

Dialogue: The President and Three Outside Directors

How should we redefine our “strengths” in order to transform ourselves? Discussion on how to foster a corporate culture that encourages taking on new challenges.

As we approach the five years of our next Medium-term Management Plan, how should we achieve the “Change Drastically Beyond the Current Way” set forth in our Vision 2040? What should we consider our strengths and what should we change? Three outside directors and Takeshi Kawai, Representative Director and President, discuss these issues in an open dialogue.

Takeshi Kawai
Representative Director, President,
and Chief Operating Officer

Miwako Doi
Outside Director

Chiharu Takakura
Outside Director

Takayoshi Mimura
Outside Director

By Leveraging Our Inherited DNA and Strengths, We Will Combine Business Activities with a Sense of Transformation That Has Begun to Take Root

Kawai With ceramics at the core of our more than 80-year history, we provide high-performance spark plugs and sensors that meet society's needs. At the same time, we are managing our portfolio, including the creation of new businesses that leverage our technological and other strengths to optimize and update our business. We are also working to foster a corporate culture that encourages taking on new challenges. New businesses are gradually beginning to take off. However, I feel that we still have some way to go to achieve the “Making Changes That Are

Not Just an Extension of the Past” as stated in our 2040 Vision. What should we sharpen as our strengths and what should we change? In this dialogue, we would like to clarify these issues with your input as outside directors. First, please tell me your honest opinion of our company today.

Doi During these five years as an outside director, I feel that I have gradually seen the results of your efforts to fulfill the slogan of the current Medium-term Management Plan, “Break to change. Change to create.” Let me tell you an experience. Last year and this year, I had the opportunity to visit several overseas offices and talk to young employees. We had various discussions in connection with the change

of the English trade name to “Nitterra,” which conveys the Company's message to the world, “Becoming a company that brightens the Earth.” During these discussions, I was asked questions such as how they should change now that everything, from environmental considerations to the manufacturing process, was undergoing major changes. This gave me a sense of the young employees' awareness of change.

Mimura I became an outside director in FY2023, and over the past year, I strongly feel that the Company has changed its corporate composition with an awareness of the need for transformation. For example, Nitterra used to hire new graduates as full-time employees and train them to maintain its unique technologies. Now, Nitterra is

Nitterra
日本特殊陶業

From an era when technology led the world to an era when fun and uniqueness will change society.



significantly changing its organizational culture by proactively recruiting and promoting mid-career employees to bring in a new style. When this sense of transformation is extended to business activities, you can more clearly visualize the next stage to strive for.

Takakura I recently had the opportunity to trace the history of the Morimura Group, the roots of Nitterra. I was once again impressed that Ichizaemon Morimura had been promoting the value of “Shikai-Keitei” (all people of the world working together as brothers and sisters) since the early Meiji era. Nitterra’s unwavering strengths in technology, as well as in global production and sales systems, are based on these values. I believe that in the future it will be necessary to look closer at the inherited core competence and redefine it as a “strength” that is appropriate for the times.

Set Concrete, Exciting Goals and Try Transformations in a Backcasting Approach

Kawai In recent years, there has been a major shift from “an era when a serious commitment to manufacturing was highly valued and technological progress led the world” to “an era where the pursuit of fun and uniqueness is changing society.” Our company also needs to transform itself to respond to changing times, and not only maintain its traditional strengths. To this end, I believe it is important to have a renewed awareness of our cherished shared values. These include “Dokuritsu-Jiei” (believing in one’s own abilities and working on one’s own initiative) and “Soshi-Kantetsu” (having an unyielding will and working hard), in addition to the “Shikai-Keitei” mentioned by Mr. Takakura.

Takakura While seriousness is a strength, it can also be a weakness. In trying to achieve transformation without losing the good parts, the most important impetus is actually self-affirmation or self-confidence. When you are truly confident in yourself, you are ready to face challenges. You can also critique yourself in a positive way to find out what you lack now and how you need to change. The key is to overcome your lack of confidence and fear of failure and unleash your potential. My belief is that it is the management’s responsibility to guide employees to make the best use of their individual talents.

Mimura Traditional manufacturing companies have long had an established process for improving their core technologies and extending their reach to create new products. What is required today, however, is the ability to plan for business development. This includes materializing what the company can do to solve social problems and bringing in resources that the company lacks from outside sources. I also come from a manufacturing background, but in my previous job I expanded the business through mergers and acquisitions to complement the technological development. On the other hand, Nitterra has expanded its domain with proprietary technologies and products that competitors cannot match. In order for Nitterra to further develop in the future, it must acquire not only technologies but also planning skills.

Doi Whether in experimentation or development, engineers find it easier to accumulate results in a forecasting approach than to set a goal first. However, that approach would make it difficult to “Change Drastically Beyond the Current Way.” Given that the pursuit of fun drives the era, it is critical to engage all employees in thinking about and setting a specific and exciting goal, for example, “This is what the Nitterra Group will be in 2050.” To reach that goal, they think about what to change and what to do from a backcasting perspective. This approach will be effective, won’t it? Some attempts may not be commercialized immediately, but you can continue trial-and-error efforts to create new businesses, while the existing businesses are performing well. It is important that engineers work diligently to satisfy customers. However, I think it is also important to go a step beyond that style. In other words, to foster a culture where they enjoy themselves first.

Positive self-criticism drives transformation.



Every Employee Is Encouraged to Think for Themselves and Develop Their Own Vision for the Future

Kawai The current Long-term Management Plan was also formulated using a backcasting approach. However, I don't feel that every employee embraces the true meaning of the plan. After all, if they do not think and describe their own vision of what they want to be, they will have no will, no cause, and much less fun. For this reason, we focus on developing human resources who can act to bring about changes and also change themselves (self-disciplined creative human resources).

Mimura I don't think a perfect vision needs to be created from the beginning. Japanese companies are said to lack creativity, but the visions of overseas start-ups and other companies start out as dreamlike, non-financial goals. They gradually materialize and become financial goals. When it comes to creating and developing human resources that can dream and create visions of the future, it is essential

It is essential to develop generalists who have a bird's-eye view of the entire business.



to develop engineers into generalists who have a bird's-eye view of the entire business, not just to help them master the technology.

Doi In addition, if it is difficult to require many skills from one person, it would be helpful to create a system that allows team members to complement each other on a project-by-project basis. For example, startups present their goals and the resources they currently lack to judges at competitions and other events in order to attract investment and additional human resources, for example, a researcher dedicated to technological development, a vision creator, and someone who is good at obtaining budgets.

Leverage Cutting-Edge Technologies and Drive Digital Transformation to Improve Productivity and Make Innovations

Takakura To move away from traditional forecasting thinking, I think it is necessary to create a system that optimizes operational efficiency through AI and other technologies. This will allow employees to use the time saved to communicate with people in other departments or study other areas of expertise. The Company needs to further advance digital transformation for its future. I think it is important to promote the use of technology in terms of improving productivity in areas other than product development.

Mimura It is also important to consider what the entire Company should be so that it can move forward with digital transformation toward that direction. As Mr. Doi mentioned earlier, while existing businesses are still strong, you must visualize where you are going and then aggressively pursue further transformation. As an outside director, I will also actively make suggestions.

Doi Even in cases where it is difficult for an individual employee to develop a vision on their own, they can now consult generative AI for feedback. To set a vision and link it to innovations, you should actively use cutting-edge technologies to think about how to drive digital transformation.

To link to innovations, actively use cutting-edge technologies to drive digital transformation.



Gain Successful Experience, Build Up Confidence and Advance Further Transformation

Kawai Thank you for your feedback regarding various challenges. Nitterra is such a diverse and inclusive company that they appointed me, a maverick, as president. We must protect and enhance the business and products that are the legacy of our predecessors. At the same time, we must consider new workforce design and training policies. For example, we can create a team that is agile to meet a challenge. I believe that our Company's typical approach is to first gain new successful experience in a field, build confidence, and ensure steady progress. We will stabilize new businesses to some degree within FY2024, and will continue to take on challenges tirelessly from a medium- to long-term perspective.