

Vision (The Ideal Situation for Human Capital)

- Each individual grows through their work and continues to shine in society.
- The autonomous growth of each employee becomes the driving force for the optimization of the Niterra Group's business portfolio, fostering sustainable development and enhanced corporate value.

Key Features

- Globally promoting the optimization of our talent portfolio in alignment with our business portfolio strategy.
- Expanding into specific recruitment, development, and promotion measures directly linked to the management strategy through talent meetings.
- Supporting autonomous career development by realizing talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments through the clarification of jobs and the presentation of career paths.

Challenges

- Breaking away from the culture cultivated under a stable business environment to transform into a professional group that enhances its own value and provides value to the company while embedding the Shared Values that serve as its foundation across the entire Group.
- Ensuring the supply of optimal talent to growth areas centered on ceramics, along with the clarification of talent requirements and jobs associated with it.
- Establishing evaluation and incentive systems that provide clear distinctions based on roles and results to support the autonomous growth and challenges of each individual.

Corporate Officer's Message

Promoting a human capital strategy that supports transforming the business and building relationships where people and the organization select each other and grow together



Hiromi Kitagawa
Corporate Officer
Human Resources Strategy Dept.,
Global Strategy Div.

Positioning of human capital supporting business transformation

In the Mid-term Management Plan 2030 (hereinafter, MMP 2030) formulated last year, we have set a policy to solidify our strong Internal Combustion Engine (ICE) business as an even more robust revenue base, while ensuring growth of our non-ICE businesses and proceeding with business portfolio optimization. To achieve this, constructing a strong management foundation to support our business strategy is indispensable, and the reform of human capital is a key initiative in that process. In our group, we view human capital not merely as a cost but as an investment for creating future corporate value. We believe that supporting the growth and challenges of each individual employee will enhance the strength of our organization, which will lead to sustained growth and an increase in financial value.

To realize our group's 2040 vision, "to be a company that brightens the Earth," we have positioned human capital as one of our key management priorities. In steadily proceeding with business portfolio optimization and balancing the resolution of social challenges with sustained growth, the growth of people and the organization is an essential theme.

The purpose of human capital reform is not limited to training and placing talent in line with business portfolio optimization. It lies in creating an organization where each individual aims to be a diverse and proactive individual who embodies the Niterra Way and is capable of thinking, judging, and acting on their own. The Niterra Way is a philosophy system established approximately 10 years ago by reorganizing the principles that have been valued since the founding of Morimura Gumi. In particular, the four Shared Values—Dokuritsu-Jiei, Soshi-Kantetsu, Shisei-Shinjitsu, and Shikai-Keitei—are what we rely on. For our group, which has grown through its internal combustion engine-related businesses for many years, the optimization of our business portfolio represents a very significant reform. That is precisely why we believe that the driving force behind this reform will be individuals who empathize with the Niterra Way and can put it into practice in their respective workplaces.

Human resource system reforms to promote business portfolio optimization

To promote business portfolio optimization, we are advancing with human resource system reforms and talent development initiatives in an integrated manner, organizing the necessary talent profiles and roles by backcasting from our 2040 Vision and the business portfolio derived from it.

Our first step was to transform our approach to human resource utilization. Previously, talent placement was based on employees' functional skills, individual strengths or weaknesses, and job levels. Going forward, however, we have shifted toward an approach starting from management strategy: identifying the tasks necessary for business growth and placing talent who possess the skills required to perform those tasks. Furthermore, by establishing systems that link the skills required by the company with the skills possessed by employees, we will accelerate the optimization of our business portfolio.

For example, global grading is a system that views core positions within the Niterra Group based on common global standards to clarify

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

the roles of each position and ensure consistency in remuneration. The company has numerous overseas Group companies. By identifying core positions and the key talent tied to them at both domestic and overseas Group companies, we intend to strengthen our strategic development plans and appointments. To ensure this system functions effectively, we are also developing job descriptions that define the duties of each position. Currently, we have completed the development of job descriptions for the managerial level, and we plan to implement similar measures for non-managerial employees in the future. Additionally, as a next step to further accelerate business portfolio optimization and internal talent mobility, we are currently considering the establishment of a global job posting system. We aim to create a mechanism that makes duties visualized through job descriptions available internally, allowing employees to voluntarily submit requests for transfers. This will lead to a human resource foundation that strongly supports the autonomous challenges of each and every employee.

These systems are not merely mechanisms for placing talent; they serve as a foundation to connect the roles required by the company with the motivation and abilities of each individual employee. While these results may not be visible in the short term, we view FY2025 as a year dedicated to preparing the systems and mechanisms and cultivating the soil for our human capital strategy. Moving forward, we will reliably operate these mechanisms so that they bear fruit in the form of employees' challenges and growth.

Embedding the Niterra Way into daily decisions and actions

To overcome the challenge of having employees be diverse and proactive individuals who embody the Niterra Way, it is necessary to embed the Niterra Way within both our employees and the company. As guidelines, the MMP 2030 has established the ideal situation for both employees and the company. This ideal is infused with the four Shared Values of the Niterra Way and functions as a common yardstick across the Group, from recruitment to annual performance evaluations.

However, developing talent that embodies the Niterra Way cannot be achieved by simply establishing systems. The key to embedding this ideal situation on the ground and encouraging understanding and proactive behavior among employees lies with managers.

Managers serve as the link between the company's direction and business strategy and each employee's daily duties and growth challenges; in other words, they are the translators of our management strategy. At the same time, they are the drivers of development who support subordinates' challenges and provide growth opportunities. This role is also crucial for improving engagement and proceeding with the reallocation of talent toward business portfolio optimization. Therefore, our group is working to develop managers so that they themselves understand and embody the Niterra Way and our ideal situation, while also incorporating the development of subordinates and the provision of growth opportunities into their own evaluation criteria. However, the Niterra Group faces challenges such as relatively low scores for supervisors in our engagement surveys; therefore, we are currently working to review and revise our management training this fiscal year.

Although we are still halfway there, a shift in awareness is occurring. For instance, there are moments during conversations or meetings between employees when voices can be heard asking, "Can that be called Shisei-Shinjitsu?" This suggests that individual employees are making decisions based on our ideal situation, and I feel that the Shared Values of the Niterra Way are gradually becoming embedded. We intend to provide more opportunities for dialogue among employees; as a pilot, we have held dialogue sessions led by management to promote the embedding of these Shared Values. Moving forward, we are planning to hold these initiatives regularly in each department.

The ideal situation is a common ideal that all employees should be mindful of, serving as the core of their daily actions. However, how individuals interpret and embody it in their own way is left to each person. We will develop diverse initiatives so that everyone can share their envisioned ideal situation and practical examples with one another, thereby deepening mutual understanding. In doing so, we will implement a variety of initiatives to ensure that employees can reach a level of natural practice where their individual values are instinctively reflected in their daily actions.

Toward a relationship where the company and employees mutually choose each other and grow together

As mentioned at the beginning, our group will accelerate investments in growth businesses. To this end, it is necessary to strategically shift talent from current businesses to these growth areas. We will promote optimal reallocation while maintaining employee job fulfillment and placing focus on their unique, diverse skills. In this context, we believe it is important to build a relationship where employees and the company mutually choose each other. The company will clearly present necessary skills and positions and foster talent through various training programs. On the other hand, employees are required to assess the future vision, career paths, and development environment presented by the company, proactively enhance their own skills, and adopt an attitude of going after desired positions in the future through mechanisms such as job postings. By advancing this fluidity of



human resources with a healthy degree of tension, we will contribute to both individual growth and the growth of the entire organization.

However, merely establishing systems alone will not cause growth businesses to expand; we must also ensure that employees fully understand the company's direction. To keep up with the speed of changes in the business environment, it is also essential for employees to reform their mindset toward embracing change. We believe that the strength of our group's employees lies in their attitude of approaching what should be done diligently and earnestly. On the other hand, in rapidly changing growth businesses, there will increasingly be situations where relying solely on past successes is no longer sufficient. Therefore, as part of our HR strategy, we have positioned the cultivation of a mindset that views change and challenges positively as an important theme, alongside acquiring necessary skills. At this point, since it has not been long since the HR system underwent significant changes, there are areas where the mechanism is not yet fully understood. Therefore, while providing repeated and thorough explanations, the HR department will support autonomous career development through measures such as introducing a global job posting system, enabling employees to use these systemic changes as a lever to

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

convert their mindset into energy for taking on new challenges.

Beyond this, the HR department will create mechanisms to encourage those who take on challenges and establish and operate systems that appropriately reward their achievements. We believe that by doing so, we will promote challenging behavior and enable both employees and the company to grow together. This differs significantly from our previous HR strategy, and the challenge lies in the need to repeatedly communicate its significance and details to employees; nevertheless, we will proceed with initiatives that allow both parties to maintain a healthy tension and mutually inspire each other to improve.

In parallel, we are identifying and addressing challenges based on the results of our employee engagement surveys. The survey results show that while mechanisms and systems are understood to be well-established, there is room for improvement regarding job fulfillment and supervisor management. We consider this to be an urgent challenge that reflects the organization's failure to sufficiently provide employees with opportunities to take challenges. Not only must we share the importance of this with field-level leaders in addition to the HR department, but we also must utilize surveys not as one-time activities but as tools to lead to organizational improvement. By carefully conducting dialogues based on survey results with field teams, we will contribute to enhancing organizational strength.



Developing management talent to drive global growth

In recent years, our group has accelerated business expansion in growth areas and its global deployment while also actively pursuing M&A. As a result, business domains and organizational structures have rapidly expanded and diversified, significantly increasing the complexity of managing the entire Group. To respond to these changes, it is essential to develop managerial talent capable of overseeing the Group as a whole and leading diverse businesses and organizations, rather than being confined to specific businesses or regions.

To this end, we will evolve our management talent development programs from merely providing training opportunities into a mechanism that continuously identifies next-generation leadership potential and nurtures them through practical experience.

For example, under the global next-generation management talent development program (HAGI: Human Assets Global Initiative), which has been running since 2016, we are taking more proactive measures to engage participants, creating a flow where graduates assume management responsibilities in their respective fields while contributing what they have learned back to the organization. We have created several original internal case studies, asking participants to consider real-world management issues from the standpoint of management members; this allows them to deepen their understanding of our company's management challenges through an elevated perspective and immersive discussions. Additionally, the Nittoku Business School (NBS), a step-up program leading to HAGI, will proactively lower the target age for participation. By holding the program annually going forward, it will allow us to identify potential next generation of global leaders at an earlier stage and provide broader opportunities for them to accumulate practical experience, such as on-site decision-making. Ultimately, we aim to create a continuous pipeline of talent flowing from NBS to HAGI and into positions that lead our group's management, while systematically building a pool of management talent.

Going forward, we will also clarify how these talent development initiatives contribute to business strategy execution and corporate value enhancement. We are committed to articulating the link between investment in human capital and its outcomes, such as individual growth, improved organizational strength, and business results, and communicating this objectively to our stakeholders.

Turning the growth of people and the organization into a force to enhance corporate value

The vision our group aspires to regarding human capital is that each employee grows through their work, leading to a situation where both employees and the company shine in society. The company provides growth opportunities while employees proactively pioneer their own careers; this leads to the optimization of our business portfolio.

We will continue to actively advance HR strategies that accelerate management and business strategies. By continuously refining our HR systems, we aim to foster an organization that grows alongside its employees by encouraging challenge and growth through a relationship where employees and the company mutually choose each other.

Up until now, we have focused on preparing the soil, which is establishing mechanisms to steadily realize our management strategy and translating those concepts into forms accessible to each individual employee. We have yet to see major results, and business transformation based on HR technology, such as the utilization of DX and AI, remains a significant future challenge. However, we are gradually beginning to address areas we have long wanted to tackle, and it has become clear even within the HR domain that the company is changing. We will continue to implement a variety of initiatives to ensure that our external stakeholders and employees understand our thinking and this evolution.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data