



In light of the changing times and our vision as a company, we aim to enhance our corporate value by building and strengthening a corporate governance system suitable for the Niterra Group.

Shinichi Odo, Representative Director, Chairman of the Board

Promoting multifaceted discussions aimed at optimizing the business portfolio

The Niterra Group has set its 2040 vision to be a company that brightens the Earth, and in line with global trends toward decarbonization and electrification of automobiles, we aim to optimize our business portfolio by further strengthening our internal combustion engine business, create new business pillars centered on our core assets, and reinforce and reform our management foundation that supports these initiatives.

In FY2024, the Board of Directors worked to address three main issues based on the management challenges facing the Group, its vision, and the evaluation of the effectiveness of the Board of Directors in FY2023.

The first is further enhancing the quality of discussions at Board of Directors meetings. I believe we have achieved some initial results by implementing various measures, such as by holding pre-meeting briefings for outside directors to foster their understanding and facilitate active discussions of increasingly complex Board of Directors

topics, reviewing of the format of board meeting materials, and following up on resolutions.

The second is conducting more in-depth discussions on investment in human capital strategy. Based on the recognition that in-depth discussions on human capital, our top priority management foundation for realizing the Group's vision, are essential, we have exchanged opinions on the ideal employee profile and training policies, linking them with discussions on the Mid-term Management Plan 2030 (MMP 2030).

The third is conducting regular reports and discussions on the overall picture of the succession plan and its progress. We have held in-depth discussions to more clearly define the qualities of leaders needed for our Group in this time of transformation.

As we pursue the optimization of our business portfolio, which is one of our goals, we face the challenge of determining how to further strengthen our internal combustion engine business while creating new business pillars that leverage our core assets. Amid these difficult decisions, the Board of Directors will likely focus more on fundamental discussions related to human capital management going forward.

Regarding the succession plan, in response to the diversification of work styles and values, the qualities required of leaders are undergoing a significant change. Rather than a charismatic top-down leadership style, we need a new type of leader who can drive corporate growth through enhanced employee engagement. Based on this, we are promoting multifaceted discussions that include considering forming a diverse management team that complements each other while leading with new ideas and businesses.

Realizing active discussions with diverse board members

The role of the Board of Directors is to realize sustained growth of the Company while enhancing corporate value over the mid- to long-term, deliberate and make decisions on important managerial issues, and supervise the management team in a highly effective manner from an objective standpoint. In other words, it monitors the specific strategies and tactics formulated by the management team to achieve the Company's mid- to long-term goals and their implementation status to ensure that they are consistent with the Company's policy



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from a mid- to long-term perspective. From that standpoint, I recognize that my role as the Chairperson and Chairman of the Board is to guide the Board of Directors to function properly by maintaining a balance of internal and external viewpoints drawing on my executive and supervisory experience. To ensure that there is no discrepancy between the actual business actions carried out by the executive side and our mid- to long-term goals, I strive to operate the Board to facilitate outside directors' understanding from a neutral standpoint.

One of the major characteristics of our Board of Directors is the vigorous exchange of opinions between our internal and outside directors during deliberations, thanks to the initiatives to enhance Board effectiveness and the abundant experience and insight of our outside directors. 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 offer opinions on matters outside their expertise.

There are also split votes in favor of resolutions brought before the Board of Directors. Although we saw that in FY2024, 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.



Regarding the composition of the Board of Directors, seven of our eleven directors are independent outside directors, and four are women, one of whom is a foreign national. In this way, we have created a Board of Directors that has a rich diversity of career backgrounds and areas of expertise, leveraging not only demographic diversity but also a genuine diversity of perspectives. Following the current trend in boards of directors, our Group is also shifting from a traditional management board to a monitoring board, which emphasizes oversight of management. However, with regard to governance, we recognize the principles set forth in the corporate governance code, while understanding that an optimal governance system must be tailored to each company's circumstances, and that there is no single correct approach to governance. For example, European and American companies often have monitoring boards consisting almost entirely of outside directors, with the exception of the CEO.

The current approach of the Group's Board of Directors is one in which both internal and outside directors work together to enhance governance across the Group. In light of changing perspectives and times, we will continue to optimize the composition and approach of the Board of Directors in a manner that is suitable for the Niterra Group.

Enhancing effectiveness with a sense of urgency based on feedback after Board of Directors meetings

To further enhance the effectiveness of the Board of Directors, we are implementing improvement measures each year using the issues identified in effectiveness evaluations as guidelines. The effectiveness evaluation is implemented through a process that ensures transparency with the support of a third-party organization, and the evaluation is resulting in improvements each year.

In April 2024, we newly established a Board of Directors Department dedicated to supporting smooth operation of the Board of Directors. This new department specializes in supporting the operations of the Board of Directors by separating its functions from the executive side, coordinating topics of discussion regarding our mid- to long-term strategies, and implementing director training, and we are already seeing results from enhancing the Board of Directors' effectiveness. We also organize offsite meetings as forums to freely give opinions outside of Board of Directors meetings. The ability to hold in-depth discussions on key management policies and strategies, such as shared values and human capital strategy, during the formulation of the MMP 2030 was made possible by holding meetings

at various venues.

In addition, to further enhance the effectiveness of the Board of Directors, starting in FY2024, we have supplemented the traditional annual effectiveness evaluation by collecting feedback after each board meeting and using it to implement improvements in real time.

Achieving a balance between strengthening governance and delegating authority

We are continuing to make improvements to strengthen governance, and while I believe we have established a governance system that ensures a certain level of transparency, new challenges arise with the changing times. As we expand our business globally and our business performance grows, we face the challenge of balancing strengthening governance and delegating authority. In terms of Group governance and delegation of authority, we are also facing a shortage of CFOs capable of integrating business and financial strategies.

As the Group takes on the challenges of different business areas, the Group's governance, the way authority is exercised, and the topics requiring discussion will also need to evolve. This fiscal year, as Chair, I would like to foster in-depth discussions at board meetings with a long-term perspective, focusing on what we expect of the Niterra Group and what we hope to achieve to ensure sustained growth of the Group.

Organizations must look 10 to 20 years ahead, set a clear direction for their goals, and formulate a concrete vision, because relying on past ways of thinking will not lead to sustained growth. With the aging society, decreasing birthrate, and shrinking working population in Japan, we must ask ourselves if we can continue to have the same mindset about manufacturing given the increasing adoption of digital transformation and robots. From a transformational perspective, we aim to incorporate the views of outside directors and thoroughly explore the ideal strategy through off-site meetings and similar measures.

To assure the sustained growth of the Group, the Board of Directors will supervise our executive team based on mid- to long-term strategies, and we will fulfill our accountability to shareholders, investors, and other stakeholders. In an environment where companies are expected not only to deliver profits and scale but also to balance business growth with addressing social challenges, we must reexamine the very purpose of our existence and provide new value to society, and I aim to ensure that such discussions are also led from the Board of Directors.



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