for Group companies. These surveys enable us to identify human rights violations and potential human rights risks.

• Compliance awareness survey for employees

This survey of domestic Group employees enables us to ascertain compliance risks (including harassment), levels of awareness and understanding, and the status of our organization. Employees can anonymously write about how they feel about compliance in the open-ended section of the survey. Issues and potential human rights risks identified through the survey are reported to the department managers to improve and prevent.

• Surveys on human rights and labor for group companies

We conduct this survey of Group companies every year to identify potential human rights risks.

Supply chain

To foster CSR and sustainability measures across the entire supply chain, we issued our CSR and Sustainability Procurement Guidelines and have been distributing copies to suppliers. These guidelines also include compliance items related to human rights such as labor, health and safety.

We are requesting suppliers to survey the status of implementation with a checklist every two years, providing feedback on the evaluation results. For suppliers that require follow-up, we confirm the situation by visiting them and other means. We provide support as appropriate if improvements are necessary.

In FY2023, we revised the guidelines and the checksheet and expanded the scope of the survey to all suppliers.

Complaint Handling Mechanism

We established contact points to accept opinions, questions, requests, etc., from stakeholders, customers, suppliers, and employees.

▶ P.75

Dialogue with Stakeholders

We hold regular labor-management meetings with the labor union, which represents our employees, to discuss the management of working hours and employee work styles. In FY2023, we conducted dialogues on the theme of human rights.

As for our suppliers, we have established a consultation counter where we sincerely listen to and discuss their issues, leading to actions aimed at achieving mutual understanding and other improvements.



Dialogue with labor unions on the theme of human rights

In addition, we hold roundtable meetings with representatives of residents living near the plant to discuss whether there are any issues that could threaten their living environment.

Educational Activities

We are working to raise awareness of human rights amongst management and employees by increasing human rights education and other opportunities to provide information about human rights.

Every employee participates in human rights training where they watch videos on the need to respect human rights, our Human Rights Policy, human rights due diligence, and human rights redress. Quizzes are administered to check participants' level of understanding.

In recent years, our various trainings and newsletters have increased Group awareness of gender equality and LGBTQ+ issues, while keeping a close watch on human rights issues around the world.

Procurement Policy

We aim to realize globally optimal procurement based on our quality products principle. To this end, we focus on strengthening cooperation with suppliers and promoting our CSR and sustainability efforts throughout our supply chain system, while at the same time striving to carry out proper purchasing transactions when procuring materials and parts, based on the following guidelines:

Action Guidelines

- We conduct rational transactions at appropriate prices based on fair, transparent, and open competition.
- We comply with procurement-related laws and regulations and foster responsible procurement. We select suppliers based on comprehensive assessment of product quality, technology, prices, deliveries, CSR and sustainability initiatives, and efforts to continuously make improvements.
- Aiming to procure more eco-friendly products, we strive to promote our green supplier system.
- We enhance mutual trust with our suppliers, who are good partners for us, and strive to realize mutual development.

Promotion System

The Nitterra Group is committed to working with our diverse suppliers in order to meet society's expectations throughout our entire supply chain. We are also committed to promoting responsible procurement with consideration for issues such as human rights and the environment. To that end, our Procurement Department is tasked with working with each of our departments and relevant special committee to assure compliance with the Nitterra Procurement Policy. The Procurement Department reports the progress it has made and the issues it has encountered to the Corporate Management Committee as required.

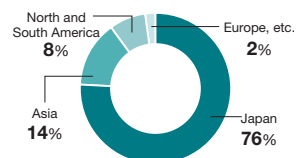
Supplier Management

We conduct our procurement activities on a global scale, leveraging the benefits of both centralized and decentralized purchasing. For our overseas plants, we make use of local procurement when this is the optimal solution.

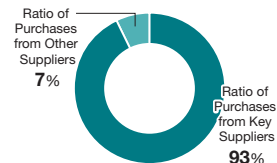
The Procurement Department takes the lead on supplier management, looking into not only quality, technology, price, and delivery time as conditions for doing business, but also sustainability-related perspectives such as environment, social, and governance (ESG) and the suppliers' approach to improvement.

We position the suppliers of parts, materials, processing, and equipment related to the manufacture of our products as key suppliers. Every year, we conduct a periodic rating of these suppliers based on the above supplier management perspectives, ranking each on a scale of A to D and providing feedback in order to spur continuous improvement.

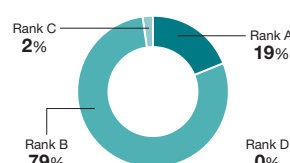
Procurement Value Composition by Country/Region



Ratio of Purchases from Key Suppliers



Percentages by Level of Key Supplier (Results of FY2023 Periodic Rating)



Promotion of CSR and Sustainability Procurement

To foster CSR and sustainability measures across the supply chain, we issued our CSR and Sustainability Procurement Guidelines and have been distributing copies to suppliers. When the guidelines were revised in FY2023, we held an information session attended by many of our suppliers in order to deepen their understanding of the guidelines.

To monitor the status of implementation by the suppliers, we conduct surveys every two years using a check list and provide feedback on the results. For the survey we conducted in FY2023, we expanded the scope of the survey to all suppliers, receiving responses from 63% of suppliers (the equivalent of 83% on a total purchase value basis). For some suppliers, we held interviews with management and provided other follow-ups, thereby asking for improvement.

Results of Checksheet Survey (FY2023)



Climate change initiatives

In order to work toward carbon neutrality throughout our supply chain, we ask our suppliers to set greenhouse gas reduction targets and cooperate in our surveys about CO₂ emissions related to products for the Group.



Carbon Neutrality Forums with suppliers

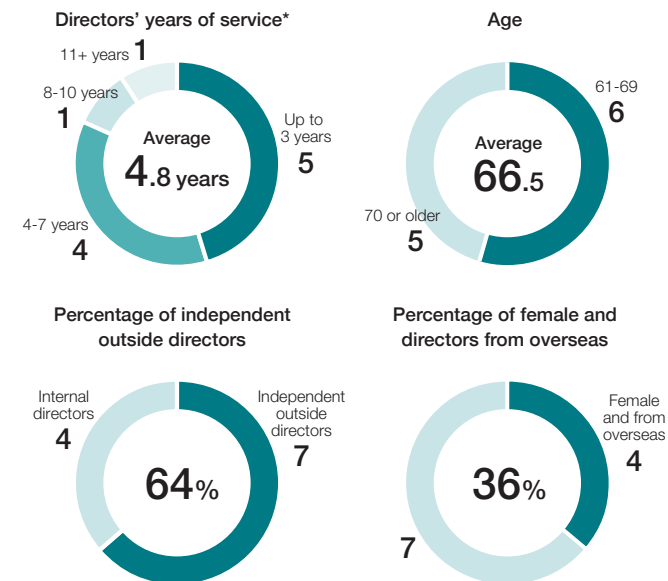
Basic Philosophy on Corporate Governance

Guided by our corporate philosophy under the slogan "With established trust and confidence inside and outside the Company, we aim to contribute to the peoples of the world by creating and putting at their disposal new values for the future," we have established, and are working to enhance, our corporate governance system to promote management aimed at increasing our corporate value over the medium to long term. Our basic view on corporate governance is to build relationships of trust with our shareholders, customers, business partners, employees, local communities, and other stakeholders through management that ensures fairness and a high degree of transparency, and to develop and operate our management framework and internal control system to achieve sustainable growth through efficient and sound management.

Corporate Governance System

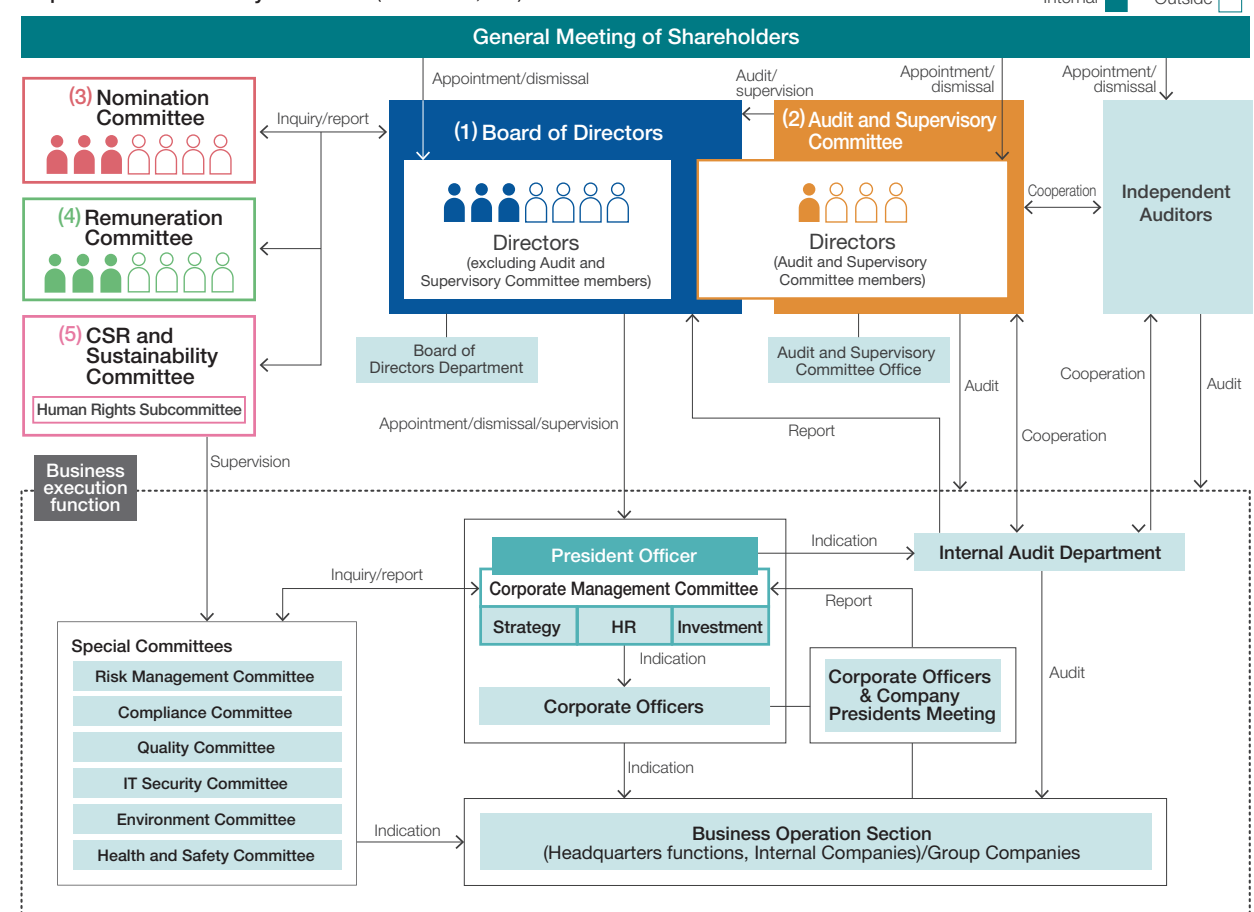
The Company has selected a company with an Audit and Supervisory Committee for the purpose of further enhancing discussions on management policies and strategies at the Board of Directors, strengthening the supervisory function, and further speeding up management decision-making and execution of business. Each organization is set up within the framework of a company with an Audit and Supervisory Committee.

Corporate Governance Highlights (As of June 25, 2024)



* Years served as auditors are included for directors that served as auditors before their appointment.

Corporate Governance System Chart (As of June 25, 2024)

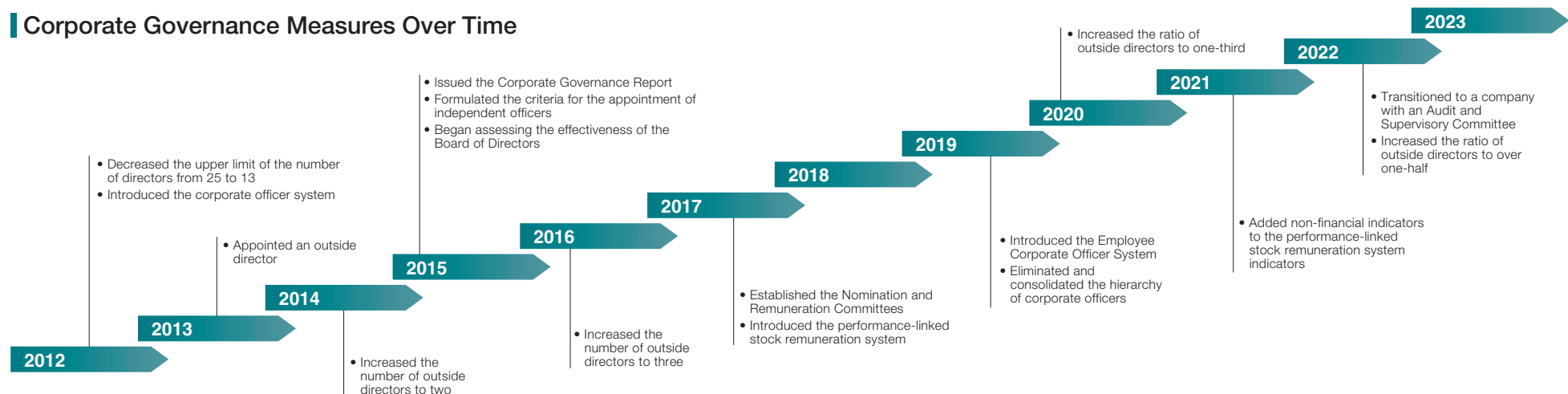


For (1) to (5), see details on [P.62](#)

Overview of Major Organizations

	1. Board of Directors	2. Audit and Supervisory Committee	3. Nomination Committee	4. Remuneration Committee	5. CSR and Sustainability Committee
Purpose	The Board of Directors deliberates and makes decisions on important management issues such as basic management policies and medium-term management strategies, and supervises the status of business execution by management and the status of internal control systems by receiving reports from the Representative Director and President and other parties.	The Audit and Supervisory Committee audits and supervises the execution of duties. It also confirms the appropriateness and suitability of the nominations and remuneration of directors (excluding directors who are Audit and Supervisory Committee members) by attending Nomination Committee and Remuneration Committee meetings and forming opinions on these matters.	To ensure reasonableness and transparency with regard to director and corporate officer nominations, the Nomination Committee, consulted by the Board of Directors, deliberates on the appointment of directors, which will be proposed at the general meeting of shareholders, as well as on the appointment and dismissal of representative directors, executive directors, and corporate officers, and then delivers its opinions to the Board of Directors.	To ensure reasonableness and transparency with regard to deciding director and executive officer nominations, the Remuneration Committee, based on the Board of Directors' request for opinions, deliberates on matters related to remuneration policies for directors (excluding directors who are Audit and Supervisory Committee members) and corporate officers, as well as the appropriateness of the proposed remuneration of each director and executive officer, and delivers its opinions to the Board of Directors.	To promote sustainability management in the Group, the CSR and Sustainability Committee, based on the Board of Directors' request for opinions, deliberates to identify priority issues in each area of ESG (Environment, Society, and Governance), delivers its opinions and advice to the Board of Directors, and supervises the activities of each special committee.
Chair	Chairman of the Board Shinichi Odo	Full-time Audit and Supervisory Committee Member Kenji Isobe (from June 25, 2024)	Chairman of the Board Shinichi Odo	Chairman of the Board Shinichi Odo	Member of the Board (Outside Director) Chiharu Takakura
Membership	11 directors (including 7 outside directors)	4 directors who are Audit and Supervisory Committee members (including 3 outside directors)	3 representative directors and 4 outside directors (excluding directors who are Audit and Supervisory Committee members) * The 4 directors who are Audit and Supervisory Committee members also attend	3 representative directors and 4 outside directors (excluding directors who are Audit and Supervisory Committee members) *The 4 directors who are Audit and Supervisory Committee members also attend	Member of the Board (Outside Director) Chiharu Takakura Executive Vice President Toru Matsui Executive Officer Keiji Suzuki / Kenji Kobayashi
Meetings Held	FY2023: 13	FY2023: 12	FY2023: 4	FY2023: 1	FY2023: 10
Status of Specific Activities in FY2023	In FY2023, in addition to regular matters such as resolutions stipulated by laws and regulation or articles of incorporation, the Board of Directors deliberated on matters such as the progress of the Medium-term Management Plan, important investment deals, business and growth strategies for individual businesses, initiatives towards sustainability challenges, Group governance, risk management, dialogue with shareholders and investors, and the effectiveness of the Board of Directors.	In FY2023, in addition to deliberations at Audit and Supervisory Committee meetings and attendance of each Audit and Supervisory Committee member at Board of Directors meetings, interviews with directors, corporate officers, heads of business, managers of internal control units, and others, regular liaison meetings with the Internal Auditing Department, and joint audit activities were conducted. In addition, the full-time Audit and Supervisory Committee member confirmed the effectiveness of internal controls and the status of business execution by attending important meetings such as the CSR and Sustainability Committee and the Corporate Management Committee, reviewing approval documents, and through regular liaison meetings with Group company auditors, and made reports at Audit and Supervisory Committee meetings.	In FY2023, the Nomination Committee, based on the Board of Directors' request for opinions, deliberated mainly on the composition of the Board of Directors, the content of proposals to be submitted to the general meeting of shareholders for the election of directors, the appointment of representative directors and executive directors, and the appointment of corporate officers, and delivered its opinions to the Board of Directors.	In FY2023, the Remuneration Committee deliberated and reported mainly on evaluations of corporate and individual performance, the resulting individual remuneration for each director (excluding directors who are Audit and Supervisory Committee members) and corporate officers (excluding employment-type corporate officers), and revisions to the policy for determining remuneration and other matters for directors (excluding directors who are Audit and Supervisory Committee members) based on requests from the Board of Directors.	In FY2023, the CSR and Sustainability Committee deliberated on and discussed sustainability management, promoting individual "ownership" of sustainability, priority issues, human rights governance system, employee well-being, and the activities of each special committee, and also invited outside experts to give lectures to enhance the knowledge and perspective of the committee.

Corporate Governance Measures Over Time





Roles and Structure of the Board of Directors

The Board of Directors plays the following roles to help the Company achieve sustainable growth and increase its corporate value on a medium- to long-term basis, thereby increasing its profitability, capital efficiency and others:

- Deliberates and makes decisions on the basic management policies, medium- to long-term management strategies and other important managerial issues
- Builds and improves the environment to help the management team take risks appropriately
- Supervises the management team in a highly effective manner from an independent and objective standpoint

The Company's Board of Directors believes that it is important for the Board to comprise diverse human resources with different backgrounds, including specialized knowledge and experience, in order to achieve sustainable growth and increases in corporate value over the medium to long term. The Board is made up of human resources with extensive experience, high levels of knowledge, and advanced specialization, with consideration given to gender, nationality, work experience, and age, to achieve a good balance according to the business environment at a given time. In addition, by making up the majority of the Board of Directors with outside directors who have experience and specialized knowledge gained under environments that differ from the Company, the Board can strengthen its supervisory function and engage in deliberations from various perspectives in an effort to ensure transparency and objectivity in decision-making. Director candidates are not excluded from consideration on the basis of their race, ethnicity, nationality, country of birth, cultural background, etc.

Skill Matrix of Directors

Considering the business and management system of the Group, the Board of Directors identified the experience, knowledge and expertise which it should possess from “Basic areas from the perspective of important management decision-making and business execution supervision” and “Areas that need to be particularly promoted and supervised to realize the medium-term management plan.” According to this, Directors are assigned in a well-balanced manner with consideration for diversity. The experience, knowledge, and expertise required by the Board of Directors should be reviewed as appropriate in response to changes in the Company's management policy, external environment, and other factors. In addition, the review will be deliberated by the Nomination Committee, which is an advisory committee to the Board of Directors, and decided by the Board of Directors.

Skill Matrix of Directors*1

Name	Position	Independence	Experience/Knowledge/Expertise										Composition of each Committee		
			Management	Finance/ Accounting	Governance/Legal/ Risk management	Experience overseas	Technology/ R&D	Sales/ Marketing	New Business/ M&A	HRD/HR	IT/DX	SCM	Nomination Committee	Remuneration Committee	CSR and Sustainability Committee**
			*2						*3						
Shinichi Odo	Representative Director Chairman of the Board		○		○	○		○	○		○		○	○	
Takeshi Kawai	Representative Director, President & Chief Operating Officer All Divisions		○		○		○		○		○	○	○	○	
Toru Matsui	Representative Director Executive Vice President		○		○	○		○	○			○	○	○	○
Miwako Doi	Outside Director	●					○		○		○		○	○	
Chiharu Takakura	Outside Director	●			○	○			○				○	○	○
Takayoshi Mimura	Outside Director	●	○		○	○		○					○	○	
Hisanori Makaya	Outside Director	●	○		○				○		○		○	○	
Kenji Isobe	Director Full-time Audit and Supervisory Committee Member			○	○				○				Attends the meeting	Attends the meeting	
Fumiko Nagatomi	Outside Director Audit and Supervisory Committee Member	●			○								Attends the meeting	Attends the meeting	
Christina L. Ahmadjian	Outside Director Audit and Supervisory Committee Member	●	○		○	○			○				Attends the meeting	Attends the meeting	
Hideyo Uchiyama	Outside Director Audit and Supervisory Committee Member	●	○	○	○	○							Attends the meeting	Attends the meeting	

*1 The above matrix represents the areas of expertise that we expect from each director and does not represent all of the knowledge and experience that they possess. *2 Areas fundamental for critical decision-making in the management and supervision of business operations.

*3 Areas that require active promotion and supervision to realize the Medium-term Management Plan. *4 The CSR and Sustainability Committee consists of Executive Officers Keiji Suzuki and Kenji Kobayashi, in addition to directors marked with a circle.

Roles and Independence of Outside Directors

To enhance the supervisory function of the Board of Directors and to ensure the transparency and objectivity of decision-making through discussions from multifaceted viewpoints, outside directors make up the majority of the Board of Directors, which comprises diverse talent who have abundant experience, tremendous insight and a high degree of professionalism. We appoint all the independent outside directors as independent officers and notify the Tokyo Stock Exchange and the Nagoya Stock Exchange of their appointment. In order to ensure that candidates have neither special relationships with the management team and major shareholders nor conflicts of interest with general shareholders, we designate those who meet all the followings as independent officers: our own criteria for the appointment of independent officers; the requirement of independent officers set by the Companies Act; and the rules and regulations stipulated by the financial instruments exchanges. Outside directors attend the Board of Directors meetings and non-statutory advisory bodies to demonstrate their supervisory function by becoming involved in the important decision-making of the Company from an independent standpoint, while providing advice from an overall perspective based on their abundant experience and insight when formulating and confirming the progress of medium- to long-term management policies at the Board of Directors meetings.

Outside directors who are Audit and Supervisory Committee members serve as a supervisory and auditing function based on their independence and expert knowledge.

Title	Name	Reason for appointment	FY2023 Frequency of attendance	
			Board of Directors	Audit and Supervisory Committee
Outside Director	Miwako Doi	She has an abundance of experience and an outstanding record as a researcher in the field of information and communication, and continues to be engaged in advanced research both in academia and in the private sector. As an outside director at the Company, based on her experience and insight, she oversees business execution by the Company's management team and provides advice to the team, and we have selected her as an outside director with the expectation that she will continue to fulfill her role.	13/13	—
Outside Director	Chiharu Takakura	She has an abundance of experience and knowledge in organizational development and human resource development through her experience as a consultant in these fields and her experience in key positions in the personnel departments of many global companies, including international pharmaceutical companies. As an outside director at the Company, based on her experience and insight, she oversees business execution by the Company's management team and provides advice to the team, and we have selected her as an outside director with the expectation that she will continue to fulfill her role.	13/13	—
Outside Director	Takayoshi Mimura	He has long been involved in management from both an executive and supervisory perspective, including serving as a business manager and chairman of the Board of Directors at an operating company, and has a high degree of insight into corporate management and corporate governance. In addition, he has an abundance of experience in the medical device field and global business from his long involvement in the medical device business and the cultivation of overseas markets. As an outside director at the Company, based on his experience and insight, we have selected him as an outside director in the expectation that he will continue to fulfill his role to oversee business execution by the Company's management team and provide advice to the team.	10/11*	—
Outside Director	Hisanori Makaya	He has been involved in management from both an operational and supervisory capacity, serving in key positions at an operating company's planning and business divisions. He has long been instrumental in driving business transformation and M&A, and as President & CEO, he led the establishment of a system to respond to changes in the business environment. We have selected him as an outside director in the expectation that he will oversee business execution by the Company's management team and provide advice to the team based on his experience and insight.	—	—
Outside Director Audit and Supervisory Committee Member	Fumiko Nagatomi	She has expert knowledge and an abundance of experience accumulated over many years as a lawyer. We have selected her as an outside director who is an Audit and Supervisory Committee member with the expectation that she will continue to fulfill her role to supervise and audit the Company's overall management based on her expertise and experience as an outside director who is an Audit and Supervisory Committee member, and to provide appropriate advice for overall management as necessary.	12/13	12/12
Outside Director Audit and Supervisory Committee Member	Christina L. Ahmadjian	Based on her extensive experience and deep insight as a researcher of corporate management, corporate governance, and organizational culture and her involvement in management as an outside director in many companies, we have selected her as an outside director who is an Audit and Supervisory Committee member with the expectation that she will continue to fulfill her role to supervise and audit the Company's overall management as an outside director who is an Audit and Supervisory Committee member, and to provide appropriate advice for overall management as necessary.	12/13	12/12
Outside Director Audit and Supervisory Committee Member	Hideyo Uchiyama	He has expert knowledge and extensive experience accumulated over many years as a certified public accountant, as well as rich experience in managing an auditing firm and global consulting firm. Based on his knowledge and experience, we have selected him as an outside director who is an Audit and Supervisory Committee member with the expectation that he will supervise and audit the Company's overall management as an outside director who is an Audit and Supervisory Committee member, and to provide appropriate advice for overall management as necessary.	—	—

* Board of Directors meetings held after taking office as an outside director on June 27, 2023

Succession Plan

The Board of Directors engages in the formulation and implementation of the succession plan, designed to discover and cultivate future CEOs and other business leaders. The members of the Board see to it that sufficient time and resources are committed to developing their successors in a planned manner.

Specific involvement by the Board of Directors

In addition to confirming the operation of succession plans through the Nomination Committee, the representative directors and other outside directors are actively involved in human resource development by participating in management human resource development programs as lecturers and observers.

Details of measures to discover and cultivate human resources

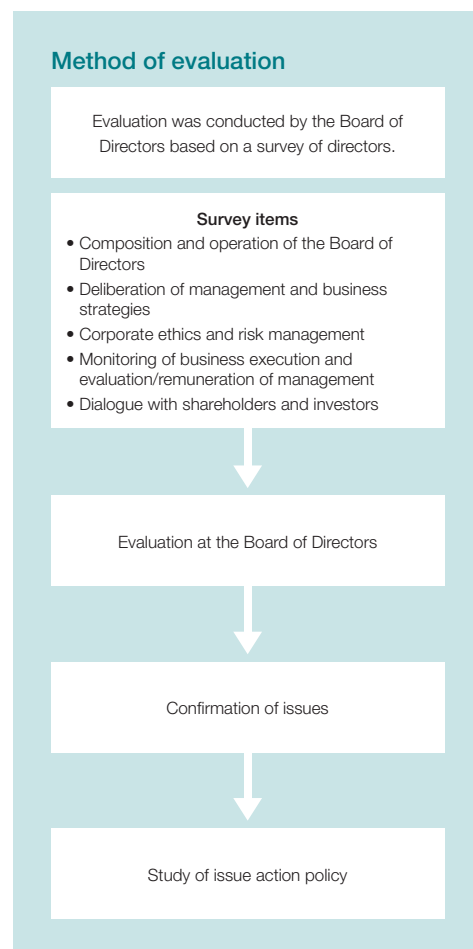
In FY2023, we held the "Management Sparring Dojo," a management human resources development program aimed at cultivating the competencies and viewpoints required for management by talent who will become our next management team (members of the Corporate Management Committee). This program is designed to provide participants with the knowledge (including ESG, science, geopolitics, etc.) that a manager should have, as well as the attitude and thinking required of a manager.

In addition, through the HAGI Program for global next-generation managerial human resource development and the Nittoku Business School selective training program, we are continuously striving to discover and develop human resources who will lead the next generation of management.

Evaluation of the Effectiveness of the Board of Directors

The Company conducts an annual evaluation of the effectiveness of the Board of Directors in order to verify whether the Board of Directors is properly fulfilling its expected functions and to continuously improve its effectiveness.

In FY2023, we conducted a questionnaire survey of directors to evaluate the composition and operation of the Board of Directors, deliberation of management and other strategies, and oversight of business execution. The results of this survey were used to evaluate the effectiveness of the Board of Directors.



Overview of evaluation results for FY2023	<p>We confirmed that the effectiveness of the Board of Directors is sufficiently ensured, and that effective measures are being taken in the following areas in particular:</p> <ul style="list-style-type: none"> • The roles and functions of the Board of Directors and management in charge of business execution were clarified, and we confirmed that the Board of Directors comprises members who have the knowledge, skills, experience, and diversity necessary to fulfill their roles and functions. • The Board of Directors recognizes that addressing issues around sustainability, such as consideration of climate change and other global environmental issues and respect for human rights, is important from the perspective of increasing medium- and long-term corporate value, and confirms that management is actively working to address these issues under an appropriately established structure. • The Board of Directors has established suitable internal controls and risk management structures in the Group to ensure proper compliance and support risk taking and supervises the status of operations through the Internal Auditing Department, Sustainability Committee, and all subordinate committees. • To ensure that decisions regarding the appointment and dismissal of management are appropriately carried out, the Nomination Committee appropriately evaluates management's execution of duties from the perspective of sustainable growth and corporate value. • The Board of Directors implements appropriate improvement measures regarding key issues identified through evaluation of the effectiveness of the Board of Directors and strives to enhance its effectiveness.

FY2022 evaluation		FY2023 evaluation	
Issues recognized	<ul style="list-style-type: none"> • Improving information and explanations provided to the Board of Directors regarding medium- to long-term management strategies • Strengthening oversight of management succession plans by the Board of Directors and Nomination Committee 	Issues recognized	<ul style="list-style-type: none"> • Conducting more in-depth discussions on investment in human capital and human resources strategy • Further improving explanatory materials and content at Board of Directors meetings (ongoing issue) • Conducting regular reports and discussions on the overall picture of the succession plan and progress (ongoing issue)
Action status	<p>With regard to improving information and explanations provided to the Board of Directors regarding medium- to long-term management strategies, the Board of Directors held discussions on multiple occasions from the examination stage to the final decision in order to ensure sufficient time for the provision of information and deliberation on important matters affecting the medium- to long-term strategy. Furthermore, we conducted off-site meetings to discuss medium- to long-term strategies among directors, provided advance explanations to outside directors on important board agenda items, and consistently reported on the progress of the Medium-term Management Plan.</p> <p>Regarding the strengthening oversight of management succession plans by the Board of Directors and Nomination Committee, we have provided opportunities to confirm the development of management personnel through the participation of outside directors who are members of the Nomination Committee in observing management personnel development programs and in the promotion evaluation process of corporate officers.</p>	Action status	<p>This effectiveness assessment revealed that there is a need for more in-depth discussion regarding investments in human capital and human resource strategies associated with key management policies and strategies under consideration for the next Medium-term Management Plan and the transition to a holding company system. In the future, we will set and discuss topics related to investments in human capital and human resource strategies at Board of Directors meetings, while linking them with discussions on the next Medium-term Management Plan.</p> <p>In addition, the issues of the previous fiscal year have been identified as ongoing issues for further improvement. We will address this by implementing measures such as reviewing the format of board materials to enhance the quality of discussions at the Board of Directors' meetings and streamline operations, as well as setting agendas for reporting and discussing the overall succession plan and progress in the Nomination Committee.</p>

Remuneration for Officers

Basic policy

Remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) and corporate officers is paid based on the policy of providing them with additional motivation to contribute to improving the Company's business performance on a medium- to long-term basis and growing the corporate value, while ensuring they have a shared interest with shareholders by holding company shares themselves. The remuneration consists of fixed remuneration paid in the form of cash; bonus, which is linked with the Company's single-year business performance, etc.; and performance-linked stock remuneration paid in accordance with each person's position and level of achievement against the performance targets set in the medium-term management plan and others. Remuneration of directors who are Audit and Supervisory Committee members and outside directors comprises only fixed remuneration.

Our Remuneration Committee acts as an advisory body to the Board of Directors. It deliberates on the remuneration policies, procedures, and systems for directors (excluding directors who are Audit and Supervisory Committee members) and corporate officers as well as the appropriateness of the amount of remuneration planned to be paid to each director (excluding directors who are Audit and Supervisory Committee members) and corporate officers, and submits the results to the Board of Directors to ensure the rationality and transparency of the decisions made concerning the remuneration of directors (excluding directors who are Audit and Supervisory Committee members and outside directors) and corporate officers. In FY2023, the committee met one times.

Example of remuneration payment

In the case of 100% achievement of key performance indicators (KPIs)

Fixed remuneration
60%

Bonus
25%

Performance-linked stock remuneration
15%

Policy on the payment of bonus

As for bonuses, in addition to the base amount set for each position, an amount is paid to each person, decided comprehensively in consideration of the quantitative targets set for corporate performance such as consolidated revenue and consolidated operating income ratio, which reflect the results of sales activities, and based on the qualitative evaluation of the individual performance of the person. The Company uses consolidated operating income, which reflects the results of operating activities, as an indicator for the calculation of bonus amounts, in order to ensure bonuses are tied to the Company's performance and to raise awareness of the need to contribute to the improvement of the Company's performance. The bonus amount is calculated based on the rate of increase or decrease of consolidated operating income for the current fiscal year against past fiscal years and based on the qualitative evaluation of individual performance.

Performance-linked stock remuneration system

We introduced the performance-linked stock remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) and corporate officers (excluding employment-type corporate officers) to further clarify the link between the compensation of directors and the value of the Company's stock, and to have them share interests with shareholders, so as to incentivize them to contribute to the improvement of the Company's medium- to long-term performance and to increasing corporate value.

Under the system, the Board Incentive Plan (BIP) is adopted, where points are given to directors based on their position and the level of achievement against the targets set in the Medium-term Management Plan. Points are calculated according to the method stipulated in share granting regulations, which were determined by the Board of Directors after the deliberation of the Remuneration Committee. After the end of the period, shares of the Company and money in the amount equivalent to the value of the shares are to be given or granted based on granted points.

Indicators against which the achievement of the performance targets is assessed are set based on single-year performance goals, medium-term performance goals, and non-financial measures goals. The single-year performance goals are based on consolidated revenue and consolidated operating income, which reflect the results of sales activities. The medium-term performance goals are based on the targets set in the Medium-term Management Plan, which are consolidated revenue, consolidated operating income, and ROIC, an indicator of whether we have efficiently earned profits relative to invested capital. For non-financial measures goals, sales from the non-ICE business and rate of reduction of CO₂ emissions are used as indicators to reflect the results of efforts for sustainable growth and corporate value enhancement, and to facilitate the transformation of our business portfolio.

Type and details of remuneration for officers

	Fixed remuneration	Bonus	Performance-linked stock remuneration
Details of remuneration	Fixed remuneration is determined holistically according to the position and responsibilities, by taking into account peers' levels, the Company performance, and the level of employee salaries, and then paid monthly in cash.	Bonus is determined based on a comprehensive consideration of the base amount for each position, by taking into account quantitative targets for the degree of achievement of Company performance goals, indicators of improving employee engagement such as employee satisfaction as well as qualitative evaluations of individual performance, and is paid at a certain time each year in cash.	The Board Incentive Plan (BIP) is adopted, where the Company shares and money in the amount equivalent to the value of the Company shares are given or granted to directors at the end of the period set for the system, based on their positions and level of achievement against the targets set in the Medium-term Management Plan, etc.
Indicators against which the achievement of performance targets is assessed	—	<ul style="list-style-type: none"> Change in consolidated operating income for the current fiscal year versus past fiscal years Employee satisfaction Qualitative evaluation of individual performance 	Single-year performance goals: Consolidated revenue, consolidated operating income Medium-term performance goals: Consolidated revenue, consolidated operating income, ROIC Non-financial measures goals: Sales from non-ICE business, rate of reduction of CO ₂ emissions
How to determine payment	—	Payment is determined within the range of 0% to 200% based on the achievement of the Company performance target and assessment of individual performance.	The ratio of the fixed portion to the performance-linked portion is set to be 3:7 (including 2 non-financial indicators), in the case of 100% achievement of each indicator. The performance-linked portion is determined within the range of 0% to 200%, according to the achievement of each indicator.
Recipients	Directors, Corporate Officers	Directors (excluding directors who are Audit and Supervisory Committee members and outside directors), Corporate Officers	Directors (excluding directors who are Audit and Supervisory Committee members and outside directors), Corporate Officers (excluding employment-type corporate officers)*

*An Employee Stock Ownership Plan (ESOP) Trust has been adopted for employment-type corporate officers.

Total amount of remuneration, etc. paid to officers, total payment amount by remuneration type, and the number of recipients (for FY2023)

Category	Total amount of remuneration paid (millions of yen)	Total payment amount by remuneration type (millions of yen)			Number of recipients (persons)
		Fixed remuneration	Bonus	Performance-linked stock remuneration	
Directors (excluding directors who are Audit and Supervisory Committee members) (of which, outside directors)	473 (62)	296 (62)	131 (—)	44 (—)	8 (5)
Directors who are Audit and Supervisory Committee members (of which, outside directors)	93 (46)	93 (46)	—	—	4 (3)

(Notes) 1. The total amount of bonuses and performance-linked stock remuneration are both the amounts expensed in FY2023.

2. The above includes remuneration for one outside director (excluding those who are Audit and Supervisory Committee members) who retired at the conclusion of the 123rd general meeting of shareholders.

Measures to Strengthen Functions of Audit and Supervisory Committee

Establishment of the Audit and Supervisory Committee Office

To support the execution of duties by the Audit and Supervisory Committee, the Audit and Supervisory Committee Office was established, and five employees were assigned to the office full-time. These employees receive instruction from the Audit and Supervisory Committee members, liaise and coordinate internally, and gather and provide the necessary information. The Audit and Supervisory Committee Office works under the supervision and direction of the Audit and Supervisory Committee and their independence in relation to supervision and direction from directors (excluding directors who are Audit and Supervisory Committee members), corporate officers and employees is ensured. In addition, transfers, personnel evaluations, etc. require the prior consent of the Audit and Supervisory Committee.

Coordination with the Internal Auditing Office

The Audit and Supervisory Committee and Internal Audit Department meet regularly and as necessary to exchange information on audit policies, audit plans, audit implementation status, and other matters and to work in close collaboration with one another. In particular, the full-time Audit and Supervisory Audit Committee member and the Audit and Supervisory Committee Office and the Internal Audit Department hold monthly meetings to strengthen mutual cooperation. In addition, Audit and Supervisory Committee members or Audit and Supervisory Committee Office staff attend audits conducted by the Internal Audit Department when necessary, and the Internal Audit Department conducts investigations and makes reports as requested by the Audit and Supervisory Committee.

Stocks Held for Reasons Other than Pure Investment Purposes

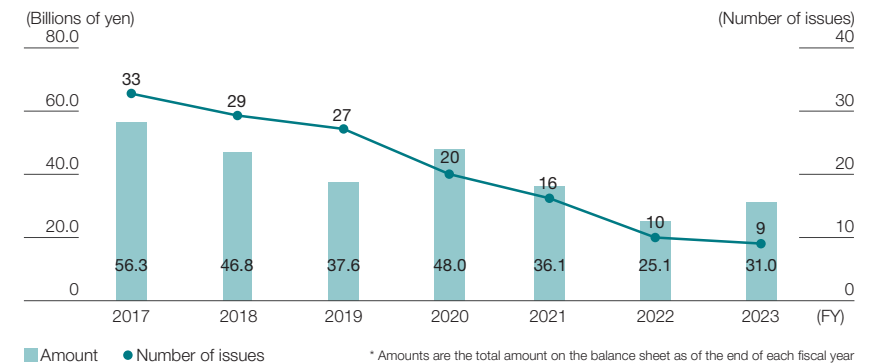
Policy on the stocks held for reasons other than pure investment purposes

Nitterra holds the stocks of its suppliers and others basically to maintain and enhance stable business relationships with them, when the Company decides that holding the stocks will help increase its corporate value after verifying the economic rationality from medium- to long-term viewpoints. The Board of Directors annually checks whether it is rational and useful in terms of enhancing its corporate value to keep the stocks individually for each of the investee companies, in consideration of the capital cost and comparing the related risks and returns on a medium- to long-term basis. When the Board decides that the Company should not continue to hold any of the stocks, the Company will sell them as appropriate, in consideration of the market trend. The nine stocks held for reasons other than pure investment purposes (listed stocks) as of the end of FY2023 amounted to 31 billion yen (market value basis), accounting for 4.9% of total equity.

Criteria for the exercise of voting rights

For the exercise of voting rights for the stocks owned by our Company, we will decide whether to exercise the rights for each item of the agenda, considering whether it will contribute to increasing the corporate value of the investee company and of our own Company. In particular for the selection of directors, appropriation of retained earnings and other items that have a large impact on shareholder value, we will exercise the voting rights according to the criteria set for the rights.

Stocks held for reasons other than pure investment purposes (listed stocks)



Establishment of the Board of Directors Department

We have established a Board of Directors Department as a dedicated organization to support the operation of the Board of Directors. The purpose is to enhance the content of deliberations at the Board of Directors meetings, strengthen supervisory functions, and improve support and information provision to outside directors who constitute the majority of the Board of Directors. The Board of Directors Department supports the smooth operation and enhanced effectiveness of the Board of Directors by organizing and selecting board meeting topics, planning annual schedules, coordinating with related departments, and conducting pre-meeting briefings and orientation for outside directors at the time of their appointment, as well as managing the effectiveness evaluation of the Board of Directors. In addition, the Board of Directors Department is also responsible for the Nomination Committee and the Remuneration Committee, supporting the operation of both committees.

Group Governance

Nitterra has corporate officers who were locally recruited at its regional headquarters (RHQs) in order to ensure that speedy and accurate managerial decisions are made at bases closer to the markets they serve in view of the Company's globally expanding business environment for the Automotive Components Group. We have also formed unique governance teams at the RHQs to promote the optimal decentralized system on a Group-wide basis. As for our other businesses, we plan to establish a Group Company Management Department within the Global Strategy Division from FY2024 to oversee and manage our domestic and overseas group companies. We are working to enhance corporate governance across our global operations in line with the scale of our businesses.

Moreover, the Global Group Governance Division is in place as an organization that audits the effectiveness of the Group's governance as an entity that is separate from its business execution. This organization formulates and implements measures to carry out audits on the management of Group companies and RHQs and on the core business operations of each department. It also formulates and implements measures to enhance internal control across the Group and thus plays an important role for the enhancement of the Group's governance.



Responding to the Increased Importance of Governance Enhancement

With the drastic changes in the environment that surrounds companies, the importance of enhancing corporate governance is increasing year by year.

The Nitterra Group's basic stance on corporate governance is as follows: In order to promote management that increases our medium-to-long-term corporate value, build relationships of trust through fair and highly transparent management, giving proper consideration to our various stakeholders, and establish and operate an efficient and sound management and internal control systems.

Since becoming Representative Director and President in 2011, Representative Director, Chairman, and President in 2016, and Representative Director and Chairman of the Board in 2019, I have been

In response to the changing times, we will enhance our corporate value by building and strengthening a corporate governance system suitable for the Nitterra Group.

Shinichi Odo, Representative Director, Chairman of the Board

working to enhance our governance system.

It was in 2013 that we first appointed an individual with management experience in the private sector to serve as an outside director. Since then, the atmosphere of our Board of Directors has gradually changed. When asked to give an opinion on a topic, they come from a completely different perspective than our inside executives. Their opinions were eye-opening, providing us with a constant stream of new discoveries.

Evolving to a Highly Transparent Governance System

Since then, we have enhanced our governance year by year, increasing the number of outside directors to two in 2014 and then three in 2016. In 2020, one-third of directors were outside directors. Since 2022, a majority of directors have been outside directors. At the same time, we transitioned into a Company with Audit and Supervisory Committee in order to further enhance discussions on management policies and strategies at the Board of Directors, enhance our supervisory functions, and further accelerate management decisions and the execution of duties. Through efforts like these, I believe we have established a governance system that ensures a certain level of transparency.

Since the June 2024 General Meeting of Shareholders, seven of our eleven directors have been independent outside directors. Four of the eleven are female (and one of the four is a foreign national). Along with this shift to a so-called monitoring board, which emphasizes oversight of management, diversity is also increasing. Our current governance system, including the

percentage of female managers, resulted not from box-ticking, but rather from a genuine belief in the value of diversity.

Though the current trend is for boards of directors to shift from management boards to monitoring boards, there is no one right answer to how governance should be. The principles set forth in a corporate governance code are merely a starting point.

For example, European and American often have oversight-focused monitoring boards consisting almost entirely of outside directors, with the exception of the CEO. Many also choose to hire top management from outside the Company. The best thing a company can do is to take note of such examples, choose an approach based on the benefits it provides and the time-scale of the Company's perspective, and optimize that approach over time based on the direction the Company wants to take in the future.

What I would like the President and CEO to do is focus on execution, doing everything he can to achieve our short to medium term goals over a span of one or three fiscal years. As Chairman of the Board, I am dedicated to considering the Company's management from a longer-term perspective and assuring the short- to medium-term goals handled by executives remain consistent with our long-term goals.

Setting Policy for the Current Businesses and Deliberating Creation of New Businesses

The Group assumes that demand for automotive internal combustion engine

parts, our main product, will peak and go into decline in the mid-2030s. Based on this assumed scenario, we have been working to maximize cash generation of our current businesses through increased efficiency while also creating new non-ICE businesses.

We are at a critical juncture where we are under pressure to optimize our business portfolio. As such, one of the main roles of the Board of Directors in recent years has been to conduct deliberations on important management issues, such as our basic management policies and medium to long term management strategies.

The focal point of Board of Directors meetings in FY2023 has been how to effectively operate both current and new businesses, with deliberations focusing primarily on the direction of current businesses and investments aimed at creating new businesses.

During deliberations about current businesses, we made the momentous decision to begin discussions of the acquisition of spark plug and exhaust gas oxygen sensor businesses, respectively.

As for the creation of new businesses, I expect discussions of this topic to accelerate in the future. The question is how to develop businesses that utilize our core technologies to contribute to solving social issues. FY2024 is the last year of our current Medium-term Management Plan (MMP). When developing our new MMP, I would like to focus our future efforts to create new business areas with higher chances of success. To assure feasibility of the next MMP, we will need input from our outside directors. As chairperson, I hope to create a forum for such constructive discussion.

Creating Venues for Free Discussion Outside of Board Meetings

One of the characteristics of our Board of Directors is the vigorous exchange of opinions between our inside and outside directors during deliberations. You can see that every participant in board meetings is trying to reach a better conclusion through discussions by the way they not only make suggestions based on their areas of expertise, but also actively gives opinions on matters outside their expertise.

In FY2023, there was a split vote in favor of one of the resolutions brought before the Board of Directors. I have the impression that there have been more dissenting opinions from different perspectives in recent years regarding not only resolutions, but also reports. I see dissenting opinions and negative votes

positively, as they are a sign that the Board of Directors is a healthy place where outside directors feel psychologically secure enough to give their opinions.

Furthermore, we started holding pre-meeting briefings for outside directors in 2022 in order to foster understanding and facilitate active discussion of increasingly sophisticated and complex matters being discussed by the Board of Directors. This leads to more varied opinions and questions being given at Board of Directors meetings, increasing the depth of discussions. The briefings also serve as trainings for the executives responsible for explaining matters to the outside directors.

We also organize offsite meetings as venues to freely give opinions outside of Board of Directors meetings. Outside directors are also involved in the development of the next MMP. While its content is currently still at the discussion phase, we are following a process consisting of exhaustive discussion with outside directors from as early as the outline stage. The Group considers the content of the next MMP to be key to realizing our optimal business portfolio. At the same time, we would like to advance discussions of human resource strategy and human capital investment needed to implement the MMP, including what sort of human resources we will need.

In addition to enhancing discussions at Board of Directors meetings and offsite meetings, one other effort to strengthen governance we are focusing on is the enhancement of director training. For newly-appointed outside directors, we provide them with a training program aimed at fostering an understanding of the Group. In this program, they receive lectures about our history, organizational culture, and the specifics of our business, and are also given opportunities to tour our plants and other workplaces. Also, when I visit an overseas location, I make a point to invite outside directors to accompany me whenever possible.

While we were not able to do things like this during the COVID-19 pandemic, I hope to increase the frequency of such occasions in the future, as they allow outside directors to participate in discussions with an understanding of the Group and leverage their diverse perspectives.

Establishing a New Board of Directors Department to Further Enhance Our Governance System

In April 2024, we newly established a Board of Directors Department dedicated to supporting smooth operation of the Board of Directors by,



among other things, coordinating topics of discussion regarding our medium to long term strategies, and organizing director training. Our goals in establishing this new department were to separate the functions of the Board of Directors Secretariat (previously under the umbrella of the Secretarial Department) from the Group's executive functions, and to increase the effectiveness of the Board of Directors. Moving forward, we will work to enhance the functions of the Board of Directors Department with input from our outside directors.

As the automotive industry enters an era of once-in-a-century change, and as the Group will take on the challenges of different business areas, the nature of the Group's governance will change. Recently, we began discussions of transitioning to a holding company structure. As the business environment and our organizational structure change, our governance and the themes we must discuss will also have to evolve in lock-step.

To assure the sustained growth of the Group, the Board of Directors will supervise our executive team based on medium to long term strategies, and we will firmly fulfill our accountability to shareholders, investors, and other stakeholders. To this end, I am committed to leading both the establishment of an appropriate governance structure and transparent and active discussions at Board of Directors meetings.

Supporting the Transformation of the Business Portfolio to Realize the Long-term Vision



Outside Director Audit and Supervisory Committee Member
Fumiko Nagatomi

Outside Director Audit and Supervisory Committee Member
Kanemaru Yasui

Outside Director Audit and Supervisory Committee Member
Christina L. Ahmadjian

The Role of Outside Directors and the Current Governance System

Yasui Let me first mention that we transitioned to a Company with an Audit and Supervisory Committee two years ago. I see the Board of Directors as being in the process of transitioning from a so-called “management board” primarily responsible for make decisions on the execution of business function, to a “monitoring board” designed to provide a supervisory function. There are still many issues to be resolved

before the Board of Directors can fully function as a monitoring board. On the other hand, it has made effective efforts towards the realization of its supervisory function. This includes the establishment of offsite meetings where directors can freely express their opinions outside the Board of Directors. It also includes the holding of pre-meeting briefings on agenda items in order to enhance the quality of discussions at the Board of Directors meetings.

Nagatomi Our governance has evolved in response to the changing times. After all of the reforms to date, I believe that our governance

framework is essentially complete. I feel that what we need to do moving forward is to raise awareness and increase the sophistication of our operational system. In the future, we will need to make improvements, such as deciding in advance what matters require substantive discussion, setting these forth in our annual plans, and ensuring they are discussed.

Improving the Effectiveness of the Board of Directors

Yasui Naturally, many things have changed in the two years since the transition to a Company with an Audit and Supervisory Committee. That said, the established practice of reporting and discussing the nitty and gritty of business execution still continues to some extent. I think our current challenge is to increase discussion of issues requiring a broader and more medium to long term perspective, such as management strategy. For example, I think we should actively leverage our offsite meetings even more than we do now.

Ahmadjian I think the operation of the Board of Directors has definitely improved. I believe that a highly effective Board of Directors demonstrates its supervisory function by intensively discussing topics that have been narrowed down in advance. I feel our Board of Directors has increasingly pared down topics of discussion to just the most important themes, such as new businesses, the next Medium-term Management Plan, human capital, and business successions. That is a big step forward compared to a year ago. I look forward to engaging in extensive discussions on important themes, including monitoring progress on the Medium-term Management Plan.

Nagatomi While discussion of macro-level management is important, some agenda items require timely decision-making, so it is important to balance this with discussion of medium to long term management.

Yasui Regarding matters to be discussed at Board of Directors meetings, as shown by the results of evaluating the Board's effectiveness, I feel that there is a gap in mindset between inside and

* This roundtable discussion was held in May 2024. Kanemaru Yasui resigned on June 25, 2024.

outside directors. For example, inside directors approach discussion of individual business after having ascertained the costs of its products and finalized an elaborate sales strategy based on that information. In contrast, outside directors approach this same discussion from a general management perspective, haven taken social trends into account. I believe conducting discussions in a way both sides can agree is something we will have to work on.

Nagatomi I think that reconciling the differences in mindset is not something that can be done overnight. Bridging this gap requires that the executives who prepare and explain the agenda items have both managerial and executive perspectives, so it is important to invest time in the development of these human resources. Before Board of Directors meetings, our outside directors are given an opportunity to receive a briefing on matters to be discussed. Plenty of time is set aside for the executives to explain the agenda items they have proposed to us. I feel that confirming the underlying points in advance allows for meaningful discussions during the Board of Directors meeting, which leads to improved effectiveness of the Board. Furthermore, I believe that when questions and opinions are raised by outside directors from various perspectives, it serves as a training opportunity for the executives to understand the management's viewpoint.



Stronger Support for Outside Directors

Ahmadjian As a manufacturing company, I think it is very important to understand the efforts being made on site. Our recent plant tour was a very meaningful experience for me, as I was able to get a sense of the actual work environment by talking with employees working hard there. I feel that having a system in place which allows for dialogue with employees on site, if desired, is highly commendable.

Yasui We are very excited about the new organization, the Board of Directors Department, which was established in April 2024. My expectation is that it will function to control agenda items that come before the Board of Directors. I believe it is important to organize the agenda and apply a thorough filter before discussions at the Board of Directors meeting, ensuring that the points to be discussed are set from a monitoring perspective rather than just the management's viewpoint.

Nagatomi The Board of Directors Department was only recently established, so it is yet to be seen exactly what effect it will have. However, I see the clarification of its responsibilities and authority as the supporting organization of the Board of Directors as a significant step forward. I especially appreciate this as an outside director, since it makes it easier for me to give opinions and suggest improvements.

Ahmadjian Moving forward, it would be beneficial to expect the provision of information related to industries closely related to our Group's businesses, as well as the latest updates on corporate sustainability. This would contribute to the activation of discussions and enhance the overall engagement. In order for outside directors to contribute from their own perspectives to the exercise of the Board of Directors' supervisory function and the activation of medium to long-term discussions, it is important to have a broader range of background information, including industry trends and the initiatives of other companies, in addition to our Company's information. To do that, we need a wide variety of background information regarding not only the Company, but also industry trends, as well as initiatives by other companies. I believe that this is still an area where our Company is lacking. Providing such information would not only contribute to the training of outside directors but also address a common challenge for Japanese companies as a whole.



Deepening Discussions at the Nomination and Remuneration Committees

Yasui The Nomination Committee may need to have ongoing discussions about the items in the current skill matrix in terms of what other skills the Board of Directors will need in the future. However, this is a work in progress.

Nagatomi As for remuneration for officers, we recognize that the remuneration determination process is proceeding according to the rules, using appropriate calculation methods. Measures have been taken to provide some flexibility based on the Company's performance and fluctuations in the total amounts paid. Some basic policies are in place, and there are systems to assure fairness based on the situation at any given time. As such, I do not see there being any particular problems in this area.

Ahmadjian Medium and long term incentives (LTI) account for rather small percentages of performance-linked remuneration, so this may need to be reviewed. Non-financial indicators include the ratio of non-ICE business revenue and the rate of CO₂ emissions reduction. However, whether the current compensation system is sufficient as an incentive to expand new businesses requires further in-depth discussions.



Realizing the Long-term Vision and Expectations for the Future

Ahmadjian It is important to discuss how to enhance profitability and capital efficiency, such as promoting ROIC management. However, the Board of Directors should also engage in deeper discussion of medium to long term issues, namely how to engage in new businesses, and how to develop them into key revenue drivers.

We have yet to make sufficient progress toward achieving the revenue targets for non-ICE businesses set forth in the Medium-term Management Plan. We need to deepen the discussion of this issue. I also believe we need more discussion of the “super big picture” we should envision based on the four business fields to focus on set forth in the Long-term Management Plan.

Yasui I agree. The slogan of the Medium-term Management Plan is “Break to change. Change to create.” This is intended to convey the importance of transforming our business portfolio. However, we have not yet disclosed specific details regarding which areas and products we will pursue to achieve these objectives. Without changing the corporate culture and climate that has developed through years of cultivating relationships of trust with customers in the ICE business, it will be hard to take the leap into a new business.

It will also not be easy to achieve the high profit margins of the ICE

business in a new business. Therefore, we will need to develop non-ICE businesses with an entirely different approach to indicator management.

I believe it will be important to change our corporate culture and climate by investing in human capital with an eye to the future, and by raising awareness of sustainability management throughout the Group.

Ahmadjian In order for Japanese manufacturing companies like our Group to thrive in the new era, I believe it is crucial to listen attentively to ideas that challenge past conventions, even if they have not been extensively discussed internally before. I sense that the management team has an attitude of calmly analyzing the situation, a sincere willingness to learn in order to find solutions, and a desire to take on new challenges. They look directly at each issue, and always have an improvement to suggest. They are also willing to listen to my opinions as an outside director and engage in dialogue with me. I believe that having such an open mind and willingness to learn will lead to the transformation of the Company, so I hope that stakeholders will have high expectations for the future of the Group.

In addition to fulfilling my roles and responsibilities as an outside director, I would also like to help invigorate discussion at the Board of

Directors through comments that stimulate my fellow directors and give them a sense of urgency.

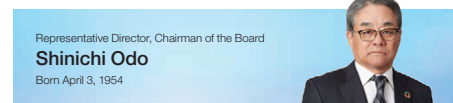
Nagatomi The Group has a good corporate culture. The organization has a sense of unity, as well as a corporate culture of uniting towards a common goal. For a corporate group like ours to implement such a major transformation, the top management needs to clearly demonstrate the direction to be pursued and provide strong guidance to the entire group. I hope our stakeholders will keep a close eye on leadership of the management team, who are vigorously leading the way toward change.

Yasui As an outside director attending the Board of Directors meetings, one thing I appreciate is that our Group is earnestly conducting business while considering various stakeholders. What must be avoided, however, is to be so considerate of stakeholders that we lose sight of the destination.

We must decide what to break and what to create to realize our vision. By making these decisions, we can keep improving our corporate value over time. I hope that our stakeholders will watch the Group with great expectation as we set goals and move forward on a solid path.



Directors (as of July 1, 2024)



Representative Director, Chairman of the Board

Shinichi Odo

Born April 3, 1954

April 1977 Joined our company
February 2003 General Manager of Overseas Aftermarket Sales & Marketing Dept., Sales and Marketing Div., Automotive Components Gr.
July 2005 President, NGK SPARK PLUGS (U.S.A.), INC. (Now Nitterra North America, Inc.)
June 2007 Member of the Board
June 2010 Member of the Board (Managing Director)
June 2011 President
April 2012 Representative Director and President, Chief Executive Officer
April 2016 Representative Director, Chairman of the Board and President, Chief Executive Officer
April 2019 Representative Director & Chairman of the Board (up to today)
May 2020 Chairman of the Japan Auto Parts Industries Association (JAPIA)
Shares held: 37,176
Years in office: 17 * Years in office include years in the former system before the introduction of the corporate officer system in 2012.

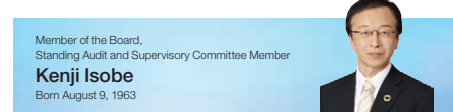


Outside Director

Miwako Doi

Born June 2, 1954

April 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation)
July 2005 Senior Fellow, Corporate Research & Development Center, Toshiba Corporation
July 2008 Chief Fellow, Corporate Research & Development Center, Toshiba Corporation
April 2014 Auditor, National Institute of Information and Communications Technology, an Incorporated Administrative Agency (currently, National Research and Development Agency) (part-time) (up to today)
June 2015 Outside Director, Nomura Research Institute, Ltd.
April 2017 Executive Director, Nara Institute of Science and Technology (part-time) (up to today)
June 2019 Outside Director, Isetan Mitsukoshi Holdings Ltd.
April 2020 Vice President, Tohoku University (part-time) (up to today)
June 2020 Outside Director, Subaru Co., Ltd. (up to today) Member of the Board (Outside Director), NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.) (up to today)
Shares held: 3,336
Years in office: 4

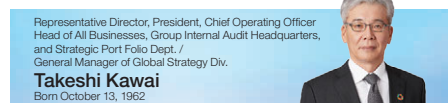
Member of the Board,
Standing Audit and Supervisory Committee Member**Kenji Isobe**

Born August 9, 1963

April 1986 Joined our company
July 2011 General Manager of Accounting & Finance Dept.
April 2013 General Manager of Corporate Planning Dept. and General Manager of Public Relations Office
December 2015 General Manager of Accounting & Finance Dept., Corporate Administration Group and General Manager of Public Relations Office
April 2016 Corporate Officer
June 2016 Director and Corporate Officer
April 2019 Director and Executive Officer
June 2022 Executive Officer
April 2024 Standing Advisor
June 2024 Member of the Board (Director), Standing Audit and Supervisory Committee Member (up to today)
Shares held: 16,124
Years in office: 4 (including 4 years as a director from June 2018 to June 2022)

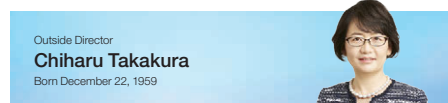
* Years served as auditors are included for directors that served as auditors before their appointment.

* Numbers of shares held are current as of March 31, 2024. Shares include individual shares in Nitterra Executive Shareholding Association.
 For more information on Directors, please visit the following website. <https://www.ngkntk.co.jp/english/corporate/profile/executive/index.html>

Representative Director, President, Chief Operating Officer
Head of All Businesses, Group Internal Audit Headquarters,
and Strategic Port Folio Dept. /
General Manager of Global Strategy Div.**Takeshi Kawai**

Born October 13, 1962

April 1987 Joined our company
February 2011 General Manager of Sensor Engineering Dept. II, Sensor Div., Automotive Components Gr.
April 2012 Corporate Officer
April 2015 Managing Officer
June 2015 Member of the Board, Managing Officer
April 2016 Member of the Board, Senior Managing Officer
April 2019 Representative Director, President & Chief Operating Officer (up to today)
Shares held: 19,136
Years in office: 9

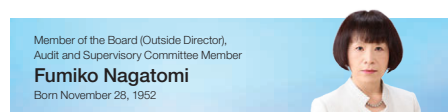


Outside Director

Chiharu Takakura

Born December 22, 1959

April 1983 Joined the Ministry of Agriculture, Forestry and Fisheries
May 1992 Obtained an MBA from Georgetown University (U.S.A)
August 1993 Consultant, Sanwa Research Institute Corp. (currently, Mitsubishi UFJ Research and Consulting Co., Ltd.)
July 1999 Planning Manager, Human Resources Division, Pfizer Japan Inc.
October 2006 General Manager of Human Resources Department, Human Resources and Communication Division, Novartis Pharma K. K.
July 2014 Corporate Fellow, General Manager, Global Human Resources Dept., Ajinomoto Co., Inc.
April 2016 HR Advisor, ROHTO Pharmaceutical Co., Ltd.
June 2020 Director, Head of Well-being Management Promotion Division, ROHTO Pharmaceutical Co., Ltd.
June 2021 Outside Audit & Supervisory Board Member, NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.)
April 2022 Director, Chief Human Resource Officer, ROHTO Pharmaceutical Co., Ltd.
June 2022 Member of the Board (Outside Director), NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.) (up to today)
June 2023 Outside Director, Nomura Real Estate Holdings, Inc., and Mitsui Sumitomo Insurance Co., Ltd. (up to today)
Shares held: 1,301
Years in office: 3 (including 1 year as an outside auditor from June 2021 to June 2022)

Member of the Board (Outside Director),
Audit and Supervisory Committee Member**Fumiko Nagatomi**

Born November 28, 1952

April 1981 Registered as an attorney and joined Hachisuka Law Firm
March 1989 Left Hachisuka Law Firm
April 1989 Opened Nagatomi Law Firm (up to today)
May 2006 Outside Audit and Supervisory Board Member, UCS CO., LTD.
June 2016 Outside Audit and Supervisory Board Member, Chubu Electric Power Co., Inc. (up to today)
June 2017 Outside Audit & Supervisory Board Member, NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.)
June 2022 Member of the Board (Outside Director), Audit and Supervisory Committee Member (up to today)
Shares held: 3,578
Years in office: 7 (including 5 years as an outside auditor from June 2017 to June 2022)

Representative Director, Member of the Board,
Executive Vice President, Assistant to President /
Head of Sustainability Strategy Dept.,
Corporate Communication Dept., and Nitterra Ventures Company**Toru Matsui**

Born February 14, 1962

April 1984 Joined our company
April 2011 President of NGK SPARK PLUG EUROPE GmbH (Now Nitterra EMEA GmbH)
October 2013 General Manager of OEM Sales & Marketing Dept., Sales and Marketing Div., Automotive Components Gr. (Now Nitterra (Shanghai) Co., Ltd.)
December 2014 President of NGK SPARK PLUG (SHANGHAI) CO., LTD. (Now Nitterra (Shanghai) Co., Ltd.)
April 2015 Corporate Officer
July 2016 President of NGK SPARK PLUG (SHANGHAI) TRADING CO., LTD. (Now Nitterra Trading (Shanghai) Co., Ltd.)
April 2018 Managing Officer
June 2018 Member of the Board, Managing Officer
April 2019 Member of the Board, Executive Vice President
April 2020 Representative Director, Member of the Board, Executive Vice President (up to today)
Shares held: 12,397
Years in office: 6



Outside Director

Takayoshi Mimura

Born June 18, 1953

April 1977 Joined Terumo Corporation
June 2002 Executive Officer, Terumo Corporation
June 2003 Member of the Board, Executive Officer, Terumo Corporation
June 2004 Member of the Board, Senior Executive Officer, Terumo Corporation
June 2007 Member of the Board, Managing Executive Officer, Terumo Corporation
April 2008 Member of the Board, Managing Executive Officer, responsible for Hospital Company, Sales Supervisory Department, Terumo Corporation
June 2009 Member of the Board, Managing Executive Officer in China and Asia, Terumo Corporation
April 2010 Member of the Board, Managing Executive Officer, Chief Representative of China, Terumo Corporation
June 2010 Member of the Board, Senior Managing Executive Officer, Terumo Corporation
August 2011 President and CEO, Terumo (China) Holdings Co., Ltd.
April 2017 Chairman of the Board, Terumo Corporation
June 2021 Chairman, The Japan Federation of Medical Devices Associations
April 2022 Advisor to the Board, Terumo Corporation
June 2022 Advisor of Terumo Corporation, Outside Director of AUTOBACS SEVEN Co., Ltd., and Mitsui Chemicals Inc. (up to today)
June 2023 Member of the Board (Outside Director), Nitterra Co., Ltd. (up to today)
Shares held: 1,246
Years in office: 1

Member of the Board (Outside Director),
Audit and Supervisory Committee Member**Christina L. Ahmadian**

Born March 5, 1959

January 1995 Assistant Professor, Columbia Business School
October 2001 Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
January 2004 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
June 2009 Outside Director, Eisai Co., Ltd.
April 2010 Dean, Graduate School of International Corporate Strategy, Hitotsubashi University
April 2012 Professor, Graduate School of Commerce and Management, Hitotsubashi University
June 2012 Outside Director, Mitsubishi Heavy Industries Ltd.
June 2014 Outside Director, Japan Exchange Group, Inc.
April 2018 Professor, School of Business Administration, Hitotsubashi University Business School
June 2018 Outside Director, Sumitomo Electric Industries, Ltd. (up to today)
March 2019 Outside Director, Asahi Group Holdings, Ltd. (up to today)
June 2021 Outside Director, NEC Corporation (up to today)
April 2022 Emeritus Professor, Hitotsubashi University (up to today)
June 2022 Specially Appointed Professor, Rikkyo University
June 2022 Member of the Board (Outside Director), Audit and Supervisory Committee Member, NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.) (up to today)
April 2024 Executive Director, Hokkaido University (part-time) (up to today)
Shares held: 345
Years in office: 2



Outside Director

Hisanori Makaya

Born May 2, 1958

April 1982 Joined Fuji Photo Film Co., Ltd. (currently FUJIFILM Holdings Corporation)
June 2015 Corporate Vice President, FUJIFILM Corporation
December 2016 Director and Corporate Vice President, FUJIFILM Corporation
June 2017 Director and Senior Vice President, Fuji Xerox Co., Ltd. (currently FUJIFILM Business Innovation Corp.)
June 2019 Director and Executive Vice President, Fuji Xerox Co., Ltd.
April 2021 President and CEO, Representative Director, FUJIFILM Business Innovation Corp.
April 2022 Chairman and Director, FUJIFILM Business Innovation Corp.
June 2024 Outside Director, Nitterra Co., Ltd. (up to today)
Shares held: 1,000
Years in office: Newly appointed

Member of the Board (Outside Director),
Audit and Supervisory Committee Member**Hideyo Uchiyama**

Born March 30, 1953

November 1975 Joined Arthur Young & Company
December 1979 Joined Asahi Accounting Company (currently KPMG AZSA LLC)
March 1980 Registered as a certified public accountant
July 1999 Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)
May 2002 Board Member, Asahi & Co.
June 2006 Executive Board Member, AZSA & Co. (currently KPMG AZSA LLC)
June 2010 Managing Partner, AZSA & Co. Chairman, KPMG Japan
September 2011 Chairman, KPMG Asia Pacific
October 2013 CEO, KPMG Japan
September 2015 Executive Advisor, ASAHI Tax Corporation (up to today)
June 2016 Outside Audit & Supervisory Board Member (Independent), OMRON Corporation
June 2017 Outside Audit & Supervisory Board Member, SOMPO Holdings, Inc.
June 2018 Outside Director, Eisai Co., Ltd.
June 2019 Outside Director, SOMPO Holdings, Inc.
June 2024 Member of the Board (Outside Director), Audit and Supervisory Committee Member, Nitterra Co., Ltd. (up to today)

Shares held: 0
Years in office: Newly appointed

Risk Management Policy

We adapt from a global viewpoint to changes in the management environment surrounding our Group and to the diversification of risks and will foster risk management to reduce or avoid the loss of managerial resources, thereby improving our corporate value.

Action Guidelines

- We identify the risks that might hamper the achievement of our management targets from a global and long-term viewpoint and strive to prevent the materialization of these risks in a planned and organization-based manner.
- In the event that such a risk materializes, we strive to minimize the impact on our stakeholders, maintain their trust and prevent the recurrence of similar incidents.

Promotion System

Our risk management system is designed to integrate risk management, which is focused on the prevention of risks, and crisis management, which is geared towards the effective management of serious risk events. We are working to improve and operate this system under its Chief Administrator, who is the President, and its Promotion Manager, who is the Director in charge of the Business Management Department. The Chief Administrator appoints a corporate officer to chair the Risk Management Committee. This special committee holds regular meetings twice a year and special meetings as required to implement company-wide risk management under the supervision of the CSR and Sustainability Committee (chaired by an outside director), which is an advisory body to the Board of Directors.

In FY2023, the Risk Management Committee met twice to report and discuss how to address priority risks and update the risk map.

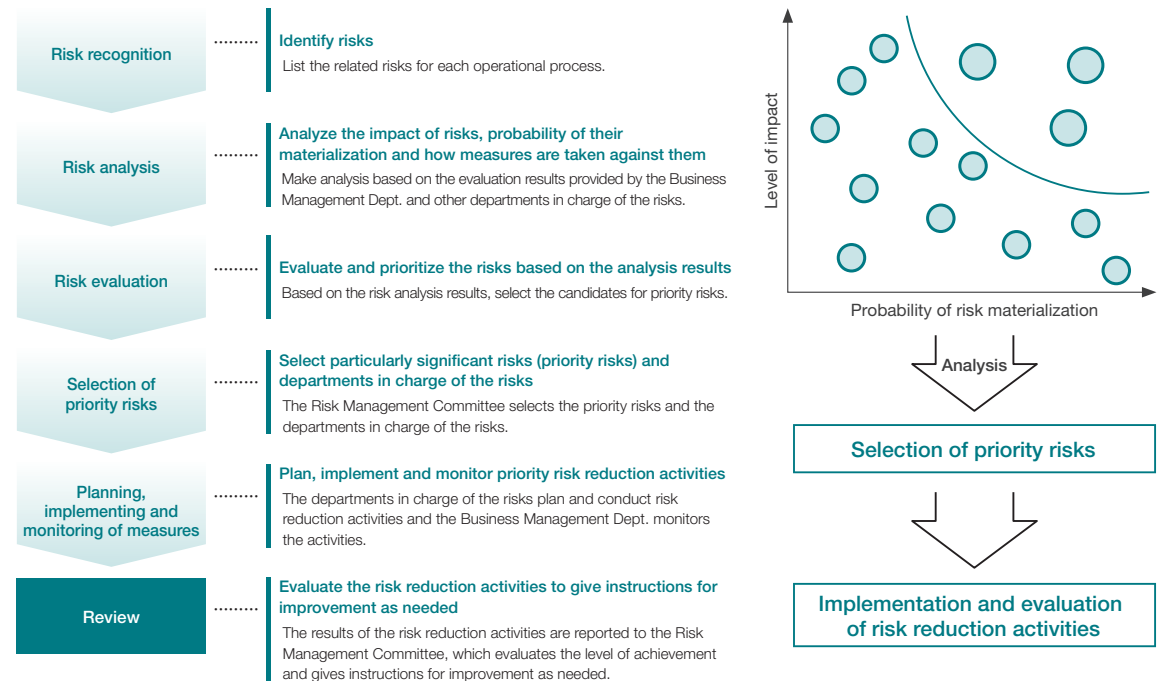
Company-wide Risk Management

We identify specific business risks for each process to assess their impact, likelihood, and status of countermeasures. We determine whether they affect business continuity and achievement of objectives from a company-wide perspective. All risks that are deemed to require focused action are designated as priority risks. For each of these, a responsible department is assigned to drive risk mitigation activities. Meanwhile, the Risk Management Committee monitors the status of these activities. In FY2023, we identified three priority risks and worked to reduce them. Some business risks, including 8. Environmental risks, 9. Information security risks and 12. Business investment risks, are also considered priority issues for sustainability management.

Business risks

- | | |
|--|--|
| 1. World affairs and exchange rate fluctuation risks | 8. Environmental risks |
| 2. Business environment risks | 9. Information security risks |
| 3. Product quality risks | 10. Human resource securement risks |
| 4. Technological development risks | 11. Legal, regulations, and litigation risks |
| 5. Intellectual property risks | 12. Business investment risks |
| 6. Raw material and components procurement risks | 13. Infectious disease risks |
| 7. Natural disaster risks | 14. Human rights violation risks |

* For more information on our risk initiatives, please visit P.34 of our Annual Securities Report.
<https://contents.xj-storage.jp/xcontents/AS06537/12f3af45/4141/42f3/b624/f9d79124f989/20240830164539459s.pdf>



Business Continuity Management (BCM)

We conduct BCM activities in preparation for possible earthquakes and other large-scale disasters. Specifically, we make efforts to control and reduce disasters on a Group-wide basis through the formulation of business continuity plans (BCP). These plans will enable us to minimize damage in the event of a large-scale disaster and resume production as soon as possible if operations are suspended, thereby helping customers maintain their supply chains. In addition, we are continually developing and maintaining a system to prepare for unforeseen events, including COVID-19 and other infectious diseases.

* For more information on our major initiatives, visit the following website. <https://ngkntk.disclosure.site/en/themes/183/>

Compliance Policy

With recognition that Nitterra is a member of society, we enhance corporate ethics and understand the spirit and meaning of laws, company regulations, international rules, and social norms in order to appropriately meet social demand and become a company trusted by the international community.

Action Guidelines

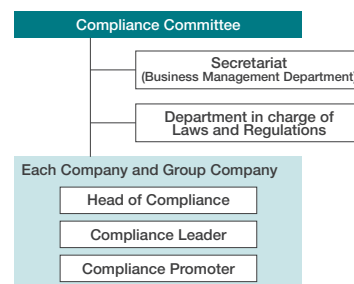
- We not only comply with laws and regulations, but also act in good faith with common sense and responsibility as a member of society.
- We will comply with all applicable anti-corruption laws and regulations. Additionally, we will conduct our business in good faith without engaging, directly or indirectly, in corrupt practices. These practices include bribery, conflicts of interest, insider trading, anti-competitive practices, money laundering and improper relationships with political or governmental entities.
- We regularly educate and raise the awareness of all our employees to impart a high level of ethics and correct knowledge, with which they can act voluntarily to prevent a violation.
- Should a violation occur, we will promptly investigate the causes and take remedial actions. We will strive to take appropriate countermeasures to prevent recurrence and fulfill our accountability.

Promotion System

We have established the Compliance Committee chaired by the Representative Director to enhance compliance. (It holds regular meetings twice a year and special meetings as required.) This committee takes preventive measures against non-compliance and provides guidance and oversight on how to respond to any violations. It operates under the supervision of the CSR and Sustainability Committee (chaired by an outside director), which is an advisory body to the Board of Directors.

In FY2023, the Compliance Committee met twice to report and discuss responses to changes in laws and regulations, the status of compliance activities, improving the effectiveness of the internal reporting system at overseas Group companies, and the results of compliance awareness surveys and follow-up activities.

Compliance promotion system



Education

To ensure that all officers and employees are fully informed and conscious of compliance, we conduct continuous education and awareness-raising activities. We share information through compliance promoters in each department and provide training at every job level. In addition, we use the following materials: *Compliance Guidebook*, which summarizes the rules of the Company and society; *Compliance News Letter*, which discusses specific cases of compliance issues that may occur in our daily operations; and *Compliance Promotion Rules (for Managers/Mid-level Employees)*, which explains the roles and behaviors expected of each level of employee.

We conduct a compliance awareness survey to verify employees' understanding of corporate rules and systems, review the corporate culture, and identify compliance risks. In FY2023, we surveyed approximately 8,000 employees from Group companies in Japan. In addition to providing feedback on the results of the awareness survey to each workplace, we continue to implement improvement activities, such as identifying departments with challenges and holding listening sessions with them.

Internal Reporting System

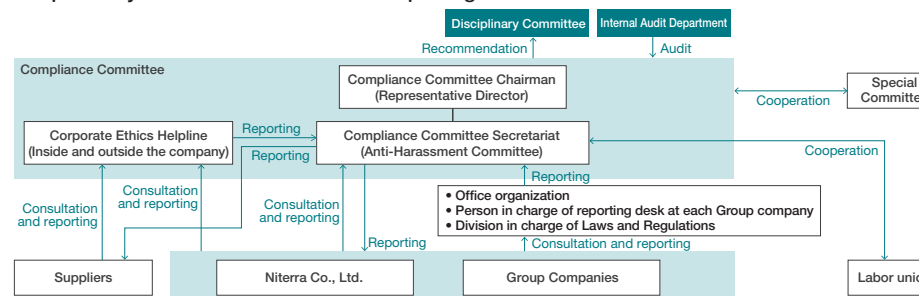
We maintain the Corporate Ethics Helpline as an internal reporting system available to employees and suppliers seeking to receive consultation and/or make reports regarding compliance. We established the Compliance Committee Secretariat to serve as our internal channel.

At the same time, we also establish channels through external expert service providers, enabling employees and suppliers to seek consultation and make reports outside work hours and on holidays, thereby improving user convenience. Users have access to anonymous consulting and reporting to fully protect them from being identified or suffering disadvantages as a result of their reporting. These channels accept consultations and reports when they become aware of any kind of compliance violation, including harassment and/or any other behavior that could lead to such a violation. We investigate any consultation or report received and promptly deal with any problems confirmed.

In FY2023, there were 111 consultations and reports, including those from Group companies. These included labor and internal rules issues. Incidents where problems were identified were promptly resolved and corrective action was taken.

This system is continuously promoted through training, awareness-raising via the Company's intranet, posters, and the distribution of cards. Each overseas group company also has its own contact point for consultation and reporting.

Response system for consultation and reporting





Compliance Initiatives

Anti-corruption initiatives

As a company participating in the UN Global Compact, we strive to prevent corruption activities in line with the following statement made in our Corporate Code of Conduct: “We shall promote fair, transparent, free competition and sound trade. We shall also ensure that our relationships and contacts with government agencies and political bodies are of a sound and proper nature.”

Our *Compliance Guidebook*, distributed to employees, defines rules on corruption prevention, such as the prohibition of involvement in political contributions or bribery. Subsequently, we provide the Conduct Guidelines Concerning the Giving and Receiving of Gifts and Entertainment to ensure employees do not engage in inappropriate behavior. We also confirm that the content and use of charitable donations do not violate the law. Overseas group companies also educate employees and conduct research on local laws. In the unlikely case of a violation of the anti-corruption rules, the Compliance Committee will take the lead in addressing the issue.

Activities concerning competition laws

We take our violation of the Anti-Monopoly Act of Japan, uncovered in FY2014, seriously. As such, we established a system to promote compliance with competition laws and ensure legal compliance both within and outside the country. In Japan, we formulated the Anti-Monopoly Act Compliance Manual and distributed copies to employees while holding a range of related seminars internally for both executives and employees. Moreover, we have introduced an in-house e-mail inspection system to monitor and prevent recurring violations of the competition law. Our overseas Group companies are required to report regularly to Nitterra on their activity status regarding compliance with competition laws. Our competition law and compliance team audits their compliance systems and implementation status and verifies that local employees are sufficiently aware of the relevant rules. We additionally hold seminars featuring guest speakers. We will continue to educate and audit to ensure compliance with competition laws both in Japan and abroad.

Export control

We comply with domestic laws and regulations based on the Foreign Exchange and Foreign Trade Act in accordance with the multilateral export control regime (MECR) established for international peace and safety. In addition, we have established related internal rules and an in-house export control organization.

We also conduct awareness-raising and inspection activities targeting departments engaged in export control, thereby ensuring and enhancing our export control in compliance with the related laws and regulations. We are working to prevent the destabilization of international affairs by focusing on preventing the outflow of sensitive technology as well as cargo that could be diverted to military use.

Tax Policy

We will be a company that is trusted by the international community by responding appropriately to the demands of society through an understanding of the spirit and purpose of tax laws and regulations.

Action Guidelines

- We will fulfill our social responsibility by complying with the corporate income tax and other tax laws of each country, as well as international tax standards such as the OECD Transfer Pricing Guidelines, the BEPS Action Plan, and arm's length pricing for intra-Group transactions.
- To ensure compliance with tax laws and regulations, we will improve our knowledge and understanding of tax matters and cooperate with tax authorities to enhance credibility and transparency.
- We will manage tax risk and enhance shareholder value by ensuring that taxes are paid and reported correctly in each country.
- We do not engage in profit shifting to tax havens or low-tax jurisdictions for the purpose of avoiding taxation, nor do we engage in tax avoidance activities.

Promotion System

The Finance Officer oversees tax matters, and reports important matters to the Corporate Management Committee or the Board of Directors. Nitterra's Accounting & Finance Department and our Group Company counterparts work together to manage tax operations.

We receive regular financial status reports from the Group companies, which include taxes, and other obligations. Depending on the case, we provide instructions on their duties when appropriate.

Tax Activities

Tax compliance

To guarantee compliance with all applicable tax regulations, we adhere to the standards and guidelines set forth by international organizations such as the OECD. We file tax returns and pay taxes in a timely and appropriate manner at each of our locations, in accordance with the local tax laws and regulations.

Tax risks

We conduct a thorough preliminary review of the tax risks associated with our business activities. We seek advice and guidance from tax professionals as needed.

Tax planning

We recognize the importance of appropriate and effective tax planning to achieve business objectives, fully considering the social significance of tax payments. We work to maximize consolidated cash flow by avoiding double taxation and effectively utilizing preferential tax treatment, while respecting the intent of laws, regulations and rules.

Relationship with tax authorities

As a Group, we are committed to establishing and maintaining good relations with tax authorities in each country in good faith and in an appropriate manner. We will seek to resolve any disagreements with the authorities through constructive communication.

Information Security Policy

We regard all of our own information assets as one of our management resources. Through the proper protection and effective use of our information assets, we pursue healthy maintenance and development of our business.

Action Guidelines

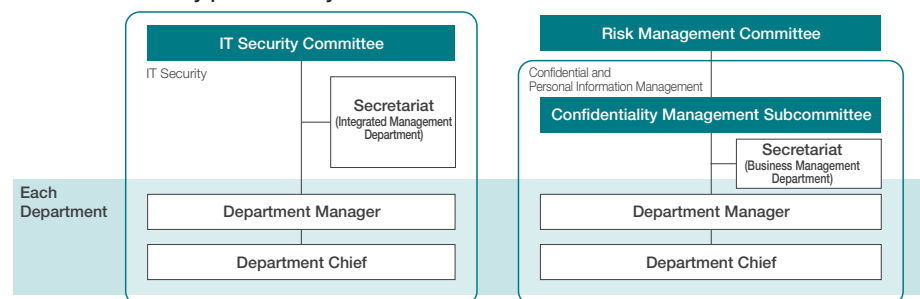
- We clarify our system and responsibilities for protecting and managing all information assets, including information received from customers, know-how and intellectual property owned by our Group, and personal information, by establishing rules and regulations.
- We comply with laws, ordinances, and regulations regarding information security.
- We educate all executives and employees who handle information assets about the importance of information security, and about specific items to be observed.
- We continuously update the information infrastructure for the maintenance and improvement of the confidentiality, integrity, and availability of all information assets.
- We promote measures to prevent accidents in order to address the risks of information leakages associated with the continuous advancement and sophistication of information technology. Should an accident occur, we will strive to minimize the damage and take preventive measures against recurrence.

Promotion System

We have two separate systems for promoting information security: one for IT security or digital information management, and the other for confidential and personal information management. The two systems work together to strengthen information security under the supervision of the CSR and Sustainability Committee (chaired by an outside director), which advises the Board of Directors.

To address the growing threat of cyberattacks, including AI-based attacks, our IT Security Committee reviews the status of Company-wide IT security activities and implements appropriate countermeasures. The committee holds regular meetings twice a year and special meetings as needed. It is chaired by the Chief Administrator of the DX Strategy Department. Its members include the head of the Integrated Management Department of the IT Systems Company, and the heads of major departments such as the planning divisions of the headquarters organization and each company. In FY2023 the committee met twice to report and discuss incidents, activities to strengthen IT security, and ISMS activities. With respect to the confidential and personal information management, the Confidentiality Management Subcommittee is responsible for mitigating risks under the supervision of the Risk Management Committee. The subcommittee holds an annual meeting and special meetings as needed. It is chaired by the Chief Administrator of the Business Management Department. Members include the head of each department. In FY2023, the subcommittee met once to report incidents and issue reminders. In addition, each department has an IT security manager and an IT security chief, as well as a manager and a chief of confidential and personal information management, who lead information security activities.

Information security promotion system



Information Security Management System

In response to information security risks that threaten companies and organizations, we set information security as a priority issue (materiality) and are building an information security management system that complies with ISO27001. In FY2023, we conducted IT security and IT systems audits at all sites and identified and corrected deficiencies. We will continue to conduct this audit every year to improve the level of security.

In addition, at the request of several automotive manufacturers, we have obtained TISAX certification, an information security audit standard for the automotive supply chain.

Responding to Information Security Incidents

We have established a Computer Security Incident Response Team (CSIRT).

When an incident occurs, the CSIRT promptly organizes and confirms the facts, determines the level of the incident, and then responds. We also accumulate and share knowledge as a measure to prevent recurrence. In addition to responding after an incident occurs, we are also striving to defend in advance, and we are trying to improve the level and maturity of our defenses.

We publish CSIRT Communication monthly to keep employees informed and aware of information security. When necessary to issue a highly urgent alert, we issue urgent communications on specific precautions to prevent the occurrence of any incidents.

Protection of Personal Information

As exemplified by the General Data Protection Regulation (GDPR) enforced in the EU and the Personal Information Protection Law in Japan, measures to protect personal information are being enhanced globally. In response, the Nitterra Group has set a range of internal rules to protect, manage and handle the personal information of its customers and employees.