

Niterra Co., Ltd. Integrated Report 2025

Niterra Report 2025

Niterra

2040 Vision

We will be a company that brightens the Earth
by solving social issues through our unique, *Tokushu*, technologies and ideas.

Long-term Management Plan 2030

March 2030

Mid-term Management Plan (5 years)

**Extend for the future.
Spread out to exceed.**

To foster a new corporate culture, we will work toward sustainable growth.

April 2025

Mid-term Management Plan (4 years)

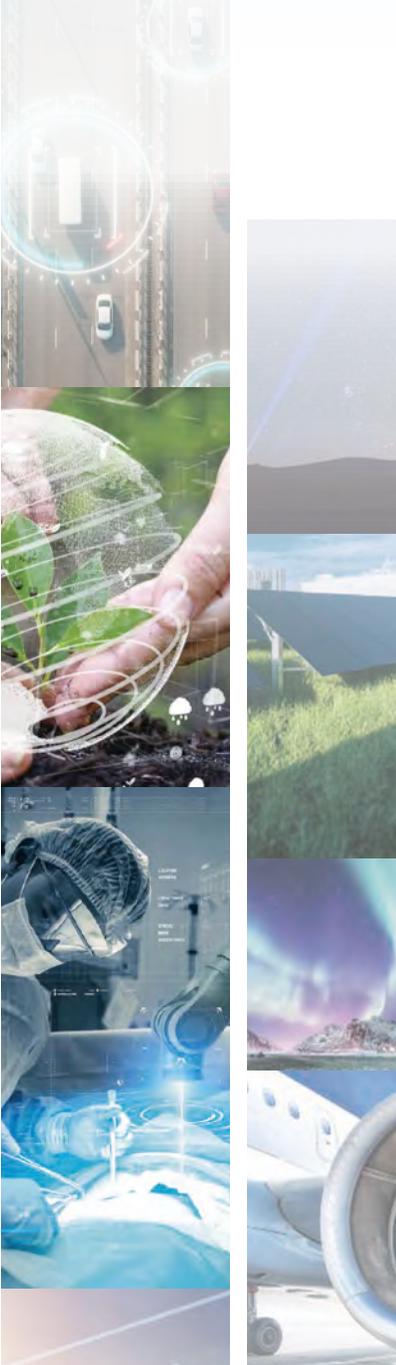
**Break to change.
Change to create.**

Respect *Dokuritsu-Jiei* (independent spirit).
Start from scratch.

April 2021

April 2020

7th Mid-term Management Plan



Our Mission

By integrating our established ceramics-based core assets with newly developed ones, we will link these core assets together, optimize the efficient use of minimal resources, and deliver regenerative and circular solutions to society.

 **ceramics and Beyond,
eXceeding imagination**

Key Management Priorities

Solving Social Issues

Brightens the Earth through our technologies and ideas

Human capital

Diverse and proactive individuals embody the Niterra Way

Management Foundation

Establish new global management foundation to drive transformation

The Niterra Way / Shared Values

Dokuritsu-Jiei

Demonstrate a commitment to taking ownership—trusting in your own capabilities without relying on others.

Soshi-Kantetsu

Have cherished desire, and carry it through till the end.

Shisei-Shinjitsu

Embody the highest levels of sincerity, honesty, and authenticity—free from deception or pretense.

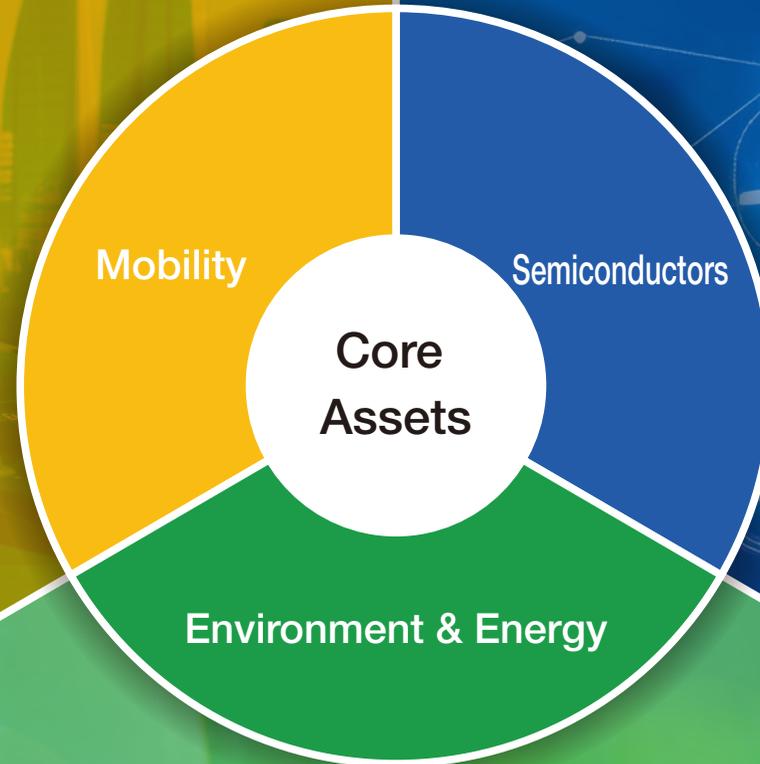
Shikai-Keitei

Conduct business that contributes to global peace and shared prosperity.

Focus Areas

Creating a society of joy with mobility that enriches both people and the Earth.

We leverage our core assets centered on ceramics to contribute to improving the convenience of people's lives.



Improving social convenience through advanced information processing technologies.

We contribute to the evolution of semiconductors by leveraging the material properties of ceramics.



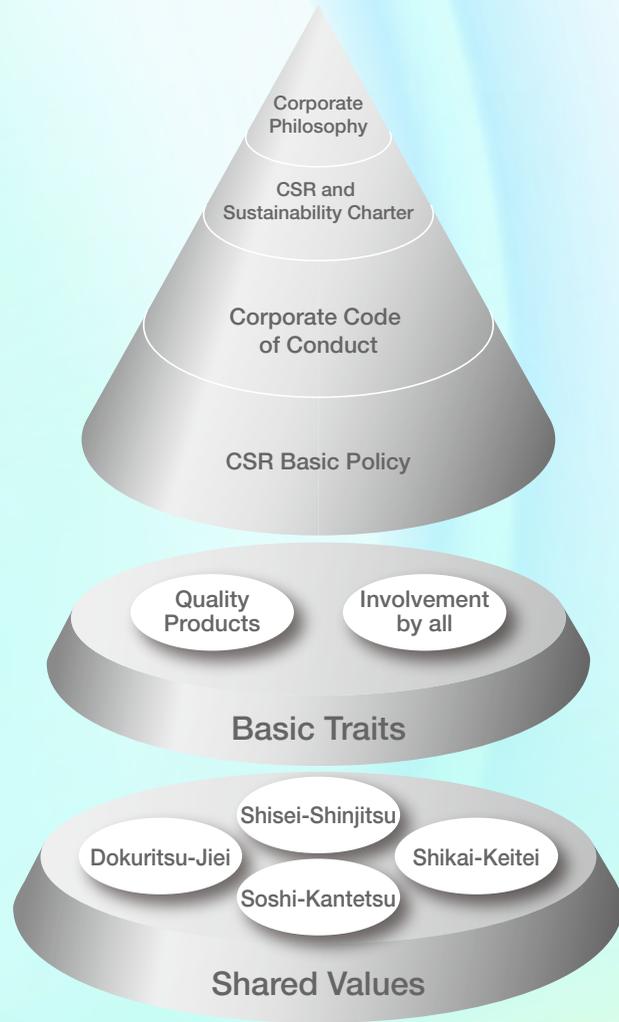
Toward a society where everyone can enjoy a bright future with sustainable energy and resources.



We contribute to achieving a circular society that promotes carbon neutrality by combining the functions of ceramics with their control technologies.

The Niterra Way

The Niterra Way refers to a set of philosophies that includes values that are shared by the entire Niterra Group, and the actions based on those philosophies, as well as the manner in which those actions are carried out.



Corporate Philosophy

Three elements constitute our corporate philosophy.

1. Commitment

With full use of the most suitable technology and our accumulated experience, we continue striving to offer new values to the peoples of the world.

2. Management Policy

We offer a working environment in which each one of us is encouraged to make full use of his or her personality and capabilities. With all our power we are dedicated to pursue management based on trust and confidence.

3. Action Guideline

Ever onward!
Always mindful of what is the best course, we swiftly put it into action.



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 proposal new values for the future.

CSR and Sustainability Charter

We contribute to develop a sustainable society, thereby improving our corporate value.

- We build relations of trust with our stakeholders while making highly transparent decisions and actions.
- We cocreate and provide new value to solving social issues.

Basic Traits

Quality Products

We are committed to consistently providing our customers with quality products

Involvement by All

Every employee is resolved to fulfill their duties and responsibilities

Shared Values

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The Niterra Vision

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Editorial Policy

Niterra Co., Ltd., has issued annual integrated reports since 2017 to deepen dialogue with stakeholders concerning our mid- to long-term activities for creating corporate value.

This fiscal year's integrated report describes our mid- to long-term management strategy to realize our 2040 Vision to become "a company that brightens the Earth." This report describes in particular detail the Mid-term Management Plan 2030 that starts this fiscal year. Furthermore, to promote the feasibility of this strategy, capitals are explained in line with the six categories in the International Integrated Reporting Framework.

We have reflected in the report your comments and areas of interest that we have learned through our IR and business activities with the aim of deepening understanding of the social value that our Group provides. We hope to continue to receive your candid opinions going forward.

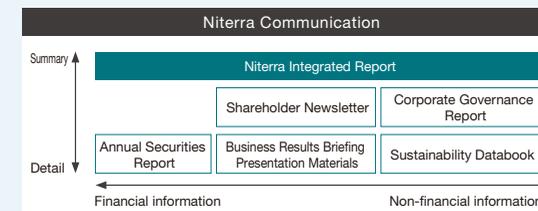
Integrated Report Questionnaire

We make continuous efforts to improve our future integrated reports by listening to your valuable opinions and comments. Please let us know what you think of this report via the survey form on our website.

URL: https://www.niterragroup.com/english/ir/library/integration_report.html

Niterra Report and Information System

This report focuses on the information that is essential for the enhancement of our corporate value.



Period of Reporting
FY2024 (From April 1, 2024 to March 31, 2025)
* Also includes certain information on our activities before and after FY2024.

Scope of Reporting
The Niterra Group
(Niterra Co., Ltd. and consolidated subsidiaries)

Guidelines for Reference
The International Integrated Reporting Framework, the International Financial Reporting Standards (IFRS) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation, the Ministry of Economy, Trade and Industry

Forward-looking Statements
This report contains forward-looking statements regarding Niterra's future plans, strategies, and performance. Actual results may differ substantially from those projected in this report.

Third-party Certification
Quantitative information with (Third-party Certification) is subject to verification by the Japan Quality Assurance Organization (JQA), an independent third-party organization.
https://www.sustainability.niterragroup.com/resource/pdf/08en_Independent_verification_report.pdf

Website

The following detailed information is also available on our website.

- **Company Profile**
Corporate profile, brand story, business descriptions, company history, etc.
URL: <https://www.niterragroup.com/english/corporate/>
- **Our Businesses**
Automotive Parts, Semiconductor Related Parts, Medical Equipment, Industrial Ceramic Parts, New Products/Services
URL: <https://www.niterragroup.com/english/business/>
- **Technology**
Technology
URL: <https://www.niterragroup.com/english/technology/>
- **Sustainability**
Niterra's sustainability management, Key Management Priorities, ESG initiatives, sustainability data, etc.
URL: <https://www.sustainability.niterragroup.com/en/>
- **Investor Relations**
Summary financial statements, annual securities reports, financial result briefings, corporate governance reports, etc.
URL: <https://www.niterragroup.com/english/ir/>

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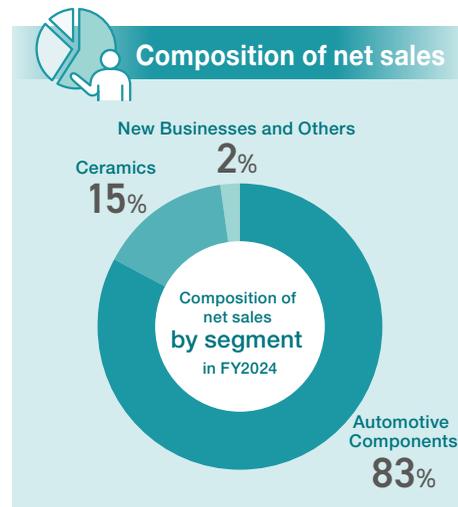
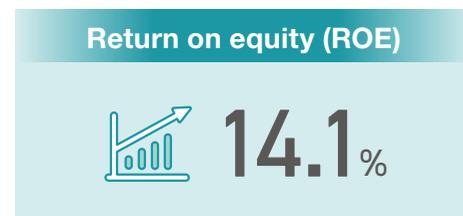
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01 Value Creation Story

Where We Stand Today

At a Glance (as of March 31, 2025)



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Message from the President

**Mobility, Semiconductors, and Environment & Energy—
We will aim to improve profitability by concentrating our resources
in areas where we can leverage our competitive advantage, thereby
further strengthening our ICE business while developing new
businesses in growth areas into new pillars of operations.**

Takeshi Kawai

Representative Director, President & Chief Operating Officer

**In this time of rising uncertainty, we aim to solve
social issues using our technological strengths**

This is the third year since the Group was reborn as Niterra in 2023. After changing the English company name to Niterra Co., Ltd., the refreshed Group name now embodies our desire to contribute to a sustainable society and become a company that brightens the Earth. To realize this ambition, we are taking on the challenge of entering new markets that will help solve social issues, while also projecting a new brand image that transcends our core products of internal combustion engine (ICE) parts, such as automotive spark plugs and exhaust gas sensors.

As a sponsor and exhibitor at the 2025 World Exposition (Expo 2025 Osaka, Kansai, Japan), I felt that the spirit we embody at Niterra is very similar to the Expo's theme of "Designing Future Society for Our Lives." Our Expo exhibition was based on the theme of "Brightening the Future of the Earth" with the Power of "Water" and "Air," and in addition to Circulation Performance by Water and Air, we showcased an aerial sense device equipped with an ultrasonic generator that uses lead-free piezoelectric ceramics that were developed by Niterra. The high acclaim we received from so many Expo visitors surpassed our expectations and provided great encouragement to our employees there.



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Message from the President

I'm originally from Izumisano in Osaka Prefecture, and I visited the Osaka Expo that was held in 1970. I vividly remember my excitement at seeing cutting-edge exhibits and products, such as moving walkways, mobile phones, and even a human washing machine. Fifty years later, many of the products and services that seemed fantastical at the time are now a part of our reality. Before my appointment as an executive officer, I worked for about 25 years as an engineer involved in the research and development of sensors, which was an unconventional field at the time. When I look back at my experience of immersing myself in R&D every day in this small department, it makes me realize that humans can turn almost anything they can imagine into reality.

As long as we have a roadmap or pathway to follow to make decisions, we can take actions promptly, and if the results are different from what we expect, we can change direction or make modifications. If we take such an approach, we will be certain to attain our goals. And if we arrive at an unexpected place, all we need to do is correct course. I believe that both humans and corporations can reach their intended destination if they move forward one step at a time, even if there are twists and turns along the way.

In wider society as well, the fracture in the international community has deepened in recent years, with differences emerging between regions in the commitment to combat climate change and in approaches to DE&I (Diversity, Equity, & Inclusion). In the automotive industry, the shift toward EVs, once called a once-in-a-century radical transformation, has slowed down, and the growth trends of hybrid electric vehicles (HEVs) and plug-in hybrid electric vehicles (PHEVs) are continuing.

Nevertheless, cooperation between a diverse range of talent remains the driving force for creating innovation, and in the pursuit of carbon neutrality, the global goal is unchanged even as differences in the speed of action emerge. Fuel is diversifying not only for automobiles but across all industries, and the shift toward clean energy is still the default path.

Even as US tariffs and other policies change the business environment from minute to minute, our management stance of contributing to society through our technology, a commitment we have held since our foundation, remains steadfast. In this time of rising uncertainty, the Group will continue to work together to solve social issues by leveraging our technological strengths.

Ceramic materials and processing technologies are the source of our unique, *Tokushu*, technologies and ideas

By enhancing competitiveness through horizontal integration and fusing our development technologies, we expect high market growth and synergies over the mid- to long-term

Our Group is working on creating new businesses while further strengthening our ICE business, taking into account global trends toward decarbonization and the electrification of vehicles (EV shift).

The first four years in the first half of the Long-term Management Plan 2030 are now complete. As we seek to accelerate initiatives over the five years in the second half of the plan, we have established Our Vision for 2040 that lies beyond, expressed as our goal to "We will be a company that brightens the Earth by solving social issues through our unique, *Tokushu*, technologies and ideas." Outside of Japan, the Group has 62 locations and sells products in more than 140 countries or regions. Our overseas sales ratio has reached 84%. When expanding business internationally, neither the global environment nor the Company will be sustainable unless we address head-on social issues on a global scale in terms of both the environment and human rights, while also ensuring economic rationality. This is also a statement of our responsibilities as a global corporation.

The source of our unique technologies and ideas is the ceramic materials and processing technologies that we have cultivated in our ICE business since our foundation. The development of our spark plugs, which took as long as nine years, originated in the determination of our first President to produce plugs using porcelain, one of Japan's specialties. Ever since, we have leveraged the characteristics of ceramics and continued to refine our technologies, enabling us to create high-performance, environmentally friendly spark plugs and exhaust gas sensors, semiconductor-related components such as electro-static chucks, and other products and services in line with the business environment and that address social issues.

Recently, as EVs are operating on increasingly higher voltages, demand is growing for EV motor bearing balls made using silicon nitride, a ceramic material. To respond to this expanding demand in the EV market, which



includes HEVs and PHEVs, we acquired Toshiba Materials Co., Ltd. as part of our M&A strategy because of its development capabilities for silicon nitride ceramics and other materials, and its EV product strengths. This organization was added to our Group in June 2025 and will henceforth be known as Niterra Materials. By enhancing our competitiveness through the horizontal integration of our respective strengths in ceramics-related technologies, which originate in different fields, and fusing the development technologies of both companies, we expect to see high market growth and synergies over the mid- to long-term even as the EV market is showing signs of slowing down. In addition to their experience gained from research into next-generation technologies, Niterra Materials is also proactively conducting joint developments with partner companies, and I believe that this knowledge will also prove invaluable. Other products such as the solid oxide fuel cells (SOFC) made by the Group's MORIMURA SOFC TECHNOLOGY Co., Ltd. and Niterra's solid oxide electrolyzer cells (SOEC) were also based on our ceramics development capabilities and processing technologies. The small, reversible SOC system capable of generating hydrogen and electricity that we developed in 2024 may also become economically rational as a business product if we can raise its value and awareness of its significance as infrastructure capable of providing distributed power sources. This is likely to become an important theme for the next generation of energy.



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We aim to improve profitability by concentrating resources in areas where we have competitive advantages

For the Key Management Priorities (Niterra Materiality) as well, we formulated new items to address the three themes of Solving Social Issues, Human Capital, and Management Foundation. The basic concept of strengthening human capital and other business infrastructure for solving social issues has not greatly changed from our previous materialities. The main changes are setting a direction that further emphasizes human capital, and dividing the materialities into objectives and methods and changing their descriptions to make them easier for employees to understand, ensuring that the materialities permeate the Company and lead to action. The executive officers discussed the revisions before holding further deliberations to hear the opinions of the outside directors; as a result, the executives were able to come to a joint understanding. We also changed the headquarters organizational structure as a result of updating the materialities. We will continue to drive forward materiality initiatives through our business as we aim to both solve social issues and establish economic rationality.

After we reached the end of the Mid-term Management Plan 2025 (MMP 2025) in FY2024, we started the Mid-term Management Plan 2030 (MMP 2030) as the final step toward the 2040 Vision.

Looking back over the four years of the MMP 2025, we achieved record highs in both revenue and operating income for four consecutive years. Particularly in our ICE business, our continued shift toward high-value added products, the ability to pass through price increases due to inflation, and the tailwinds of a cheap yen resulted in soaring growth.

In growth and new businesses, while revenue increased in semiconductor-related businesses, new businesses took longer than expected to establish, and this remains a challenge.

The outlook for the business environment in the automotive industry and the ICE business is expected to see a slowdown in the worldwide shift to EVs and a certain reversion to ICE vehicles. As such, we expect our spark plug sales starting in 2025 to continue to outpace the growth in the ICE vehicle

market. In our non-ICE businesses, we have established some projects as businesses, such as land-based aquaculture system, even as others remain halfway completed.

Given this business environment, the Group's strengths, and current issues, we will aim to further strengthen our robust ICE business while leveraging our cultivated core assets to develop non-ICE businesses into new pillars that will drive next-generation growth.

In the MMP 2030, we have identified the ceramics and gas sensing technologies that we have developed over many years and the global automaker customers and sales channels that we have built in the ICE business as being the source of our competitive advantage, and narrowed down our focus areas to Mobility, Semiconductors, and Environment & Energy. We plan to focus our investment resources on the areas that are aligned with our competitive advantages, and combine the stable, long-term business of ICE with the growth field of new businesses as we aim for overall optimization and increased profitability.

A key issue of the MMP 2030 is how to increase the economic rationality of the new business pillars that we are developing and foster new businesses. One potential method is to focus on broadening the synergies of Niterra Materials now that it has joined the Group. Niterra Materials has material design, processing, and product application technologies in a wide variety of fields, and when combined with Niterra's knowledge, technologies, and global customer base in the field of ceramics, it will create a virtuous cycle that will transcend the mobility and semiconductor domains.

Fostering empathy and expectations for the Company's future by raising employee engagement

A crucial requirement for realizing our targets and vision for the next five years is to conduct the human capital and management foundation initiatives that we have identified as Key Management Priorities. Although the desire to make money through our businesses is strong at the Company, one issue is that reform of the headquarter functions has been inadequate. Our biggest concern is that the headquarters structure has been allowed to grow bigger with no major changes as the business expanded. Raising productivity and increasing the added value of indirect departments are key themes in the MMP 2030. In other words, while each business acts with centrifugal force as

Materiality revisions and the Niterra Way, the foundation of our decision-making

We are currently redefining the Niterra Way, the Group's philosophy system that acts as a guidepost as we proceed with business activities. The Niterra Way highlights Dokuritsu-Jiei, Soshi-Kantetsu, Shisei-Shinjitsu, and Shikai-Keitei as values that should be shared among all employees and passed on to the next generation. When I look back at my time as a researcher, I remember how I took ownership over my work with a sense of Dokuritsu-Jiei, or independent spirit, in a development workplace where there was no single correct answer. The values of Dokuritsu-Jiei (Demonstrate a commitment to taking ownership—trusting in your own capabilities without relying on others.) and Soshi-Kantetsu (Have cherished desire, and carry it through till the end.) are apt in our transformational age where we must seek for ourselves answers that are right for us. I believe that every one of our employees should go back and rediscover these Group values.



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it pushes outward to maximize flexibility, expand markets and create new businesses with a sense of speed, the headquarters tries to function with increased centripetal force, as it pushes inward to respond to changes in the external environment and perform prompt decision-making and strategic risk management. By establishing “new global management foundation to drive transformation,” we aim to create an organization where diverse and proactive individuals embody the Niterra Way.

To achieve this, we established 'Niterra Talent Management' as a new policy for leveraging talent and developing the workplace environment. We have steered the helm of reform to adapt to changing market environments and ensure competitive principles function effectively, implementing initiatives such as an in-house company system and a new HR system.

However, the very success of our ICE (Internal Combustion Engine) business—a valuable asset inherited from our predecessors—has perhaps served as a double-edged sword. The transition from a culture that nurtures business and people with 'family-like warmth' to one driven by healthy competition and mutual growth has not progressed as anticipated.

So how can we make organizational transformation a reality? Niterra Talent Management focuses above all on fostering high expectations for the Company. Rather than stimulating competition through a sense of crisis, this management policy fosters an organizational culture that will raise employee engagement by instilling a sense of empathy with the future progress of the Company and encouraging employees to take on the challenge of entering new fields themselves.

The first step is to develop and instill the Niterra Way that forms the foundation of the code of conduct and decisions of employees, and through dialogue, share the vision of employees for the future in high resolution; in this way, we will focus on developing talent with strong will to take initiatives. These days, there is no predetermined “correct” way to conduct business or live our lives. That is why it’s important to act before we start to feel doubt or fear failure. If we take on a challenge, we will be sure to receive some kind of answer. If the results are completely different from expectations, we can try taking the opposite approach. We aim to build an organization where talent thrives and, in turn, brightens the Earth, earnestly practicing Dokuritsu-Jiei with the mindset that 'every failure yields results' and 'we make our actions the right answer.'

To achieve this goal, we are developing Global Job Posting and Global Grading as two initiatives that form a new evaluation system. The aim is to

clarify job assignments and job requirements in a fair manner on a global scale, and clarify and visualize position and job posting decisions in a way that is globally consistent. Departments responsible for human capital matters, including the Human Resources Strategy Department, Sustainability Strategy Department, and Corporate Communication Department, have come together to form the Well-being Strategy Group, and I myself am working as the Director in charge of this Group. Management takes seriously our responsibilities to create an environment that supports the growth of diverse talent.

Management promotes both internal and external dialogue to communicate the value of the Niterra Group

Increasing ROE and ROIC was a key policy under the MMP 2025, and over the four years, we achieved a dramatic improvement of 10.9% for ROIC and 14.1% for ROE. For the P/B ratio, the current level is around 1.8x, and we have consistently maintained a level above 1x. However, one of the main reasons for the improved P/B ratio is the trend in currency markets, with the cheap yen boosting results in the automotive business and leading to a rise in ROE.

I believe that to further enhance our corporate value and raise our stock price, it will be important to foster high expectations for the Company. Although our PER has improved slightly, we need to gain trust and expectations for a sustainable growth plan, such as creating new businesses that will become new pillars. As this will have a positive effect on PER and business expansion, management is strongly committed to rising to this challenge.

When I was appointed President in 2019, our P/B ratio was less than 1x and I was told candidly by investors that the Company would be worth more broken up than the stock price at the time. I worked hard to promote external IR activities with the goal of raising our P/B ratio above 1x.

Going forward, I'd like to create more opportunities for dialogue, both internal and external, and I will strive to improve the quality of such

communication. To win high expectations from society and the market, a crucial first step is to increase the engagement of our employees who are in charge of business, so that they too will have high expectations for the future of the Company. Since my appointment as President, I've held roundtable discussions with employees on a continuous basis and promoted dialogue between employees and the executive officers in charge of departments. These measures and others have been included in a plan that promotes opportunities for multifaceted communication.

What kind of company is the Niterra Group, what are our goals, and how are we tackling social issues? To respond to these questions, management is proactively communicating the value of Niterra to foster empathy and high expectations for the Company. I hope that you, our stakeholders, will take interest in our challenge of transforming the Group, and I ask for your continued support and guidance.



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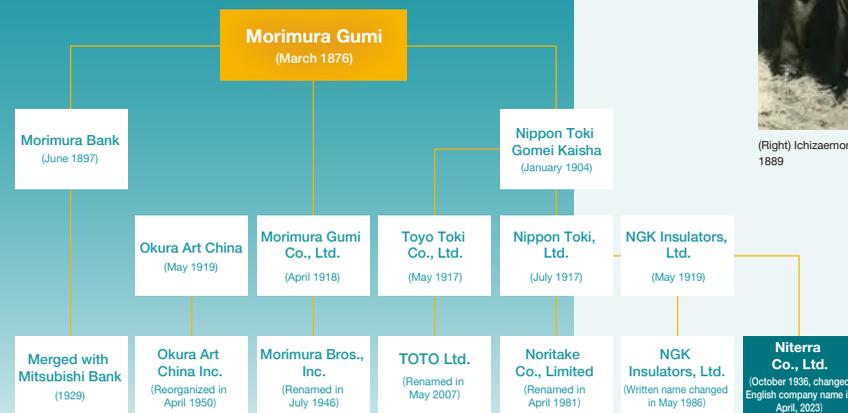
Timeline from Morimura Gumi to Niterra

History of the Morimura Group

The Morimura Group, a leading corporate group in the Japanese ceramics and porcelain industry, traces its roots back to 1876, when Morimura Gumi*¹ was founded by brothers Ichizaemon and Toyo Morimura, pioneers of the Japanese trading industry. The history of the Group dates back to 1904, when the founders of Morimura Gumi established Nippon Toki Gomei Kaisha*², which was followed by the spinoff in 1917 of the company's sanitary ware division to form Toyo Toki Co., Ltd.*³ and by the spinoff in May 1919 of the insulators division to form NGK Insulators, Ltd.*⁴, and also Okura Art China*⁵ in the same year. In October 1936, the spark plug division was spun off from NGK Insulators, Ltd. to establish NGK Spark Plug Co., Ltd., forming the foundation of the Morimura Group today.

*1 Now Morimura Bros., Inc. *2 Later Nippon Toki Ltd.; now Noritake Co., Limited
*3 Now TOTO Ltd. *4 Now NGK Insulators, Ltd. *5 Now Okura Art China Inc.

Morimura Group Map of Company History



History since 1876

1876	Morimura Brothers established. Identified potential in porcelain exports.
1881	Morimura Bank established (merged with Mitsubishi Bank in 1929).
1897	Nippon Toki Gomei Kaisha established.
1904	Nippon Toki converted into a joint stock company (Nippon Toki, Ltd.); its sanitary ware division spun-off into Toyo Toki Co., Ltd.
1917	Nippon Toki's insulator division spun off into NGK Insulators, Ltd.; Okura Art China established
1921	NGK Insulators started research on manufacturing of spark plugs.
1930	NGK Insulators put spark plugs on the market.

Ichizaemon Morimura VI and his brother Toyo founded Morimura Gumi in Tokyo, with Toyo starting an imported variety business in the U.S.



(Right) Ichizaemon Morimura, and Toyo, 1889

Honesty and Passion

Delivering good products on time at affordable prices. Morimura Brothers' honest attitude was appreciated even in the U.S., where the culture was different, and the company established its credibility. The modest trading that had started in the spirit of self-reliance and refusal of support from the Meiji government gradually grew into a major business as Morimura Brothers gained a reputation for honesty and passion.

"We will not sell anything that is useless after the customer takes possession of it"

Magobei Okura, who was in charge of purchasing for Morimura Gumi, was committed to integrity in terms of the quality of goods. That integrity was passed down to his eldest son, Kazuchika, who preached that "a supply of quality products and the satisfaction of consumers is the reality that we need to grasp." Based on this principle of quality products, the various Morimura Group ceramics companies flourished.



(Left) Magobei Okura, (Right) Kazuchika Okura

Dokuritsu-Jiei

Ichizaemon Morimura was an independent spirit, never relying on others, no matter the difficulty, and never taking unfair or unjust advantage, no matter how tempting. He resonated with the message of self-respect and independence of mind, espoused by famous educator Fukuzawa Yukichi. Ichizaemon said, "While it may be easy to start a business venture, it is also easy to err in direction. The fewer the challenges, the more careless one becomes." This philosophy remains fixed among Niterra management today.



In New York, Morimura Brothers, 539 Broadway, around 1893

Four Shared Values:

Dokuritsu-Jiei, Soshi-Kantetsu, Shisei-Shinjitsu, Shikai-Keitei

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01 Value Creation Story

History of Value Creation

History of Niterra

From 1930: Startup period	From 1940: Growth period	From 1960: Establishment period	From 1990: Development period	From present to future
<p>Domestic automobile industry depending on imports</p> <p>In Japan in the 1920s, when the domestic automobile industry was still in its infancy, the supply of automobiles was limited almost entirely to imports from the U.S. and Europe, and automotive parts, including spark plugs, were also imported. The first President, Magoemon Ezoe, decided to produce plugs using ceramics, a specialty product of Japan, and led initiatives to launch domestic plug manufacturing.</p>	<p>Automobile production growing rapidly</p> <p>In the 1940s, domestic automobile production rose to 46,000 cars, as automobiles and related parts manufacturing developed into a major industry. Accordingly, demand for plugs also increased. After WWII, Japan ushered in a period of high economic growth in the late 1950s, when the country was rapidly becoming motorized.</p>	<p>Impact of high economic growth</p> <p>From the late 1960s, pollution problems emerged as a negative effect of the high economic growth, and the automobile industry was particularly called on to urgently address air pollution problems. Looking to fulfill needs related to such problems as well as resource conservation, we started research to develop new products that would help meet exhaust gas regulations. These regulations were made more stringent year by year, pushing up demand for high-performance plugs and sensors.</p>	<p>Tackling new social challenges</p> <p>From the 1990s, automakers began to focus on the development of electric vehicles, hybrid vehicles and fuel cell vehicles, as part of efforts to address environmental and energy issues. Those years also saw the explosive growth of information communication technologies bringing about significant changes in many people's lifestyle. In order to provide products that would meet new needs related to these societal trends, we promoted research and development based on our technologies built over many years.</p>	<p>Aiming to create a sustainable society</p> <p>Our business environment is undergoing an enormous change brought about by a number of factors, such as AI and IoT-driven digitization, the once-in-a-century transformation of the automobile industry led by the concepts of CASE and MaaS*, and mounting concerns over climate change and ESG-related issues. Recognizing this situation, we will concentrate management resources in our focus areas and help solve social issues through business activities.</p>
<p>Historical background and social issues</p>	<p>1936 NGK SPARK PLUG+ founded</p> <p>1937 Automotive Components Production of NGK Spark Plugs started</p> <p>In 1930, we released NG Spark Plugs, Japan's first domestically produced spark plug, and began producing NGK Spark Plugs in 1937.</p>  <p>NGK Spark Plug</p> <p>* Changed English company name to Niterra</p>	<p>1949 Ceramics Production of NTK Technical Ceramics started</p> <p>After the post-war confusion had settled down and spark plug production had stabilized, we began applying ceramics to develop new technologies and products for the diversification of our business. The new segment development was promoted under the brand name of NTK. Following this, we gradually broadened our ceramic product range to include those for industrial and environmental uses.</p> <p>1958 Ceramics Ceramic cutting tool commercialized</p> <p>Ceramic products started to play important roles in industrial fields such as electricity, automobiles, chemical engineering, and machinery, and in 1958, we developed and commercialized a cutting tool made of ceramic that was capable of cutting very hard materials.</p> <p>1959 Overseas business expansion</p> <p>Reacting to the boom in exports as Japan entered a period of rapid economic growth, the company established Cerâmica E Velas De Ignição NGK Do Brasil Ltda in Brazil in 1959 as its first overseas base. This led to our overseas advancement ahead of competitors to build strong global networks.</p>  <p>Cerâmica E Velas De Ignição NGK Do Brasil Ltda</p>	<p>1967 Ceramics Production of ceramic substrates and IC packages started</p> <p>In the late 1960s, the silicon semiconductor integrated circuit (IC) became a mainstream standard and its mass production began in Japan and the U.S. Following this trend, we started manufacturing ceramic substrates and IC packages by applying our ceramics technologies.</p> <p>1982 Automotive Components Production of oxygen sensors for automobiles started</p> <p>In Japan in the 1960s, as the full-scale motorization of society progressed, environmental degradation such as air pollution became a social issue. In response, exhaust gas regulations were made stricter. To help related industries ensure regulatory compliance, we began developing various sensors, primarily in association with exhaust gas, such as zirconia oxygen sensors and wide range oxygen sensors.</p> <p>1989 Ceramics Sales of electrostatic chucks started</p> <p>In the late 1980s, requirements for higher integration and lower cost of semiconductor elements intensified, which gave rise to a shift to ceramic components, characterized by the material's excellent heat and abrasion resistance, to be used for semiconductor production equipment. In response, we promptly introduced ceramic electrostatic chucks, and commenced mass production of the product in the 2000s to expand sales.</p>  <p>IC packages</p>  <p>Oxygen sensors for automobiles</p>  <p>Electrostatic chucks</p>	<p>1999 Ceramics Sales of medical oxygen concentrators started</p> <p>We started research on the possibility of medical applications of bio ceramics in the 1970s, looking to future opportunities afforded by the progress of population aging. Related results included the rollout of the bone prosthesis Ceratite in 1990 and oxygen concentrators for medical use in 1999.</p>  <p>Mobility</p> <p>Semiconductors</p> <p>Environment & Energy</p>

Competitive advantages resulting in value creation
▶ P. 17

Sales revenue trends



Gas sensing
Global automotive customers and sales channels
Ceramics

* CASE (connected, autonomous, shared, electric): A new trend in the automotive industry.
* MaaS (Mobility as a Service): A concept that considers mobility as a service.



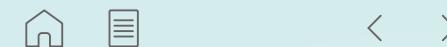
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01 Value Creation Story

Value Creation Process

The Niterra Group 2040 Vision is “We will be a company that brightens the Earth by solving social issues through our unique, *Tokushu*, technologies and ideas.” Based on our strengths of ceramics and gas sensing technologies as well as our global automotive customers and sales channels, we will engage in business activities in the three focus areas of Mobility, Semiconductors, and Environment & Energy to achieve a sustainable enhancement of corporate value.



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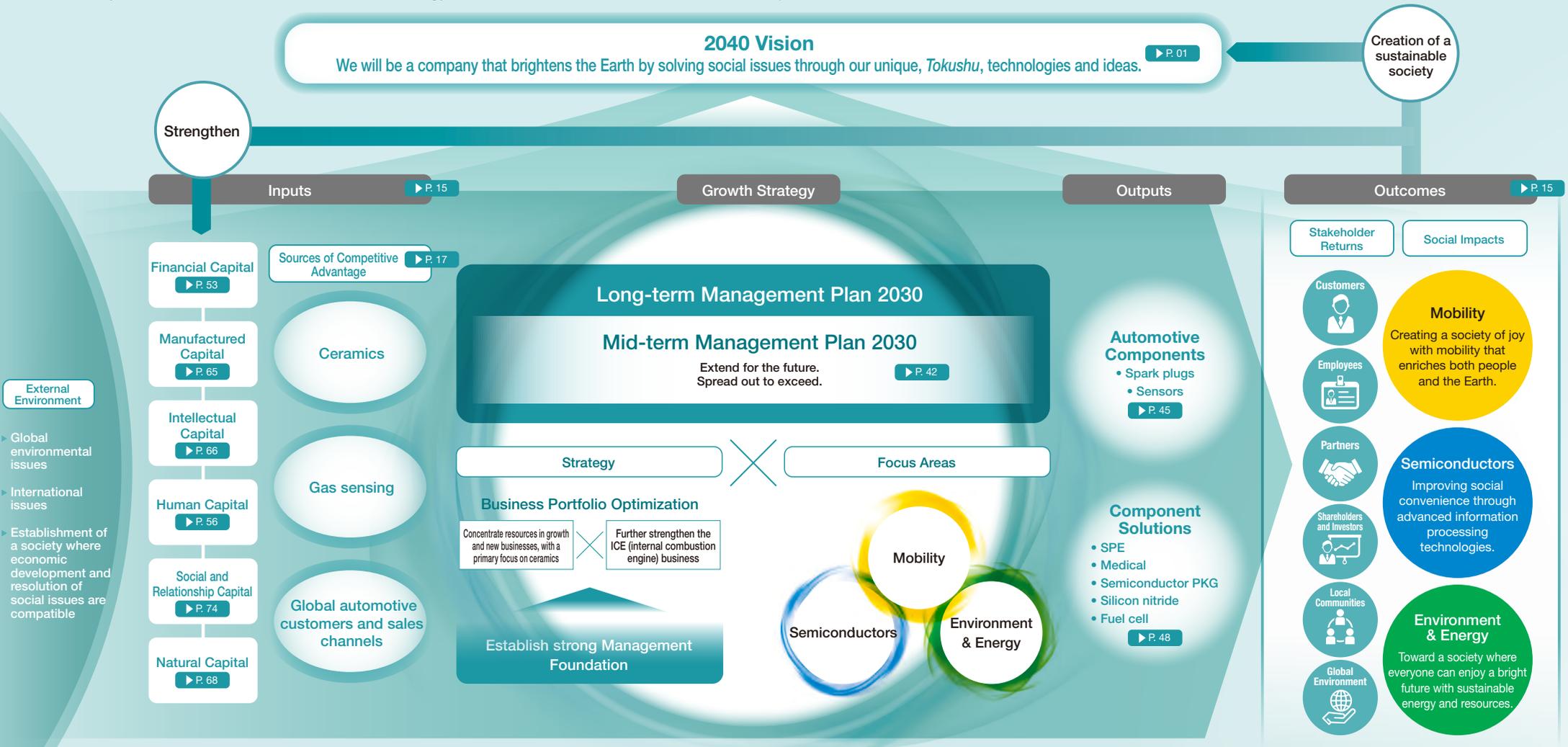
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The Niterra Way
▶ P. 04

Corporate Philosophy

Commitment/Management Policy/ Action Guideline

Shared Values

- Dokuritsu-Jiei: Demonstrate a commitment to taking ownership—trusting in your own capabilities without relying on others.
- Shisei-Shinjitsu: Embody the highest levels of sincerity, honesty, and authenticity—free from deception or pretense.

CSR and Sustainability Charter

We contribute to develop a sustainable society, thereby improving our corporate value.

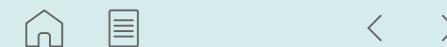
- Soshi-Kantetsu: Have cherished desire, and carry it through till the end.
- Shikai-Keitei: Conduct business that contributes to global peace and shared prosperity.

Key Management Priorities (Niterra Materiality)
▶ P. 27

- Solving Social Issues**: Brightens the Earth through our technologies and ideas
- Human Capital**: Diverse and proactive individuals embody the Niterra Way ▶ P. 56
- Management Foundation**: Establish new global management foundation to drive transformation

01 Value Creation Story

Capitals and Outcomes



Inputs (Six Management Capitals)

<p>Financial Capital</p> <p>▶ P. 53</p>	<p>Stable cash flow and robust financial base to support increases in ROE and PER</p> <ul style="list-style-type: none"> ● Operating cash flow: 132,921 million yen ● Ratings: AA- (R&I), AA- (JCR) ● Equity ratio attributable to owners of the parent: 68.1% ● Interest-bearing debt: 167,835 million yen
<p>Manufactured Capital</p> <p>▶ P. 65</p>	<p>Production systems that provide stable, high-quality, and highly reliable products</p> <ul style="list-style-type: none"> ● Bases in Japan: 31 ● Bases overseas: 62 ● Capital investment: 37,532 million yen
<p>Intellectual Capital</p> <p>▶ P. 66</p>	<p>Various applied technologies, expertise and innovative creation with ceramics material technologies and ceramics at the core</p> <ul style="list-style-type: none"> ● R&D expense: 28,144 million yen ● R&D expense ratio: 4.3% ● Patents owned: 5,261
<p>Human Capital</p> <p>▶ P. 56</p>	<p>Business growth driven by global human capital strategies and support for self-driven career development</p> <ul style="list-style-type: none"> ● Employees (consolidated): 15,644 ● Ratio of employees overseas: Approx. 48% ● Ratio of employees with overseas secondment experience: 12.1% ● Number of DX Training participants: Basic training 7,516; Selective training 112. ● Ratio of female managers: 5.5% (As of April 1, 2025)
<p>Social and Relationship Capital</p> <p>▶ P. 74</p>	<p>A global sales structure supplying products to more than 140 countries around the world, collaborative relationships with stakeholders</p> <ul style="list-style-type: none"> ● Distributors association: Membership consisting of 374 parts dealers. This provides possible business relationships with nearly 80% of more than 70,000 maintenance shops across Japan ● Investments in startups: 33 companies (Number of investments made by Niterra Venture Company) ● Global sales presence: Approx. 140 countries
<p>Natural Capital</p> <p>▶ P. 68</p>	<p>Electricity, raw materials, water resources, etc., required for business activities</p> <ul style="list-style-type: none"> ● Electricity: 444,240,000 kWh ● Raw material input: 49,000 tons ● Water input: 1,540,000 m³

Outcomes (Return to Stakeholders and Social Impact)

<p>Customers</p>	<ul style="list-style-type: none"> ■ Help customers improve product quality by providing high-quality materials and components (help customers increase their competitive stance) ■ Improve customer satisfaction 	<p>Mobility</p> <p>Creating a society of joy with mobility that enriches both people and the Earth.</p>
<p>Employees</p>	<ul style="list-style-type: none"> ■ Help employees acquire skills (provide growth opportunities) ■ Enhance job fulfillment and motivation 	
<p>Partners</p>	<ul style="list-style-type: none"> ■ Improve the sustainability of business activities through transparency and stable transactions (strengthen profit base) ■ Continue with good partnerships 	
<p>Shareholders and Investors</p>	<ul style="list-style-type: none"> ■ Stable shareholder returns ■ Increase share price and market capitalization 	
<p>Local Communities</p>	<ul style="list-style-type: none"> ■ Hold and sponsor community events ■ Pay taxes ■ Create employment opportunities 	
<p>Global Environment</p>	<ul style="list-style-type: none"> ■ Reduce CO₂ emissions ■ Reduce our environmental footprint across the value chain 	
<p>Semiconductors</p> <p>Improving social convenience through advanced information processing technologies.</p>		
<p>Environment & Energy</p> <p>Toward a society where everyone can enjoy a bright future with sustainable energy and resources.</p>		

Business Overview

Outputs

▶ P. 45-51

▶ P. 19

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Value Created by Six Capitals

The Niterra Group is working to cultivate competitive advantages and leverage these to enhance corporate value. Below are messages from an employee in each capital category that clarify their roles in further strengthening each capital and driving value creation, and deepen understanding of the specific utilization and results of each capital.

Financial Capital

I'm in charge of capital management tasks. Capital management is not only about managing cash flows, but also has a direct role in improving capital efficiency in determining how to create value efficiently from invested capital. Higher capital efficiency helps provide stability for the Company, forming the foundation that makes us trustworthy. To achieve this, we work hard every day to manage capital appropriately and propose suitable methods for utilizing excess capital. The cash generated from increased capital efficiency becomes a source of future growth investments, leading to the creation of new value. Going forward, we will continue to conduct capital management that contributes to enhanced corporate value and makes our Company the number one choice of customers.



Y.T.
Financial Accounting Section,
Financial Management &
Operations Department,
Business Operations Division

Manufactured Capital

I've worked on the quality control of spark plugs for 11 years. When starting this role, I was surprised by how many items needed to be evaluated, but I had fun every day learning about their characteristics and performance. But after working somewhere for a long time, approaching a job just looking for fun isn't enough, and risks overlooking defects. Spark plugs are extremely important parts that are directly related to engine performance. This gives me a strong sense of responsibility, and motivates me in my daily work. I believe that the deep knowledge and strong concern for quality I have cultivated over 11 years will be useful in increasing the reliability of any product.



N.K.
Quality Control Section,
Quality Assurance Department,
IGNITE Business Unit,
Mobility Company

Intellectual Capital

I research innovative technologies that will become new pillars of business at the Company by trying to visualize the future in five or ten years. I've taken on the challenge of entering uncharted territory where no one else has gone, and I am passionate about creating new concepts that will break existing paradigms. Our research is not just about developing new technologies; rather, we always ask ourselves how a technology will bring value to society. We hope that the knowledge and technologies that we acquire from R&D will result in the dramatic transformation of society in the future, helping to enrich people's lives. Going forward, I want to continue to take on new challenges so that our spirit of inquiry leads not only to sustainable growth of the Company, but also contributes to achieving a sustainable society.



S.T.
Scientific Research Laboratory,
Management of Technology
Division

Human Capital

I promote engagement surveys at the Niterra Group. My work is wide-ranging, from planning and implementing surveys and analyzing the results, to collaborating on specific initiatives for improvement. I listen seriously to comments from employees and use this information to raise engagement across the organization. Increased engagement is directly connected to personal growth and improved productivity at an organization. I believe that bringing out the most of employees to deliver even better products will help achieve the sustainable development of the Company. Through my role, I want to build an organizational culture that makes all employees work with enthusiasm and maximizes their motivation and skills, and where the resulting products provide new social value.



K.F.
HR Planning & Promotion
Section, Human Resources
Department, Business
Operations Division

Social and Relationship Capital

I have been with the company for over 3 years, working as a Technical Salesperson responsible for the state of Paraná, in Southern Brazil. I focus on developing B-to-B sales and negotiation strategies to drive efficiency, build strong relationships, and achieve sustainable results. Additionally, I oversee the national administration of CRM system in the Aftermarket department, ensuring optimized processes and greater agility in commercial operations. My goal is to add value to society by promoting access to reliable automotive solutions, enhancing user safety, encouraging sector innovation, and supporting the growth of business partners. By leveraging technology, technical expertise, and a commitment to quality, I believe I am contributing to create a positive and lasting impact on society.



G.L.P.
Sales Department, National
Market, Niterra do Brasil Ltda.

Natural Capital

I work in a department that studies and promotes specific policies for achieving carbon neutrality by 2050, which is a key target of the Company. It's now three years since I joined the Company, and I'm mainly responsible for drafting measures to reduce CO₂ at worksites, and creating and rolling out model case studies. Through this work, I feel like I'm making a real contribution to address one of the most important issues facing the Company, although I'm also very aware that many challenges remain. In particular, wide-ranging transformation will be essential to achieve carbon neutrality, including the manufacturing processes of products and the awareness of each individual employee. Going forward, I will strive to solve these issues while involving even more employees, as we seek to deliver products to customers with as little environmental impact as possible.



T.U.
Carbon Neutrality Support
Section, Environment & Safety
Management Department,
Business Operations Division

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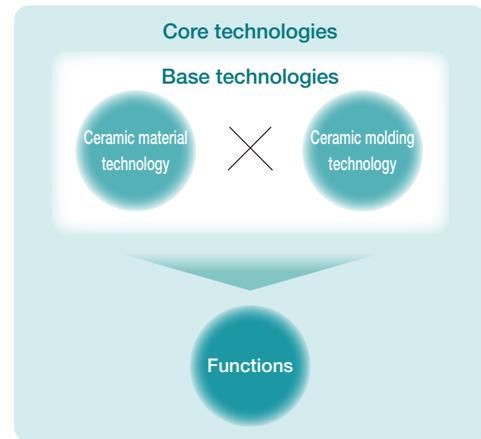
Sources of Competitive Advantage



1. Technologies (Ceramics/Gas Sensing)

In our more than 80 years of history, we have cultivated ceramic material technologies and processing technologies with ceramics at their core. We will continue to contribute to society by leveraging the excellent characteristics of ceramics to provide solutions that make people's lives more comfortable and preserve and improve the global environment.

Representative core technologies of Niterra



Base technologies

Ceramic material technology

Expertise to maximize ceramic characteristics and add new characteristics by bonding different materials together

We develop in-house the actual materials used in manufacturing. Our strength is our expert technical skills in bonding different materials together, which is based on our intensive research and unique know-how for finding the optimal material from countless formulations and combinations. Heat resistance, hardness, and abrasion resistance are inherent advantages of ceramics, and we combine ceramics with resins and metals to draw out new performance. We also mix different types of ceramics to create ceramics with unprecedented properties.

Examples of products using ceramic material technology

Oxygen sensors

(Measures the concentration of oxygen in the exhaust gas from the engine)

Zirconia (a type of ceramic) and platinum are joined together using a technology called metallization. This helps improve product performance.



Electrostatic chucks

(A disk-shaped product that holds silicon wafers in place during the semiconductor manufacturing process)

This technology is used to bond the ceramics and metal firmly together. Since the required performance differs between the front and back sides, we used a special adhesive developed in-house to join the different materials, which was previously extremely difficult.



Ceramic molding technology

Expertise to produce high-quality products by freely processing ceramic materials that are difficult to process due to their extreme hardness

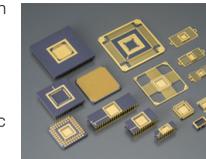
For more than 80 years we have developed a wide range of manufacturing methods for ceramic materials, and our numerous molding technologies allow us to choose the optimal technology for each product.

Examples of products using ceramic molding technology

Semiconductor packages

(Semiconductor packages essential for protecting semiconductors)

These products use our sheet lamination technology. Sheet-like ceramics with fine wiring formed at high density are piled up in multiple layers to be formed into a plate, and baked. This precise lamination technology has greatly contributed to the evolution of electronic equipment and smart devices.



Functions

Gas sensing

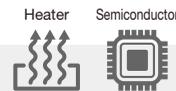
Used for this >



As vehicle exhaust gas regulations are becoming stricter year by year, Niterra's oxygen sensing technology can help. This constantly monitors the concentration of oxygen in exhaust gas, which changes depending on the combustion state of the engine, and is used to control fuel injection. As a result, harmful exhaust emissions are reduced and fuel efficiency is improved. Engines are very hot, so the sensor must withstand the hot exhaust and water splashing in the exhaust pipes. With our own unique technology, we have achieved performance that can stably and accurately sense oxygen concentrations in this harsh environment. This technology leads the world in terms of precision, responsiveness, heat resistance, and water resistance. By both achieving precise detection and being easy to mass produce, this technology is contributing in many ways to improving the environmental performance of automobiles.

Heater control

Used for this >



A heater that blows hot air as soon as the switch is turned on. A car engine that starts smoothly even on cold days. Such performance is also thanks to the characteristics of ceramics. Niterra has developed an electric heater made of ceramics. Ceramic is an insulator, and when mixed with metal, the electrical resistance generates heat. Ceramics and metals are mixed with ceramics thinned by sheet molding technology to form electrodes and are then sintered together. At this time, it is necessary to control the timing of the sintering so that distortion does not occur. We have established a technology that stably controls the electrical resistance required for heaters, and provides high-quality, highly efficient heaters. This excellent heat conduction, which can heat rapidly up to about 1,000°C in 1 second, is also used for the temperature control of semiconductor manufacturing equipment, such as an "electro-static chuck," contributing to higher performance through thorough temperature control. The possibilities of "heating power" are continuing to expand.

Power generation technology

Used for this >



Fuel cells are gaining attention as clean energy that does not emit CO₂. Zirconia, a type of ceramic, is used for the generation of fuel cell power. Oxygen ions move through the ceramic when there is a difference in oxygen concentration between the front and back of the ceramic plate. MORIMURA SOFC TECHNOLOGY, a Group company, has developed a "stack" with high output density that consists of many layers of sheet-shaped zirconia, and is working on the practical application of SOFC, a type of fuel cell. Zirconia does not move oxygen ions unless it is at a high temperature of 600°C. Since the stack must withstand that heat and operate stably, various technologies are leveraged, such as material design technology, sintering technology, seal technology, flow path design technology, and temperature control technology. The MORIMURA SOFC TECHNOLOGY stack has a high output density, and has the advantage of being able to generate power efficiently in a small space. Our aim is to achieve the world's top-level power generation efficiency and contribute to achieving carbon neutrality.

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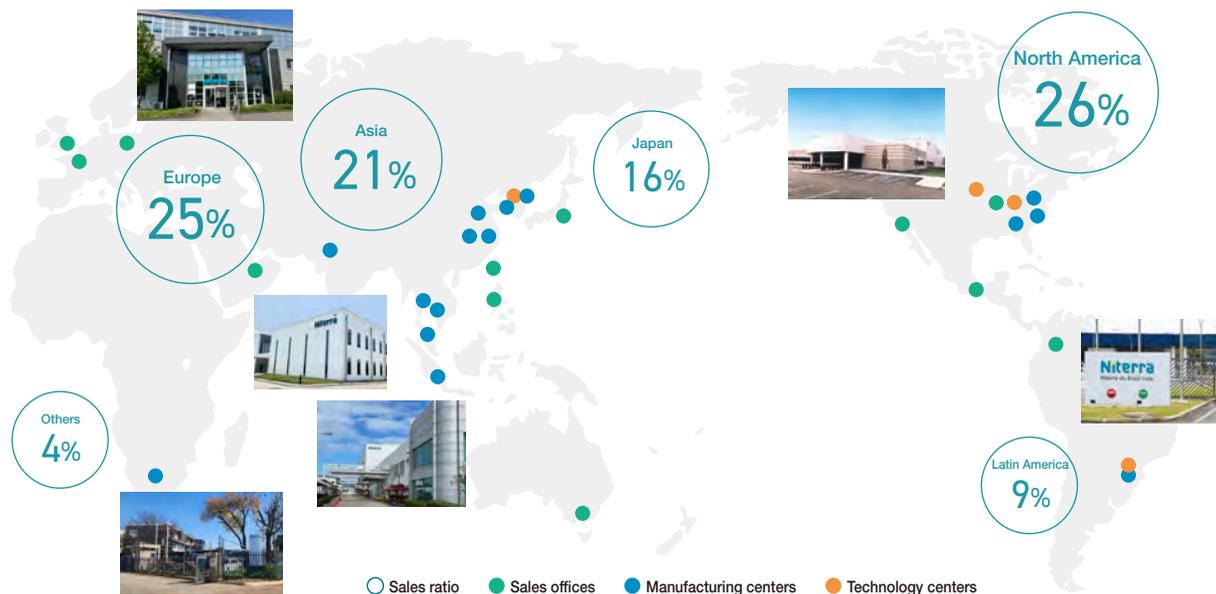
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2. Global automotive customers and sales channels

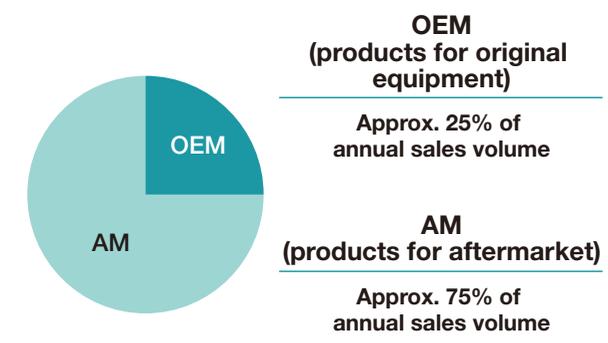
We established a global production and sales system that supplies products to more than 140 countries. Through this system, we provide the same standard and high-quality products from anywhere on the planet in cooperation with Niterra Group companies around the world. The sales channels we developed over the years for NGK Spark Plug have become the source of our revenue.

Sales conducted through 31 offices in Japan, 62 offices overseas, and in 140 countries and regions



Features and advantages of OEM (original equipment) and AM (products for aftermarket)

About 75% of the annual sales volume of our NGK Spark Plugs comes from the aftermarket (AM). OEM sales volume is affected by the shift to BEVs in the new vehicle market, but in the AM, since demand originates in the number of ICE vehicles that are owned, future sales are expected to be stable. Thanks to our high quality and technological strengths, we have achieved the top market share worldwide for OEM sales. As a result, the reliability of our NGK Spark Plugs is well known in the AM too, enabling us to build a robust brand image. Going forward, we will continue to work toward the stable global supply of spark plugs for both OEMs and the AM.



Procurement

Stable supply via a global supply chain

We have built a global production system to support sales in more than 140 countries worldwide. We have established a procurement system that sources from multiple regions and suppliers to avoid geopolitical risks and fluctuations in the supply chain, enabling us to supply a stable volume of materials in Japan and overseas. This both reduces costs and enables us to supply products in a stable manner under any conditions by leveraging our long-standing know-how in selecting and procuring high-quality raw materials.

Production

Integrated global production system from materials development to manufacturing

We have an integrated production system from materials development to manufacturing, and by leveraging this strength and establishing production sites worldwide to match our global sales and supply system, we have built a system capable of supplying anywhere in the world. Brazil has been a particular focus. We entered the country more than 60 years ago to start production and have contributed to local communities and the market for a long time. In addition to this global production system, we allocate production in line with the strengths and roles of each site to achieve production that is highly cost-competitive.

Sales

Channel partners supporting product brand power and the global sales network

Among our strengths that support sales in the AM are our channel partners, who extend globally. Achieving a high adoption rate in OEM sales is effective promotion for the AM, and as our product brand won recognition and our partners who handle NGK Spark Plugs grew, we became able to supply products worldwide. We are also further refining this strength by offering appropriate support and communication to our partners to make our sales network even more robust.

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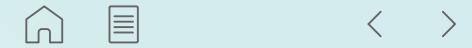
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01 Value Creation Story Business Overview

Our history that spans more than 80 years started with the manufacture of spark plugs. We then diversified our business with ceramics as our core technology. Going forward, we are pivoting to new areas where we can leverage our ceramic materials and core assets while aiming for stable growth in the ICE business as we seek to create sustainable value.



* Reportable segments are changed from FY2025.



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Growth Strategy Roundtable Discussion



To be “a company that brightens the Earth,” what should we keep, and what should we change? Exploring our strengths and challenges from business strategy and human capital perspectives

We started the new Mid-term Management Plan 2030 (MMP 2030) as a means for realizing our 2040 Vision. Based on the MMP 2030, how should we optimize our business portfolio?
Four outside directors and Takeshi Kawai, Representative Director and President, came together to discuss the strengths that Niterra should build upon and the existing issues.

Strengths the Niterra Group should rediscover, revealed when formulating the MMP 2030

Kawai The Niterra Group 2040 Vision is to be a company that brightens the Earth by solving social issues through our unique, *Tokushu*, technologies and ideas. As the final step toward realizing this Vision, we started the MMP 2030 in FY2025. When formulating the MMP 2030, we received wide-ranging advice from our outside directors at Board of Directors meetings throughout FY2024. Although there were many changes in the external environment during this period, our discussions focused more on issues related to Niterra’s strengths and stability, such as our management foundation, human capital, governance, and philosophy. In particular, we dove deep on fundamental questions like whether we should maintain our current methods or make any changes, and we identified our strengths and which capabilities we need to develop. We also discussed how our philosophy has not sufficiently permeated the Company. Thanks to these deliberations, I believe that we were able to formulate an MMP that will serve as a strong foundation for future growth. At our roundtable discussion today, I’d like us to recount the discussions we had when creating the MMP.



Takeshi Kawai
Representative Director, President & Chief Operating Officer

Miwako Doi
Outside Director

Chiharu Takakura
Outside Director

Takayoshi Mimura
Outside Director

Hisanori Makaya
Outside Director

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Growth Strategy Roundtable Discussion

Doi I think that the tough business environment under which the MMP 2030 was created is what motivated the Company to make a plan that leverages Niterra's inherent strengths, without being blown off course by external change. Niterra's spark plug business was stable, because even though it was affected by U.S. tariff policy, the Company was able to pass through costs associated with soaring raw material prices. Also, while looking ahead to future EV adoption trends, the Company formulated a strategy that refines their existing strengths rather than implementing sudden portfolio transformation. Niterra will further enhance their strengths through actions such as M&A that will enable the Company to respond flexibly to future uncertainties. This capability is a competitive advantage of the Group. Finally, the focus on developing talent rounds out a solid MMP.

Takakura The first draft prepared by the executive team just followed a textbook plan, but it evolved step by step by incorporating multiple rounds of

feedback from the outside directors, finally resulting in an MMP fully adapted for the unique characteristics of Niterra. An extremely valuable part of this process was the deeper discussions we had by focusing anew on policies that were important during the founding of the Company, such as the Niterra Way, the philosophy system that has guided the Company since its foundation. For example, we exchanged a wide range of opinions on how to roll out Niterra's strength of ceramic technologies to new businesses, homing in not just on the management philosophy slogan, but getting into the specifics of how to apply it to actual business activities and organizational management.

Mimura I was appointed as an outside director in 2023, and this was my first involvement in discussions about formulating an MMP. We were able to hold more concrete discussions about the Company's commitment to establishing new business pillars. As a means to achieve this, the MMP reflected management's strong will to focus on developing talent.

Makaya One year has passed since I became an outside director in 2024, and during this time, I was able to give various suggestions when formulating the MMP and in other discussions. I was involved in business transformation in my previous job too, but in the end there was simply no time to implement reforms. In contrast, I believe that the Niterra Group has great potential in terms of both time and business performance to actually transform their organization. To be specific, the slowdown in worldwide EV demand makes it easier for the Company to implement its portfolio optimization plan with a good balance between the ICE business and new businesses.

Kawai During the drafting phase, the executive team learned a lot as we listened to your candid yet pertinent comments. We hope to continue receiving your feedback when we report on our progress going forward.

Leveraging new technologies as we try entering new markets with a B-to-C perspective

Kawai Under the MMP 2030, we aim to optimize our business portfolio by focusing our investment resources on areas where we have a clear path to victory. To do this, I would first like us to demonstrate some new success stories. From the viewpoint of business strategy, what issues do you think the

Group is facing and what are our opportunities?

Mimura As someone who has been involved in many business start-ups, I believe that you are now at a major turning point. Previously, because the ICE business was so robust and produced such high profits, even if the Company tried out new ventures, there was a tendency to revert back to the safety of the current business. Nevertheless, the history of the market was one of constant evolution as products with added value were developed and markets expanded thanks to globalization. While keeping in mind both the challenges and growth of the existing business, the Company is now transitioning to a stage where it will take on the challenge of entering new businesses by leveraging its core ceramic technology and assets. One key enabling factor is Niterra's acquisition of Toshiba Materials Co., Ltd. (now Niterra Materials), which gives the Company a great chance to achieve a new dominant position.

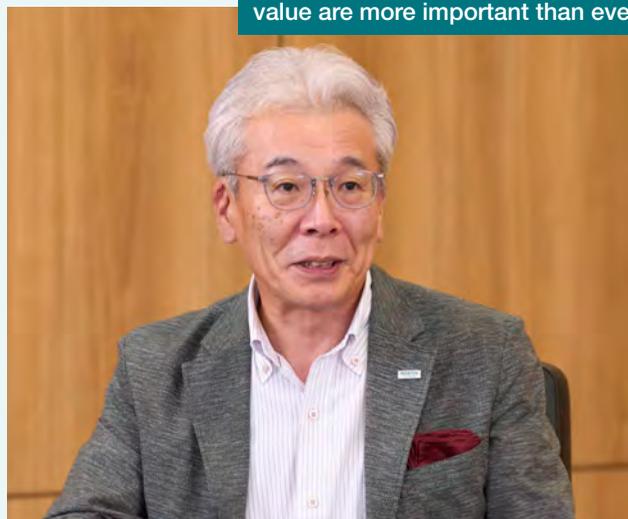
Makaya Fundamentally, I feel that Niterra is a solid manufacturing company focused on its core products of spark plugs and exhaust gas sensors, and that the Group faces hurdles in taking on new challenges both in terms of human capital and corporate culture. In particular, the importance of IT and DX has not permeated the Company sufficiently. Going forward, it will be important to take on the challenge of instituting bold operational reforms that will instill this culture. I also think that adding Niterra Materials to the Group is a symbolic move that will influence future growth. By bringing in these new core assets, this M&A has the potential to be a valuable leap forward that wouldn't have been possible with just the Company's core competencies.

Doi The link-up with Niterra Materials may cause conflict between the egos of engineers. Even so, I'd like them to be persistent and work together toward the Group's ambitious shared goal of supporting EVs worldwide. IT and DX were mentioned earlier, and my suggestion from the standpoint of a researcher is the utilization of generative AI for research. As an example, let's look at the issue of how to commercialize products that leverage Niterra's strength of bonding technology for ceramic and metal materials. Previously, a detailed testing plan needed to be drawn up in advance, but now generative AI can be used to filter options and start testing more rapidly. I'd like to see proactive use of this new technology to make discoveries that exceed one's own imagination. Another crucial factor is to have a B-to-B-to-C perspective. Even while taking into

In an era of great external change,

fundamental discussions about corporate

value are more important than ever



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Developing winning, profitable talent that contributes to growth

account geopolitical risks, it is imperative to expand into the growth markets of the future, such as India and Africa. In markets that have different needs, a process that can identify future customer needs and construct the optimal development and sales strategy is going to be essential. Similarly, when creating new business pillars, an approach is needed that envisions the “C” that lies beyond B-to-B.

Kawai To keep the ICE business in good health as a stable and efficient cash cow, taking on challenges such as DX and raising productivity is crucial. Furthermore, the current period of steady growth in the ICE business is actually an opportune moment for us to establish new business pillars. If we can demonstrate a new success story as a result of the Niterra Materials acquisition that you mentioned earlier, then it will be an important step in our transformation toward our next stage of growth.

In terms of responding to geopolitical risks, we have already started a project for examining sales strategies in North and Central Africa. We will also establish regional strategies to anticipate future trends during the period of the MMP 2030.

Empowerment by developing talent that is self-leading and innovative

Kawai One of our core strategies in the MMP 2030 is to enhance human capital, and I’d like our employees to have the strong will and drive to boldly take on new challenges. Something I’ve realized about our human capital is that they’ve been tasked with further refining and developing core businesses that are the result of the success of their predecessors. They do not have the experience of either the success or failure of taking on challenges for themselves. Put bluntly, they are fixated on maintaining the current steady growth of the business. I’ve come to see this as an issue.

What do you think about the strengths of the talent at our Group and what challenges exist? You can be honest!

Takakura Speaking as an expert in human resource development, the ideal is to have winning (or profitable) talent that will generate business growth. In other words, the human capital policy and the business strategy are two sides of the same coin. As such, in addition to the basic ability to follow rules and provide high-quality products, which is a common challenge across the manufacturing industry, employees are being asked to generate new value that can solve social issues while also ensuring economic rationality. Such empowerment of employees is a key issue that needs addressing to achieve sustainable corporate growth during a time of labor shortages. How can we develop talent that is self-leading and innovative, who have their own ideas and can work by following their own path? Various methods are available, but a strength of employees at the Niterra Group is their determination to directly take on the work that is in front of them in a diligent manner. This strength should be valued, while broadening employee perspectives and extending their areas of interest and concern. An important part of doing this is the evaluation system and other policies that foster an organizational culture that embraces failure.

Mimura To change the quality of the talent that form the basis of an organization, I think it’s important to leverage employees who have been recruited mid-career, as well as experts and talent acquired via M&A, and to assign such talent to leadership positions. As technologies such as generative AI become more widespread, there is a need to proactively recruit people with

powers of imagination and creativity that go drastically beyond the current approach. Finding such talent in large numbers will be a major challenge going forward.

Makaya Transforming human capital and the corporate culture is not easy, but it also presents a great opportunity to change the Group. As I mentioned earlier, the global slowdown in the shift to EVs can be expected to act as a tailwind for stable growth in the ICE business. This means that resources are available if bold investments are needed. From the viewpoint of investors, it is very rare to see a company capable of taking on the challenge of transformation while in a stable condition and achieving sustainable growth.

Kawai To achieve our aim of fostering talent that is self-leading and innovative, I’m always emphasizing to employees, “It’s OK to fail. Even if we

Bringing in new core assets to achieve a leap forward not possible with just the Company’s core technologies



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fail, it's fine as long as we learn from the experience and use it to come up with the next idea."

I said earlier that now is actually an opportune moment to establish new business pillars. Our current business performance is trending favorably, and if we use this business environment to our advantage and have a resolute will to change the world, like in the Meiji Restoration era of reform in Japan, then I believe that Niterra can become even stronger. I want to build an environment that develops talent who can take on the challenge of this transformation through trial and error.

Achieving this means sharing with employees the gradual shift in direction that the Company needs to take and the resolution that we need to have.

Improving engagement in this way is included as an important theme in the current MMP, and we will implement associated initiatives.

M&A and new business creation

can trigger the establishment of

a second and third business foundation



Implementing the MMP 2030 for five years will lead us toward the Vision of being "a company that brightens the Earth"

Kawai Finally, what do you think of the Group's efforts to realize its Vision? What discussions are needed going forward, and what challenges remain?

Doi The Group has defined "through our unique, *Tokushu*, technologies and ideas." as the means to achieve its goal of becoming "a company that brightens the Earth," but I think that employees who can proactively assert a course of action for themselves are still in the minority. A challenge going forward will be for the Company to outline its objectives in more detail in terms of the fields and technologies that can contribute to society, and to align the awareness of employees with these. This clarification will also be useful when recruiting new talent.

Takakura One more thing I'd like to add to our discussion of human capital is that they should be able to create a company that is respected by society.

One key aspect is to make sure that the "right people" get on the bus; in other words, to recruit people who are aligned with the culture of Niterra. What are the requirements for the "right people"? How can the Company develop the "right people"? For example, if a person can take the lead and take responsibility for their own actions, it will have a positive impact on their personal growth and the ability to assess risks appropriately. Each action like this by individual employees will accumulate and form the organizational culture. Three measures are key to achieving this: training to learn skills that are appropriate for changing times; talent management that recruits based not only on "people who can definitely do the job" like in the past, but also systematizes the allocation of the optimal talent; and the transformation of the corporate culture to improve team skills and prevent situations where experts cannot contribute effectively. Based on the MMP 2030, I hope we can deepen our discussions on topics such as updating the Company's shared values to be even more in tune with the times.

Makaya New businesses and cultures are emerging in fields different from Niterra's core products of spark plugs and exhaust gas sensors. I feel like these could become a starting point for changing the corporate culture across the entire Group. A diverse range of talent will be blended together, led by the current growth business of semiconductors, or by M&A and new businesses,



A B-to-B-to-C perspective is key for developing markets and creating new business pillars

and this will foster a new culture. I have high hopes of seeing new leadership emerge from this mix, and I will make proactive suggestions to facilitate this.

Mimura In addition to the business and human capital synergies from Niterra Materials, if young middle management leaders are born, then we can expect the potential for the establishment of a second and third business foundation within the five years of the MMP 2030. Our role as outside directors is to work hard to achieve this.

Kawai I totally agree that organizational culture is the accumulation of individual actions. To change our actions, I believe it's essential to have a process for holding discussions where there is no fear of occasional conflict. This MMP demonstrates to employees that positive conflict can bring benefits and shows the future that the Company is aiming for, with the aim of gaining their understanding and improving engagement.

The five years of the MMP 2030 provide a great opportunity to change Niterra and we will work tirelessly to see it through to the end. I hope we will continue to receive your candid advice as outside directors going forward.



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Growth Strategy

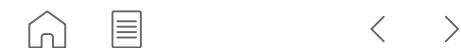
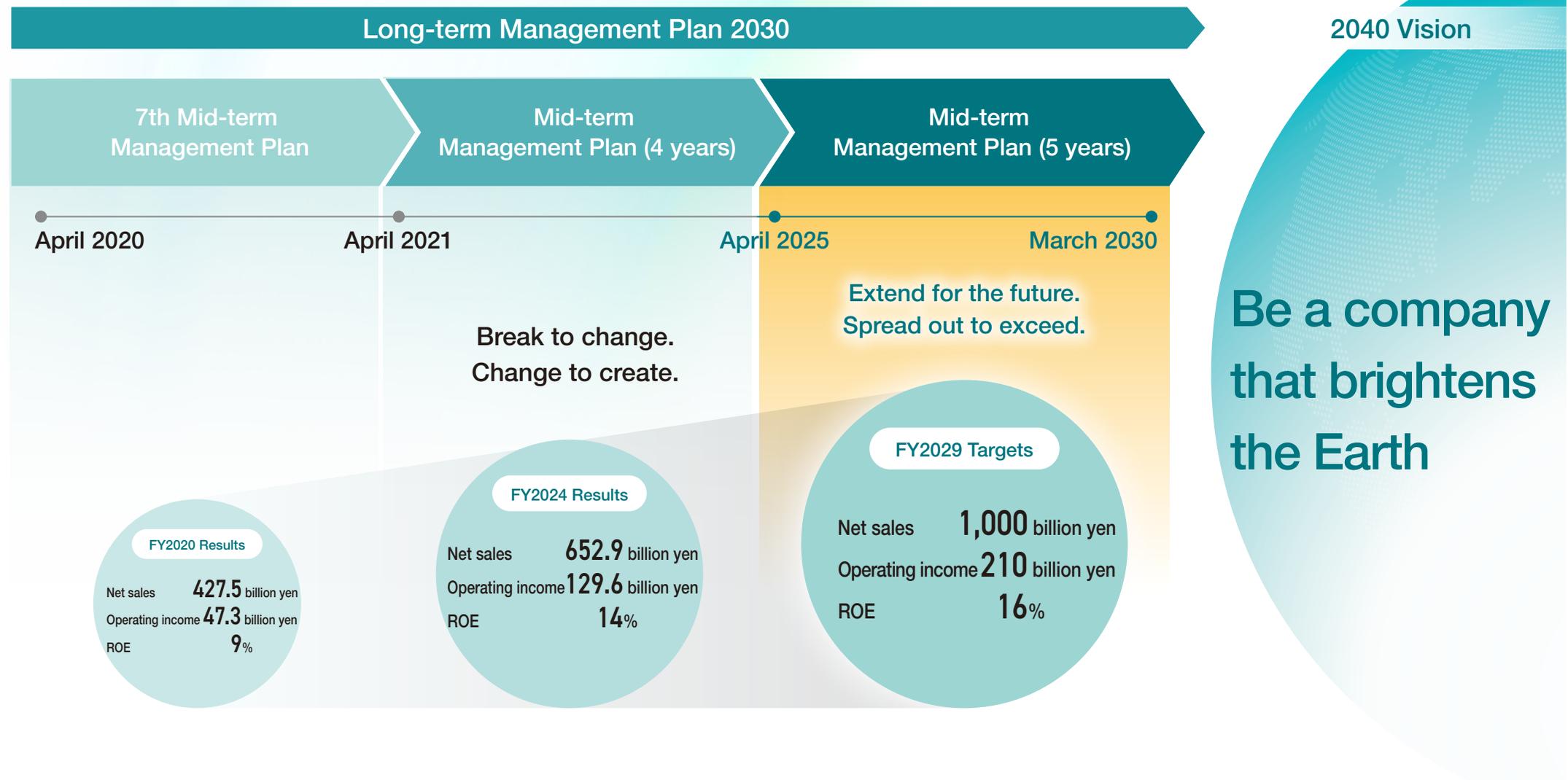
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02 Growth Strategy

Course of Our Growth Strategy

The Mid-term Management Plan 2030 is positioned as the final step toward the 2040 Vision.
 We will expand priority areas by leveraging our ceramic technologies, building on profit growth in the internal combustion engine (ICE) business.



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02 Growth Strategy 2040 Vision and Mission

2040 Vision

We will be a company that brightens the Earth

The Niterra Group's 2040 Vision is "We will be a company that brightens the Earth by solving social issues through our unique, *Tokushu*, technologies and ideas." To respond to the rapid changes in the business environment following the Mid-term Management Plan 2025 (FY2021–FY2024) and achieve sustainable growth, it is necessary to reconfigure the Company's unique core assets to align with management issues and enhance our own competitiveness. We have established this 2040 Vision to clearly articulate our commitment to solving social challenges by creating new value while leveraging the technologies and core assets accumulated over the years from our business operations.

Mission

By integrating our established ceramics-based core assets with newly developed ones, we will link these core assets together, optimize the efficient use of minimal resources, and deliver regenerative and circular solutions to society. This initiative is encapsulated in the phrase "Ceramics and Beyond, Exceeding Imagination." Our Group will strive to solve social challenges as one, leveraging the technologies and core assets accumulated over time through our management approach while clearly demonstrating our commitment to creating new value and addressing social challenges.



Focus Areas

We are narrowing down our focus areas in the creation of businesses centered on core assets for solving social issues. Specifically, we plan to concentrate our management resources on three areas: Mobility, Semiconductors, and Environment & Energy, where our core assets can be fully leveraged, and advance their commercialization.

* Medical business: not defined as a primary focus areas, but rather as a business initiative that utilizes our core assets.



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The Niterrra Group believes it is important to identify key management issues requiring priority attention from a mid- to long-term perspective, set goals, and work towards them. Previously, the priority issues were identified at the outset of the Long-term Management Plan 2030, which focused primarily on ESG-related topics. However, with the commencement of the Mid-term Management Plan 2030 from FY2025, we have newly established the fundamental concept of Key Management Priorities and then reclassified the previous eight priority issues into three categories.

Steps to Define Key Management Priorities

Understanding the external environment

We identified societal requirements (challenges) in reference to external requirements such as the United Nations Global Compact, SDGs, GRI Standards, ESG survey content, industry association guidelines, ISSB, ESRS (CSRD), and competitors' benchmarks, while recognizing related risks and opportunities.

Social issues and external environment

Global environmental issues

- Climate change
- Decarbonized and carbon-circulating society
- Biodiversity
- Environmental destruction
- Circular economy

International issues

- Protectionism
- International conflict
- Rise of emerging markets
- Global South
- Disparities in society
- Human rights

Establishment of a society where economic growth and resolution of social challenges are compatible

- Robots, automation, and labor saving
- Artificial intelligence (AI)
- Sensing IoT
- Nanotechnology
- Biotechnology
- Aging society with a decreasing birthrate/Population explosion
- Diversity
- Work-life balance
- Pandemic
- Earthquakes

Risks and opportunities

		Short-term*	Medium-term*	Long-term*
Reduction of greenhouse gas emissions: Investments in energy-saving, renewable energy, and environmentally friendly technologies (carbon neutrality)	Risk	●	→	→
Efficient use of CO ₂ for a decarbonized and carbon-circulating society (adaptation to climate change)	Opportunity	→	●	→
Expansion of environmentally friendly products	Opportunity	●	→	→
Effective use of renewable energy (carbon neutrality)	Opportunity	●	→	→
Distributed power sources, and local production and consumption of energy (energy)	Opportunity	→	●	→
Biodiversity conservation	Risk	●	→	→
Stricter environmental regulations (carbon tax, recycling regulations, chemical regulations, etc.)	Risk	●	→	→
Decline in the number of internal combustion engine vehicles	Risk	→	→	●
Expanding demand for automobiles in emerging markets and the Global South (air pollution, etc.)	Opportunity	●	→	→
Change in people's preferences regarding transportation means and consumption	Risk	●	→	→
Development of technologies, products, and businesses for contributing to the resolution of social issues	Opportunity	●	→	→
Securing and diversification of talent (employment stability, diversity, and talent development)	Risk	●	→	→
Diversification of work styles and values (work-life balance, equal opportunity and equity)	Risk	●	→	→
Well-being (health and safety, appropriate working hours)	Opportunity	→	●	→
Respect for human rights	Risk	●	→	→
Maintenance of the quality management system	Risk	●	→	→
Diversification of executive talent	Risk	●	→	→
Stable procurement of raw materials	Risk	●	→	→
Geopolitical risks	Risk	●	→	→
Disasters caused by earthquakes and climate change	Risk	●	→	→
Implementation of compliance	Risk	●	→	→
Measures for information security (cyberattacks)	Risk	●	→	→

* Short-term: Until around 2027; Mid-term: Until around 2030, in line with the target year of the Long-term Management Plan; Long-term: Until around 2040, in line with the vision of the Long-term Management Plan

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Key Management Priorities (Niterra Materiality)



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Step 2

Longlist creation, narrowing down, and scenario development

Among various external requests, we identified CSRD topics as leading-edge and created a long list of approximately 100 items centered around them. Considering the current and future state of our Group's business, we narrowed down highly relevant items and created projected scenarios for each.



Intensive discussion

Step 3

Quantifying double materiality and identifying Key Management Priorities

Based on the projected scenarios for each item, the Global Strategy Division and executives in charge of major businesses conducted intensive discussions to score and map the social impact our Group has on society and the financial impact our Group experiences. Furthermore, based on the risks and opportunities identified in Step 1, we conducted thorough deliberations. Following discussions within the CSR and Sustainability Committee and approval by the Board of Directors, we established the Key Management Priorities. The eight priority issues identified in the Long-term Management Plan 2030 have been reclassified into three newly established Key Management Priorities.



We aim to enhance our corporate value by contributing to the realization of a sustainable society, as clearly expressed in the Niterra Way (CSR and Sustainability Charter). To this end, we consider solving social challenges to be our foremost management priority. We will simultaneously advance three initiatives: embodying Niterra's unique ethos to brighten the Earth with technology and innovation; fostering talent to brighten the Earth, ensuring diverse and proactive individuals embody the Niterra Way; and establishing a foundational framework to brighten the Earth, thus creating a new global

management foundation that drives transformation. Specifically, we will contribute to solving social challenges in the form of renewable and circular solutions by combining diverse technologies. Furthermore, as part of the human capital investment underpinning this, we will expand our framework enabling diverse talent to thrive by leveraging their individual strengths, cultivate individuals who proactively drive change and pioneer the future even amidst transformation, and develop talent capable of creating new value with specialized expertise to tackle increasingly sophisticated challenges.

Furthermore, as part of the management foundation overhaul supporting these initiatives, we will establish an organizational platform that enables swift decision-making and facilitates strategic risk control. To realize these objectives, we believe it is crucial to establish more concrete initiatives and their targets within a mid- to long-term perspective across the respective fields of solving social issues, human capital, and management foundation, and to firmly pursue these endeavors.



The Key Management Priorities identified are listed in the table below.

Details: Review of Activities for Key Management Priorities (Niterrra Materiality) [▶ P.30-31](#)

Key Management Priorities	Reasons for identification as a priority issue	Major initiatives	Goals and outputs (FY2029)	Reference page
<p>Brightens the Earth through our technologies and ideas</p> <ul style="list-style-type: none"> Contribute to solving social issues by integrating diverse technologies Provide regenerative and circular solutions 	Responding to Climate Change	Reduction of CO ₂ emissions	<ul style="list-style-type: none"> CO₂ emissions (compared with the FY2018 level) FY2030: 30% reduction * Scheduled to change to 46% reduction in April 2026 FY2035: 71.4% reduction FY2050: Carbon neutrality (Net Zero) 	▶ P.70
	Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	Dissemination and expansion of environmentally friendly automobile-related products	<ul style="list-style-type: none"> Sales ratio of precious metal plugs: at least 50% Sales ratio of wide range oxygen sensors: at least 50% 	▶ P.30
<p>Diverse and proactive individuals embody the Niterra Way</p> <ul style="list-style-type: none"> At Niterra, the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group. 	Global Talent Management	Development of fuel cells	<ul style="list-style-type: none"> Disseminating high-efficiency distributed power supply systems with an eye on the use of CO₂-free hydrogen fuel 	▶ P.30
		Development of applications for lead-free piezoelectric materials	<ul style="list-style-type: none"> Promoting substitution for lead-based piezoelectric materials 	▶ P.30
		Development of sensing IoT business	<ul style="list-style-type: none"> Improving operational efficiency through automation, optimization and generalization 	▶ P.30
		Carbon Neutrality as a Service	<ul style="list-style-type: none"> Establishing and introducing a synthetic fuel (methane) production system 	▶ P.30
		Promotion of employment of women, foreign nationals, and mid-career employees	<ul style="list-style-type: none"> Percentage of female, foreign nationals, and mid-career employees in managerial posts: 25% 	▶ P.61
<p>Establish new global management foundation to drive transformation</p> <ul style="list-style-type: none"> Transform into a more resilient corporate structure, adapting to changes in the external environment Facilitate swift decision-making and strategic risk management 	Corporate Governance	Increasing the ratio of female and foreign nationals to directors	<ul style="list-style-type: none"> Percentage of female and foreign nationals as directors: at least 30% 	▶ P.77
		Increasing the ratio of outside directors	<ul style="list-style-type: none"> Ratio of outside directors: at least one-third 	▶ P.77
	Risk Management	Management of serious incidents signs and prevention of their occurrence	<ul style="list-style-type: none"> Establishing a risk management system that contributes to management decision making 	▶ P.90
	Compliance	Survey of officers' and employees' awareness and continuous education	<ul style="list-style-type: none"> Conducting compliance awareness surveys and disclosing the results 	▶ P.91
	Information Security	Maintaining and strengthening incident response organizations and building preventive systems	<ul style="list-style-type: none"> Maintaining information security management system 	▶ P.93
		To achieve sustained growth and improve mid- to long-term corporate value, we believe that it is important to structure the Board of Directors with a team of people from different backgrounds with a variety of expertise and experience. We also focus on enhancing the supervisory function of the Board of Directors and ensuring transparency in decision-making by improving the percentage of outside directors on the Board of Directors.		
	In the modern era of dramatic changes in the environment surrounding business, the risks that companies face are also diversifying. Responding to risks the wrong way could put a company's survival at risk. The Group strives to carry out risk management from day to day, so that it can enhance its corporate value.			
	To develop the business of our Group, we must continue to be a company that is trusted by society. With the recognition that our Group is a member of society, we aim to be a company that is trusted by all our stakeholders by appropriately meeting social demand.			
	Information technology is becoming more sophisticated every day, and we handle a variety of information assets in our business. Meanwhile, as cyberattacks and other risks increase, bolstering information security is crucial. The Group will also enhance information security by positioning information assets as one of its management resources. We will make effective use of them while protecting them appropriately.			

* 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.

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Review of Activities for Key Management Priorities (Niterra Materiality)

Progress on key initiatives from FY2024 is generally proceeding smoothly, with some goals achieved in climate change, talent management, and governance.

While initiatives related to new ventures among technologies, products, and businesses that contribute to solving social issues are not progressing as anticipated due to the ambitious goals set, they are nonetheless advancing steadily.

We will continue to address these issues and contribute to the realization of a sustainable society.

Solving Social Issues		Responding to Climate Change	
Major initiatives	Reduction of CO ₂ emissions	Goals and outputs	CO ₂ emissions: 30% reduction [compared to FY2018] (FY2030) * Scheduled to change to 46% reduction in April 2026
Progress in FY2024	Reduced by 31.7% (191k tons)		
Initiatives in FY2024	<ul style="list-style-type: none"> A company-specific CO₂ reduction roadmap has been formulated. In FY2023, we launched an international version of the dedicated climate change response website established on our intranet and began distributing information. 		
Recognition of issues in FY2025 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 		

Solving Social Issues		Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	
Major initiatives	Promotion and expansion of sales for environmentally friendly automotive 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 FY2024	1) 46%, 2) 41%		
Initiatives in FY2024	<ul style="list-style-type: none"> The slowdown in the shift to EVs and the sustained sales of four-wheeled vehicles equipped with precious metal plugs helped maintain the sales ratio of these plugs. In the market for China, where the ratio of wide range oxygen sensors is high, sales ratio growth was lower than expected because local manufacturers who are not our customers have made significant gains. This has led to sluggish new vehicle sales for Japanese, U.S., and European manufacturers, who use our products. As a result, the sales ratio of wide range oxygen sensors did not increase as much as anticipated. 		
Recognition of issues in FY2025 and beyond	Assessment of the market environment, including trends in EVs and competing products		

Solving Social Issues		Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	
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 FY2024	<ul style="list-style-type: none"> Expanding sales for new applications Development of a high-efficiency monogeneration system for household use 		
Initiatives in FY2024	<ul style="list-style-type: none"> We worked to expand sales for new applications such as multi-fuel compatibility. We revised plans to enter the residential fuel cell market and developed a high-efficiency monogeneration system. 		
Recognition of issues in FY2025 and beyond	<ul style="list-style-type: none"> Robust launch for business and industrial use Market expansion for new applications and relaunch of household-use planning Proactive proposals made to overseas customers 		

Solving Social Issues		Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	
Major initiatives	Development of applications for lead-free piezoelectric materials	Goals and outputs	Promoting substitution for lead-based piezoelectric materials
Progress in FY2024	Achievement of annual target for replacement parts		
Initiatives in FY2024	<ul style="list-style-type: none"> Lead-free piezoelectric materials, as replacements for lead-based piezoelectric materials, were shipped as scheduled. We have attracted new customers requiring lead-free piezoelectric materials, not limited to alternative applications. Working to enhance the performance of lead-free piezoelectric materials. 		
Recognition of issues in FY2025 and beyond	<ul style="list-style-type: none"> Identification of regulatory trends for lead-based piezoelectric materials and enhancing performance Increasing awareness of lead-free piezoelectric materials 		

Solving Social Issues		Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	
Major initiatives	Development of sensing IoT business (Land-based aquaculture system)	Goals and outputs	Improving operational efficiency through automation, optimization and generalization
Progress in FY2024	Commencement of market delivery for land-based aquaculture systems		
Initiatives in FY2024	<ul style="list-style-type: none"> We established the new company Niterra AQUA. We established an online sales system and began selling Urumi Ebi. We completed the base construction of the Niterra aquaculture system that can be applied to demonstration trials. 		
Recognition of issues in FY2025 and beyond	<ul style="list-style-type: none"> Establishment of the Niterra aquaculture system that can be applied to business Demonstration testing and acquisition of business customers Development of shrimp sales channels for system purchasers 		

Solving Social Issues		Development of Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	
Major initiatives	Carbon Neutrality as a Service*	Goals and outputs	Establishing and introducing a synthetic fuel (methane) production system
Progress in FY2024	<ul style="list-style-type: none"> Completing methane production test unit installation Conducting a demonstration test as a regional CCU 		
Initiatives in FY2024	<ul style="list-style-type: none"> We worked to lower the reaction initiation temperature for methanation. We sold "Regional CCU™ greenhouse mandarin oranges" harvested from the Regional CCU demonstration experiment. Monitoring CO₂ emissions during the transportation of recovered CO₂. 		
Recognition of issues in FY2025 and beyond	<ul style="list-style-type: none"> Further cost reduction and energy savings in CO₂ recovery Expanding the utilization of recovered CO₂ 		

* Carbon Neutrality as a Service is our vision of a decarbonized circular society and solution services. For more information please visit our website:

- <https://www.sustainability.niterragroup.com/en/themes/524/>
- https://www.niterragroup.com/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.



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Review of Activities for Key Management Priorities (Niterra Materiality)



Human Capital		Global Talent Management	
Major initiatives	1) Promotion of employment of women, foreign nationals, and mid-career employees 2) Designing a new HR 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 FY2024	1) 26.4% (as of April 1, 2025) * Domestic group: 26.9% (as of the end of March 31, 2025, excluding managerial-level professionals) 2) 3.48 (FY2022: 3.33; FY2023: 3.46)		
Initiatives in FY2024	1) • We launched the Pre-Raise UP Program, a precursor to the Raise UP Program (selective training for female manager promotion), to cultivate talent with the potential to become future section managers and team leaders. • To foster a culture that embraces diversity, we continued to hold DE&I WEEK. 2) • We have addressed the most critical task of addressing our talent portfolio (workforce planning) and completed our assessment of the current situation. • 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 FY2025 and beyond	1) Shortage of candidates for the Raise UP Program and Pre-Raise UP Program 2) Appropriate placement of talent in the right positions for the business portfolio		

Management Foundation		Corporate Governance	
Major initiatives	1) Increasing the ratio of female and foreign nationals becoming directors 2) Increasing the ratio of outside directors	Goals and outputs	1) Percentage of female and foreign nationals as directors: at least 30% 2) Ratio of outside directors: at least one-third
Progress in FY2024	1) 36% (4 out of 11), 2) 64% (7 out of 11)		
Initiatives in FY2024	• At the Board of Directors meetings, opinions were freely exchanged and vigorous deliberations were held, regardless of whether the directors were outside or inside the Company. • Offsite meetings for directors also facilitated free exchange of opinions.		
Recognition of issues in FY2025 and beyond	Maintaining diversity on the Board of Directors		

Management Foundation		Risk Management	
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 FY2024	• Monitoring of countermeasures for priority risks and promotion of risk reduction activities • To incorporate strategic risks into our integrated risk management framework from a management perspective, we conducted a risk factor identification exercise.		
Initiatives in FY2024	• We monitored the status of countermeasures for priority risks by the department in charge of risk management, and promoted risk reduction activities. • We continued addressing global priority risks and conducted monitoring and evaluation of responses by the head office risk management department. • We defined "strategic risk" as "risks that hinder the achievement of the Mid-term Management Plan objectives" and identified relevant risk factors.		
Recognition of issues in FY2025 and beyond	• Supporting response to and monitoring of global priority risks • Promoting risk prevention activities using integrated risk management that incorporates strategic risks		

Management Foundation		Compliance	
Major initiatives	Survey of officers' and employees' awareness and continuous education	Goals and outputs	Conducting compliance awareness surveys and disclosing the results
Progress in FY2024	• Continuing implementation of improvement measures for low-scoring departments • Implementation of education by level		
Initiatives in FY2024	• As a result of continuously implementing improvement measures in departments with low scores in the 2023 Compliance Awareness Survey, we confirmed improvements have been accomplished. • Compliance training was conducted by level.		
Recognition of issues in FY2025 and beyond	• Implementation of a compliance awareness survey and verification of the effectiveness of improvement measures based on its results • Enhancing compliance activities from a global perspective • Implementation of continuous education by level		

Management Foundation		Information Security	
Major initiatives	Maintaining and strengthening incident response organizations and building preventive systems	Goals and outputs	Establishing an information security management system
Progress in FY2024	• Continuous enhancement of the global security framework • Establishment of Cyber BCP • Auditing IT security at all domestic and overseas sites		
Initiatives in FY2024	• We revised group regulations and held a global conference to strengthen the Group's organizational structure. • IT-BCP was created and training was conducted at the target company. IT-BCP development is currently underway at overseas Group companies. • IT security audits were conducted at all domestic and overseas sites.		
Recognition of issues in FY2025 and beyond	• Inter-company collaboration and overall optimization in IT-BCP • Streamlining and enhancing IT security audits		

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Development of technologies, products, and businesses for contributing to the resolution of social issues

Compact Reversible SOC System Capable of Hydrogen Production and Power Generation

The Niterrra Group has identified fuel cell development as one of the key initiatives among our Key Management Priorities. As part of this initiative, we developed the reversible SOC system, which utilizes a solid oxide cell (SOC) currently under development to achieve both hydrogen production via water electrolysis and power generation using fuel cells within a single cell stack.

Development background

In recent years, the adoption of electricity derived from renewable energy sources has been advancing toward realizing a carbon-neutral society. However, renewable energy sources such as solar and wind power fluctuate in output, potentially disrupting the balance between electricity supply and demand and resulting in either surpluses or shortages. When surplus electricity is generated, output is curtailed, and it is predicted that as the proportion of renewable energy increases across society, output curtailment will further increase, making the utilization of surplus electricity problematic.

One solution that is attracting attention is energy management that converts surplus electricity into hydrogen for storage, and then uses the stored hydrogen to generate electricity during power shortages or blackouts caused by disasters. Our Group has developed a reversible SOC system that applies our fuel cell technology cultivated over many years, enabling both hydrogen production via water electrolysis and power generation from fuel cells within a single cell stack.

System features and capabilities

Our cell stack is capable of operating in both modes: SOEC, which generates hydrogen using electricity, and SOFC, which generates electricity using hydrogen and air. Both technologies are essential for achieving carbon neutrality because they do not emit greenhouse gases such as CO₂.

The system offers the advantage of being more compact and space-saving compared to installing SOEC and SOFC separately, as it can switch between hydrogen production and power generation within a single stack.

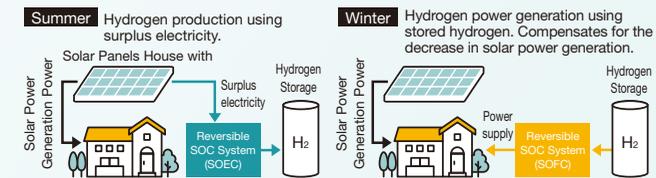
In a SOC system, the cell stack must be maintained at a high temperature of around 700°C, and managing this thermal energy significantly influences the system's efficiency. Our system incorporates a compact, high-efficiency hot module that effectively utilizes internally generated heat, applying our technologies cultivated over many years for controlling the electrochemical characteristics of cell stacks in high-temperature environments, as well as thermal fluid analysis technology.



System use scenarios

<Seasonal electricity supply and demand adjustment>

By converting surplus electricity generated in summer into hydrogen using SOEC and storing it, then supplementing winter electricity shortages with SOFC power generation using the hydrogen stored in summer, it becomes possible to balance electricity supply and demand across seasons.

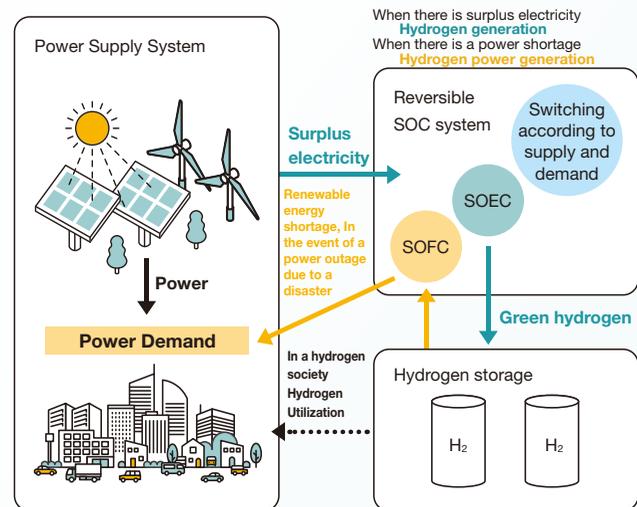


<Use as an emergency power source>

During power outages caused by disasters, solar power generation can provide electricity during the day, but it is difficult to obtain electricity during poor weather or at night. The SOC system can generate electricity using stored hydrogen whenever needed, thereby providing a flexible supply of energy at all times, whether day or night.

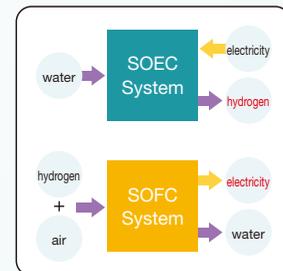
Future prospects

We plan to conduct verification as an energy management system, while also promoting awareness activities to advance the adoption of SOC systems and seeking collaborative partners to aim for commercialization by FY2025. As renewable energy generation such as solar and wind power becomes more widespread, small-scale power generation will increase. This is expected to lead to a migration away from the current power system, which relies on centralized large-scale power plants and long-distance power lines, toward a form of self-sufficient power within regions and a locally self-contained energy supply model. In that world, distributed power systems combining fuel cells and hydrogen generators will become a highly promising format that promises future market growth.



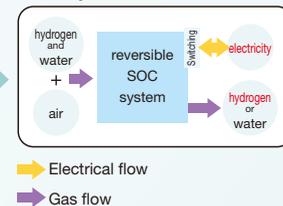
When SOEC/SOFC systems are installed side by side

- Two systems are required.
- The installation area is large and each facility requires its own infrastructure.



In the case of a reversible SOC system

- Both hydrogen production and power generation functions in one system
- Consolidated and compact.
- Reversible operation possible with external switching command.



Comment from the person in charge

The reversible SOC system we developed is a technology capable of long-term energy storage, and it has attracted considerable interest from numerous companies and organizations. We will conduct operations for hydrogen production, storage, and power generation using our in-house verification equipment to identify challenges. Based on the insights gained, we will implement continuous improvements and work to promote the widespread adoption of SOC systems that leverage Niterrra's strengths.
K.T., Energy Business Division

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Message from the Well-being Strategy Officer

By focusing on the well-being of each employee and the organization, we will contribute to the well-being of society as a whole and become a company people choose

Hiromi Kitagawa
 Corporate Officer
 In charge of Human Resources Strategy Dept., Sustainability Strategy Dept., Corporate Communication Dept., Well-being Strategy Group, Global Strategy Div.



The purpose behind establishing the Well-being Strategy Group and the vision embodied in well-being

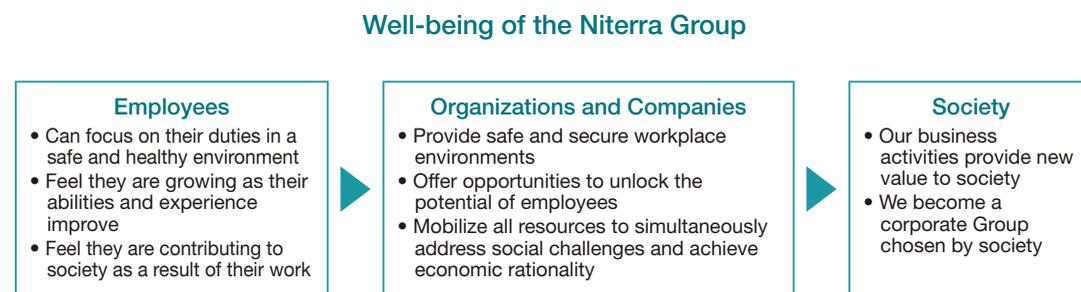
As of April 2025, I am responsible for the Human Resources Strategy Department, Sustainability Strategy Department, and Corporate Communication Department, within the newly established Well-being Strategy Group. By bringing together three departments that play crucial roles in enhancing our Group's non-financial value under the same umbrella, we will lower barriers between departments, facilitate smoother information sharing and collaboration, and strengthen alignment with our management strategy. Having the same officer handle these processes will speed up decision-

making. The ultimate goal of this shift is to ensure more transparent disclosure of information and consistent accountability. Under this new framework, we will strive to provide more comprehensive explanations regarding non-financial information to all stakeholders, including investors. For example, our management strategy will integrate human capital initiatives (Human Resources Strategy Department) going forward. This will be communicated externally as part of our efforts to help solve societal challenges (Sustainability Strategy Department), and we will clearly convey how this fulfills our role as a responsible corporate citizen (Corporate Communication Department), forging synergies and creating a collaborative effect.

The term "well-being" in our group name generally refers to "a concept

signifying mental, physical, and social health." There are generally two approaches to the concept of well-being. The top-down approach pursues the well-being of society as a whole to improve the well-being of each individual. The bottom-up approach instead focuses on the well-being of individuals to improve the well-being of society as a whole. Our Group has embraced the latter approach. Sustainable corporate activities must begin with employees in a state of well-being. We want our employees to find joy in contributing to the Company and society by fully utilizing their abilities in a safe and secure workplace environment, while experiencing growth over the course of their work.

Providing a safe and secure workplace environment allows us to



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harness our employees' capabilities and provide opportunities, while pooling our collective strength to both resolve social challenges and achieve economic efficiency. As a result, the Company will contribute to the well-being of society. This is how our Group perceives well-being. By promoting it, we believe we can provide new value to society via our business and become a company chosen by society.

Reorganization of materiality with sustainability challenges faced and future responses

For our Group to become "a company that brightens the Earth," we must consistently consider the well-being of the planet. We have reorganized our traditional materiality framework using a double materiality approach that examines impacts on both our Company and society. We recognize that social issues require more complex and integrated consideration, and that biodiversity, climate change, human rights, and other related matters form a

series of interconnected challenges. For example, in the shrimp farming related to the land-based aquaculture support business utilizing our Group's sensing technology, current mainstream methods involve the use of chemicals to prevent outbreaks of shrimp disease, as well as practices such as forced labor and child labor. This can lead to both environmental and human rights issues. It was crucial to include these factors and examine the overall interconnected impact on society as a whole, and we then overlaid our business operations onto this framework for further consideration.

Our methodology is based on our approach to the requirements of the Corporate Sustainability Reporting Directive (CSRD) established by the EU as the latest external environmental framework. Considering the current and future state of our Group's businesses, we narrowed down highly relevant items to create projected scenarios, then conducted intensive discussions with the corporate officers responsible for each function. We then scored the impact on both our Company and society, mapped these factors, and established Key Management Priorities following discussions in the CSR and Sustainability Committee and with the approval of the Board of Directors. Previously, there had been challenges in embedding materiality at the corporate officer level, so we incorporated focused discussions into the process as a strategic engagement. It was highly beneficial to have in-depth discussions with corporate officers alongside updates on the outside sustainability environment. The reorganized materiality aligns seamlessly with the sustainability policy of our Mid-term Management Plan 2030 (MMP 2030), which aims to "resolve social issues while achieving economic rationality." During the Mid-term Management Plan 2025 (MMP 2025) period, insufficient attention was given to items showing slow progress. While confirming progress with the CSR and Sustainability Committee which represents management, we intend to strengthen our efforts on the executive side to drive improvements.

The most critical issue we face in sustainability is undoubtedly the response to climate change. Eco Vision 2030 was established by the Group to outline what we want to be by 2030 (goal) and the vision of what we will pursue until 2040, with an eye toward achieving carbon neutrality by 2050. To reduce CO₂ emissions, our Group will pursue four plans: promoting energy conservation, initiatives to improve *monozukuri* (manufacturing) and work practices, developing energy creation, and utilizing procurement and certificates.

Our Group views carbon neutrality initiatives as an opportunity for innovation and technological development. We place high importance on implementing fundamental CO₂ emission reduction measures centered on the first two of the above plans, leveraging technology and ingenuity. While CO₂ reduction efforts are proceeding as planned, the impact of factors such as U.S.-China trade friction, the COVID-19 pandemic, and progress in renewable energy adoption has resulted in reductions appearing to outpace emissions. However, CO₂ emissions are expected to increase in line with planned production growth going forward, so we anticipate achieving our target by FY2030. To set targets for 2030 and beyond, we established an ambitious new interim goal for carbon neutrality this spring: a 71% reduction in CO₂ emissions by FY2035 (compared to FY2018 levels) and have begun preparations to achieve this target. We intend to incorporate various new technologies and innovations to tackle even more challenging areas.

With regard to human rights within global supply chains, we recognize that while compliance with various laws and regulations is essential, it is also necessary to effectively consider differences in culture and working practices across various countries.

- ▶ P. 63 Respect for Human Rights
- ▶ P. 68 Natural Capital - TCFD

Achievements and challenges in strengthening human capital, and future initiatives

Our Group views human resources as human capital, the source of value creation. To reinforce this position, we have implemented numerous measures over the years. "Developing self-leading and innovative persons" was a theme of the four-year MMP 2025, which concluded in FY2024. Self-reliant and Creative Talents refers to individuals who can independently devise optimal solutions and take initiatives in response to the various challenges we face. The active participation of these talented individuals is what drives the growth of our Group. In recognition of this, we have established the following as the foundation of our Human Capital Policy: To become a company that thrives alongside diverse, motivated individuals, working together to enact our vision. The main pillars we have devoted our initiatives to are further leveraging existing talent, developing and managing managerial talent, and acquiring



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outside specialized talent. We have achieved consistent results in each area, and are particularly pleased to see that the recruitment of outside specialists has increased the number of career hires. These specialists are now actively contributing across all departments.

We are only halfway toward achieving our human capital management strategy, which can be achieved by integrating the individual initiatives we have pursued thus far to enable the human capital strategy aligned with our business strategy, the development of talents who support portfolio optimization, the placement of the right people in the right roles, and unified global talent management to create a talent pool. The various initiatives we have pursued have become increasingly robust, but we have not yet reached the point where they are fully integrated with our management strategy and incorporated into an evaluation system that properly recognizes the daily contributions of our employees. Taking these points into consideration, we have made human capital a major topic among our Key Management Priorities, Integrating individual initiatives to achieve results as part of an overall strategy is also a key point in the human capital strategy outlined in the MMP 2030, which launched this fiscal year. Our vision is to cultivate "talent and workplaces that brighten the Earth," aiming to nurture individuals who possess both strong will and execution capabilities. Underpinning each of these individual decision-making criteria is our philosophy system known as the Niterra Way. We are re-examining our initiatives to cultivate individuals who embody and act upon our shared values: Dokuritsu-Jiei (independent spirit), Soshi-Kantetsu (perseverance in one's original aspirations), Shisei-Shinjitsu (utmost sincerity and trustworthiness), and Shikai-Keitei (universal brotherhood). These four principles are our fundamental foundation and guiding criteria for action. Additionally, we linked the system for evaluating remuneration for directors (and other officers) to engagement scores to achieve this goal. As mentioned earlier, it is only by making the necessary human capital investments and achieving well-being that we can begin moving other indicators, including responding to climate change.

The key initiative we particularly aim to advance as part of our MMP 2030's human capital strategy is global talent management that strives to achieve both corporate sustainability and well-being. In order to successfully implement our business strategy, we will identify and optimally place the necessary talents, further implement talent development and capability

enhancement, improve individual performance, and boost organizational strength. Under this strategy, we will specifically implement the following initiatives: promote the permeation of the Niterra Way; introduce a global grading system to unify key position ranks worldwide, enabling employees to work anywhere in the world; establish a global job posting system to clarify the necessary job requirements and skills for each position; and develop key positions and future management talent to build a talent pool. We will ensure that all individuals working within our Group embody the Niterra Way which will be achieved by firmly linking it to evaluations within our HR systems and training programs, recognizing exemplary behavior through awards and acknowledgments, and continuously creating and sharing role models for globally required conduct. All of these efforts will elevate the Niterra Way into a definitive standard for judgment. Corporate Communications plays a crucial role in championing this initiative, and it needs to be executed across the entire Well-being Strategy Group. We intend to promote this initiative in collaboration with relevant departments.

▶ P. 56 Human Capital

Thoughts from the Well-being Strategy Officer

It has been four years since I transferred to the Sustainability Department within our Group. Compared to four years ago, I feel that both management's mindset and employees' perceptions have changed immensely. As I mentioned earlier, it is crucial for corporate growth to cultivate individuals who find joy in personal development by improving their potential and experience, and who contribute to society through the company. In that sense, I also hope to gain experience and continue growing through the Well-being Strategy Group functioning organically and creating a positive environment both inside and outside the Company. The Well-being Strategy Group is recognized as an organization that particularly contributes to reducing the cost of capital to improve PBR. Our Group is tasked with identifying and maximizing non-financial value looking forward to the day it translates into financial value. This organization is crucial to our Group's sustained growth and future value creation, and I feel a deep sense of responsibility for this. It is crucial to link these non-financial values to the enrichment of our business activities and thereby contribute to the enhancement of corporate value. To that end, we



are investigating specific logic models and calculation formulas for quantifying the impact of non-financial information, but determining the extent to which these can be adopted remains a challenge for the future. For instance, when advancing new business pillars, we believe it is possible to calculate the impact in areas where economic effects are difficult to measure and use this as a basis for development-related decisions.

While there has been a backlash against the recent aggressive push for ESG initiatives, climate change remains a challenge that must be addressed over the long term. More and more people are feeling that each summer is hotter than the last. Long-term social challenges will not resolve themselves without action, and we view addressing them as a critical management priority and business opportunity. We face a multitude of challenges, but we intend to continue thinking about how our Group will address them and taking action ourselves. As the responsible corporate officer, I plan to dedicate myself wholeheartedly to addressing these challenges.



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CSR and Sustainability Charter and 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.

Promotion System

To ensure our Group's sustainable growth alongside society, we have established a CSR and Sustainability Committee (holding four regular meetings annually and additional meetings as needed). With an outside director serving as chairperson to emphasize external perspectives, we have identified three Key Management Priorities: solving social issues, human capital, and management foundation, and are pursuing activities to advance these areas.

They engage in multifaceted discussions on various ESG topics to encourage long-term sustainability management. In response to inquiries from the Board of Directors, the Committee will invite outside experts as necessary to enhance its insights and perspectives, and submit its recommendations accordingly to the Board.

Additionally, regarding important ESG topics, we will establish a subcommittee under the CSR and Sustainability Committee to monitor them closely. At this time, we have established a Human Rights Subcommittee to oversee the effectiveness of human rights due diligence.

We monitor each special committee to ensure that its respective specialized operational functions are performing effectively.

Key information regarding progress on Key Management Priorities such as main initiatives for Responding to Climate Change and Risk Management is also shared with the CSR and Sustainability Committee. Important decisions made by each special committee are reported to the Board of Directors via the Corporate Management Committee, which deliberates, decides, and supervises important matters concerning business execution.

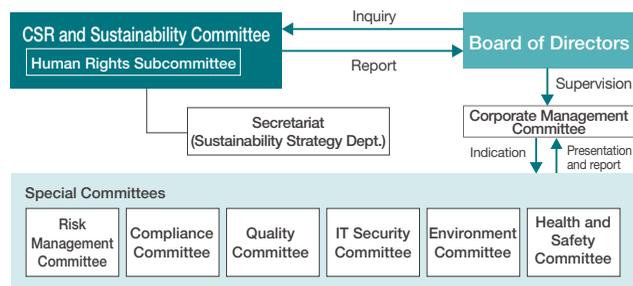
The Sustainability Strategy Department, which plays a key role in execution,

CSR and Sustainability Charter

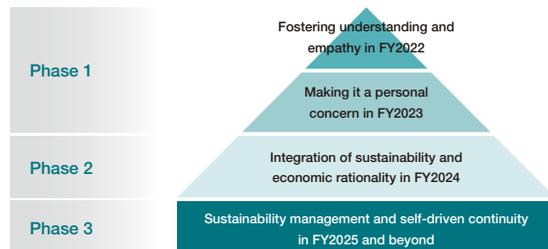
- We contribute to develop a sustainable society, thereby improving our corporate value.
- We build relations of trust with our stakeholders while making highly transparent decisions and actions.
 - We cocreate and provide new value to solving social issues.

CSR Basic Policy

- Risk Management Policy
- Compliance Policy
- Human Rights Policy
- Quality Policy
- Information Security Policy
- Procurement Policy
- Information Disclosure Policy
- Environmental Policy
- Human Capital Policy
- Occupational Health and Safety Policy
- Social Contribution Policy
- Tax Policy



CSR and Sustainability Committee Mid-term Management Plan



has become a department under the newly established Well-being Strategy Group as of April 2025. By collaborating and integrating with the Human Resources Strategy Department and Corporate Communication Department within the same group, we have established a framework enabling more cohesive sustainability management in collaboration with HR and PR strategy.

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

With an eye toward the ideal form of sustainability management, we are discussing what we can do to address social issues, based on our core competencies 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 Niterra 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 empathy of society.

Committee Activities

In FY2024, we continued in-depth discussions on materiality, aiming to integrate our findings into our long-term and medium-term plans and to harmonize sustainability with economic rationality. We then submitted a proposal to the Board of Directors identifying resolution of social issues, human capital, and management foundation as the three Key Management Priorities, and obtained its approval. Additionally, to determine Niterra's future direction, the committee hosted an expert lecture for members to gain the latest insights, learning alongside executives and managers about sustainability and corporate strategy at this pivotal moment in time. Furthermore, to promote the permeation of our philosophy and its embodiment in business activities, and to enhance the engagement of all officers and employees, we plan to implement a revamped internal recognition program called the Niterra Award during FY2025.

In FY2025, we intend to advance discussions on the committee's activities under the new Mid-term Management Plan, aiming for sustainability management and self-driven continuity. We will also pursue the resolution of social issues and the enhancement of corporate value in the course of our business activities by vigorously supporting specific actions on the executive side, focusing primarily on the key initiatives for the management issues that we address with the highest priority.



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Message from the Corporate Strategy Officer



Driving further growth in our automotive components businesses and cultivating new business pillars to maximize utilization of our core assets to become a company that brightens the Earth

Keiji Suzuki

Director, Executive Officer
In charge of Corporate Strategy Dept. and Business Infrastructure Strategy Dept.
within Corporate Strategy Group, Global Strategy Div.,
General Manager of Management of Technology Div., Head of Business Implementation Div.,
In charge of Platform Development Center and Energy Business Div.

The Mid-term Management Plan 2025 (MMP 2025), which we pursued through FY2024, largely achieved its financial targets and concluded at a level that could be considered impressive in numerical terms at first glance. However, these results were significantly affected by beneficial exchange rates. If the influence of the rates is excluded, the results were not perfect.

While we fully recognize that the automotive components business has driven growth and emerged as a major pillar of earnings, the growth businesses and new business pillars, which were expected to lead future growth, failed to achieve the anticipated growth. Progress in optimizing the business portfolio fell short of expectations, which we view as an area requiring reassessment. Reflecting on these successes and failures, the factors that need to be resolved for the next stage of growth have become clear.

Our Company has grown primarily through automotive components businesses and has expanded its operations based on this solid business foundation. To build on that stability, we needed to take a more proactive stance of taking on new challenges and risks. During the MMP 2025 period, we implemented a company system and worked to foster a shift in mindset and

revitalize our corporate culture. Although this yielded some results, the steady performance of our automotive components businesses meant that initiatives aimed at transforming our business structure did not progress sufficiently. We recognize this as an ongoing challenge requiring continuous attention.

Next, we must also reflect on the fact that by expanding the scope of our challenges in creating new business pillars too broadly, we failed to narrow down the areas we needed to focus on and nurture. We made some adjustments during the MMP 2025 period to narrow down the focus of our areas of challenge. MMP 2025 served as a preparatory phase leading to Mid-term Management Plan 2030 (MMP 2030), and we also view it as a period for laying the groundwork to chart a new course for growth.

Balancing economic rationality and social value to be a company that brightens the Earth

In formulating our MMP 2030, we began by re-examining the value of our Group.

For nearly 90 years, we have supported the evolution of the mobility sector by providing spark plugs and oxygen sensors. We take pride in the fact that improvements in combustion efficiency and exhaust gas control through spark plugs and oxygen sensors have led to reduced environmental impact and enhanced energy efficiency, and generated significant social and economic value.

The technology our Company has cultivated over the course of this journey is unique. Leveraging this strength, our core vision to become a company that brightens the Earth is born from our determination to expand our sphere of influence beyond the mobility sector and contribute to society in diverse ways. This concept is also embodied in the name “Niterra,” a combination of the Latin words “niteo,” meaning “to brighten,” and “terra,” meaning “Earth.”

However, companies cannot sustain themselves on social significance alone. Economic rationality in securing profits and creating value necessary for society are not mutually exclusive; sustainable growth is achieved only when both are pursued simultaneously. We view these two values as two



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wheels driving our progress and have enshrined our aspiration to become a company that brightens the Earth through sustainable development in our MMP 2030.

Regarding the Mid-term Management Plan starting in FY2025

MMP 2030 sets very challenging target values. In the automotive components business, we anticipate solid growth exceeding the MMP 2025 period. We envision strategically allocating the resources gained from this to areas where our core assets can be maximally leveraged, further strengthening our robust automotive components business while utilizing our cultivated core assets to create new businesses that will drive next-generation growth. The three areas



we have positioned as our focus areas are Mobility, Semiconductors, and Environment & Energy. We will concentrate the majority of our investments in areas highly compatible with leveraging our core assets, such as our proprietary ceramic and inorganic material technologies, as well as our established commercial channels and customer resources, to act as the core drivers of our business expansion. While MMP 2025 included the medical field, we have decided to remove the broad medical field from our focus areas. This decision reflects our strategy to concentrate on areas such as the respiratory system by leveraging our gas sensing technology, one of our core strengths.

For businesses centered on ceramic technologies and products involving NTK CERATEC and Niterra Materials in particular, we aim to make solid investments based on near-term growth expectations and significantly expand these operations.

In the Environment & Energy sector, we expected it will take some time to contribute to revenue. We are currently engaged in the fuel cell business, but there is potential for future expansion into areas such as hydrogen production. We will continue to make appropriate investments from a mid-to-long term perspective, aiming to increase future returns beyond 2030. We will strategically pursue revenue generation with a focus on the time axis, taking into account the characteristics of our business areas.

Specific initiatives for growth

As mentioned earlier, NTK CERATEC and Niterra Materials are indispensable for growth centered on ceramic technologies and finished goods. Initiatives to promote each company's growth require different points of focus.

NTK CERATEC operates in the highly volatile semiconductor sector and must carefully assess timing and areas of focus, clearly distinguish between areas warranting investment and those that do not, and adopt a focused approach. To achieve this, it is essential both to receive proposals from business departments and for corporate divisions to work together to foster the growth of the business. Headquarters must take a leading role in decision-making, including investment decisions, and manage them appropriately.

For Niterra Materials, it is crucial to first ensure the successful execution of the Purchasing Managers' Index (PMI) and to systematically capture any new

synergies identified within that plan. Initially, we saw our respective strengths (namely, oxide ceramics for our Company and silicon nitride ceramics for Niterra Materials) as creating a complementary relationship with minimal overlap, which proved advantageous. However, it has become clear that the Company possesses insights and technical capabilities regarding silicon nitride systems that exceed initial expectations. We have high expectations that combining the insights of both sides will yield significant results going forward. We are also exploring potential synergies beyond Niterra Materials' core products, such as ceramic balls and heat dissipation substrates.

For Niterra Materials, our competitive advantage in overseas markets and sales channels targeting automakers could serve as a stepping stone for expanding into new markets. To maximize these synergies, we have carefully organized each element and incorporated them into our Mid-term Management Plan.

However, when technology companies merge, mutual understanding of each other's technologies can also lead to misperceptions arising from differences in corporate culture. While we will strive to achieve technical synergies early on, we will carefully and gradually integrate management practices and cultural aspects over time, with the aim of maximizing integration benefits with a balanced approach.

Even in fields where the connection to ceramic technologies and products is tenuous, we are proactively pursuing the launch of new business pillars by leveraging our Group's core assets and strengths using frameworks such as internal ventures in areas where we identify significance and value. For example, we have a business called Niterra Electric Power that harnesses the relationship between our Group and automotive repair centers to sell electricity generated by solar panels installed on the repair centers' rooftops back to those centers. At first glance, this may seem unrelated to our technologies and core assets, but it adds value by strengthening and streamlining our relationships with these repair centers.

We are also commercializing a water quality management system utilizing our proprietary sensing technology and applying it to shrimp farming. Even in areas outside of ceramics, we will continue to pursue initiatives with an eye toward the future whenever we determine that our technologies and assets can be leveraged to create new value.



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Clarifying the functions of corporate divisions and enhancing governance to implement growth strategies

While MMP 2025 respected the autonomy of business divisions, it lacked corporate functions to supervise the entire company. I believe this was one factor that delayed the transformation of our business structure. Based on this consideration, we restructured our organization to strengthen our management foundation and clarified the roles of corporate divisions, enhanced their capabilities, and transitioned to a more efficient system for accurately monitoring business units.

In managing our business portfolio, we have established specific criteria starting from the MMP 2025 phase and are implementing response policies that include withdrawal. However, for businesses positioned to cultivate our proprietary technologies and core assets, we make comprehensive judgments on whether to continue them based not only on profitability but also on their overall significance, including their technological and strategic value.

In our efforts to create new business pillars, we continuously monitor whether sufficient returns relative to capital costs can be expected and determine whether to incorporate them into the portfolio based on these results. For projects lacking commercial viability, we consider removing them from the portfolio as necessary based on a quantitative assessment. The corporate divisions will take the lead in strictly managing this entire process while ensuring effective governance is in place.

This clarification of roles is an important theme not only for corporate divisions but also for research and development divisions. While a business perspective is essential for technological development that creates a competitive advantage, fundamental research is indispensable for long-term growth. Based on this philosophy, we have restructured our R&D organization, dividing the technology development department into distinct functions: basic research, applied research focused on business needs, and development directly linked to business operations. While research activities vary in their timeframes and focal points, clarifying each respective role allows us to establish a framework that allows for more steady progress toward our objectives. From 2024 onward, these initiatives are moving steadily forward.

Advancing the definition of smart factories toward full implementation

In our specific growth initiatives, digital transformation (DX) is a major theme. For our Group in particular, DX in manufacturing processes, particularly building out smart factory systems, is an essential part of improving profitability.

A smart factory is more than merely incorporating digital technology into manufacturing processes. We envision an integrated system that connects and visualizes the entire process, from the placement of orders and manufacturing to shipping and delivery by means of data, while incorporating automation into each process and logistics.

In comparison to the ideal state, our current reality is at the stage of digitalization rather than advancing DX. To this point, we have been unable to significantly change our traditional methods due to an excessive focus on process efficiency, resulting in only limited digitalization. Using DX, we will drive fundamental reforms in production processes and clearly reflect the resulting efficiency gains in quantitative metrics. During the MMP 2030 period, we will first define the scope of our smart factory initiative and incorporate these concepts into the design for new production lines. However, for existing processes, we aim to establish a framework to horizontally deploy these concepts wherever feasible.

DX is also crucial for enhancing efficiency within indirect departments as part of bolstering headquarters functions. We will analyze indirect efficiency based on objective data and strive for continuous improvement.

To our stakeholders

We anticipate that Automotive Components will continue to generate stable profits going forward. However, we will not be complacent with the current situation and instead strive to achieve further efficiency improvements, so that everyone can grasp the growth and solidity of our Group.

During the MMP 2030 period, we will strive to draw people's attention to our growth areas, particularly in Component Solutions, where we have



implemented various measures for improvement based on past successes and failures. We will also establish an integrated management foundation between headquarters and operations to support this growth.

We hope that we can continue to rely on your support as we strive to become a company that brightens the Earth, focusing not only on Mobility but also on our key areas of Semiconductors and Environment & Energy solutions.

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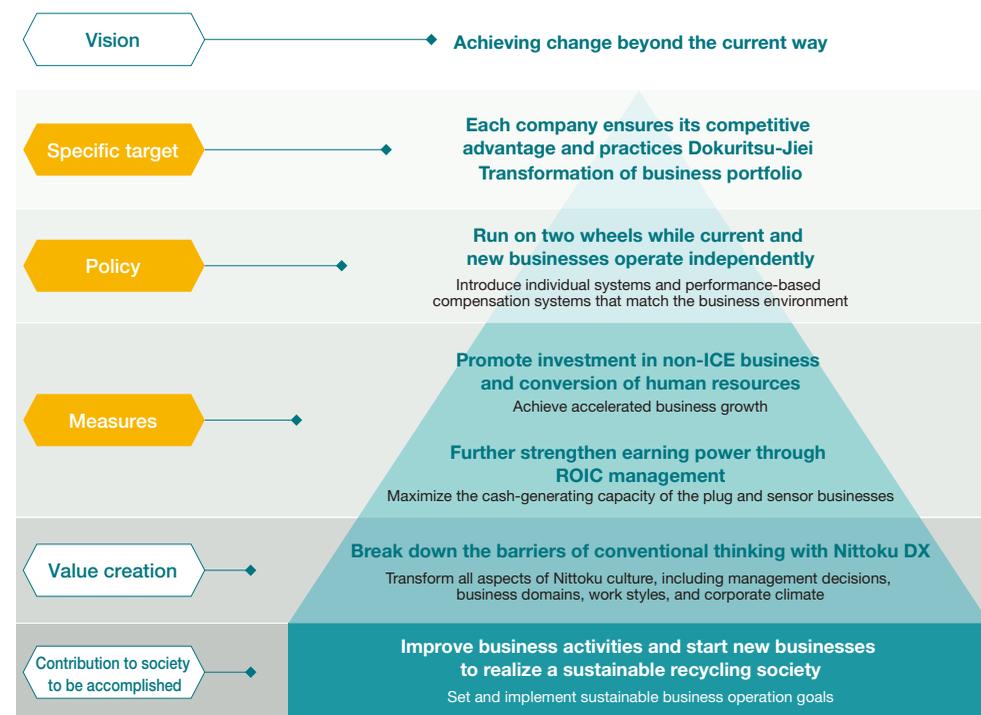
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Looking Back on the Mid-term Management Plan 2025



Mid-term Management Plan 2025 Basic Policy

In the Mid-term Management Plan 2025, we positioned the four-year period from FY2021 to FY2024 in the Long-term Management Plan 2030 as a time for organizational transformation under the slogan: “Break to change” and “Change to create.” Guided by the principle that current and new businesses would operate independently yet run on two wheels, we embarked on a transformation from the ground up.



Progress Toward Quantitative Objectives

The business environment remained uncertain, marked by the resurgence of COVID-19 infections since the first fiscal year, the impact of semiconductor supply shortages on automobile production volumes, the prolonged Russia-Ukraine situation, and soaring prices of raw materials. However, in the automotive components business, profitability continued to improve due to strong sales of AM products, successful implementation of price increases responding to inflation, and the positive impact of the weakening yen on earnings. Furthermore, in the ceramic business, positioned as an area of growth and new business, despite semiconductor-related operations being impacted by production adjustments in the market, we achieved our targets for revenue, operating income, and capital efficiency metrics one year ahead of schedule. This was driven by factors including the expansion of our business scale.

Items	FY2020 Results of the final year of the Mid-Term Management Plan (April 2016–March 2021)	FY2024 Target for the final year of the Mid-Term Management Plan (April 2021–March 2025)	FY2024 Results of the final year of the Mid-Term Management Plan (April 2021–March 2025)
Net sales (billion yen)	427.5	600.0	652.9
Net sales of growth and new businesses (billion yen)	88.9	150.0	114.0
Business portfolio ratio (ICE:Non-ICE)	79:21	75:25	83:17
Operating income (billion yen)	47.3	100.0	129.6
Operating income ratio	11%	17% or more	20%
ROIC	6%	10%	11%
ROE	9%	13%	14%
Exchange rates	1 dollar = 106 yen 1 euro = 124 yen	1 dollar = 100 yen 1 euro = 120 yen	1 dollar = 153 yen 1 euro = 164 yen

- Shareholder Returns**
- ✓ A total of approximately 120 billion yen in dividends was distributed during the current Mid-term Management Plan period, exceeding the initial plan of 100 billion yen.
 - ✓ In the fiscal year ended March 2025, a minimum dividend was introduced based on DOE.
 - ✓ A share buyback of 20 billion yen has been executed

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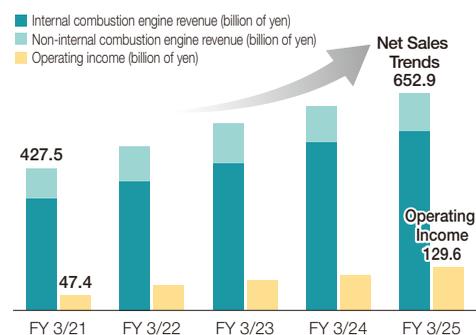
● Achievements and Priorities

	Achievements	Priorities
ICE (Internal Combustion Engine) business	<ul style="list-style-type: none"> ▶ Transitioned to high value-added products <ul style="list-style-type: none"> • Increased sales of repair and commercial sparkplugs • Promoted sales of precious metal sparkplugs, all sensors ▶ Adjusted prices, offsetting rising raw material costs 	<ul style="list-style-type: none"> ▶ Adapting the ICE business to Environmental Changes <ul style="list-style-type: none"> • Optimizing production locations • Enhancing adaptability to fluctuations in demand ▶ Significant improvements in operational efficiency including digitalization
Growth and new businesses	<ul style="list-style-type: none"> ▶ Expanded revenue in SPE business ▶ Strengthened xEV business through acquisition of Niterra Materials ▶ Improved profit structure by liquidating unprofitable businesses 	<ul style="list-style-type: none"> ▶ Further expanding sales and improving efficiency of SPE business ▶ Establishing growth and new businesses <ul style="list-style-type: none"> • Concentrating resources into focus areas and businesses • Management speed and mindset development tailored to each business type
Headquarters indirect functions	<ul style="list-style-type: none"> ▶ Achieved ROIC and ROE targets ▶ Enhanced shareholder returns ▶ Implemented business portfolio management 	<ul style="list-style-type: none"> ▶ Strengthening Management Foundation <ul style="list-style-type: none"> • Strengthening the ability to execute strategies through prompt and appropriate allocation of management resources • Building a flexible and resilient organization by enhancing human capital • Maximizing operational efficiency and productivity gains through digital transformation

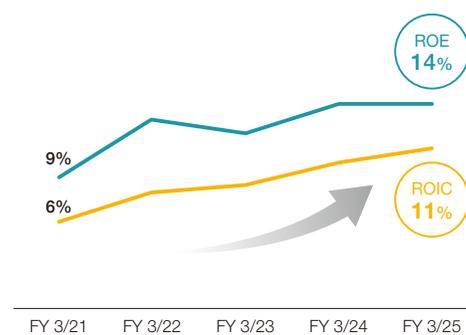
Trends in management indicators

Revenue and operating income reached record highs despite changes in the market environment, including the COVID-19 pandemic, while capital efficiency also improved. Although the business portfolio ratio target was not achieved due to the growth of the ICE business, the scale of the non-ICE business expanded nonetheless.

Net Sales Trends/Operating Income Trends



ROE/ROIC



Transition of the business portfolio

- For growth and new businesses, the scale of revenue increased by approximately 28% compared to FY2020. In the SPE business, we are steadily capturing robust semiconductor demand by meeting increasingly demanding performance requirements with our ceramic material technology. Additionally, in November 2024, we decided to acquire shares in Toshiba Materials Co., Ltd. (now Niterra Materials)—making it a subsidiary—aiming for business growth in areas such as ceramic bearing balls for motors using silicon nitride, which is expected to see market expansion for electric vehicles in the future, and silicon nitride heat dissipation substrates for power semiconductors. On the other hand, we also withdrew from unprofitable businesses and products, thereby improving our revenue structure.
- In April 2021, we transitioned to an internal company system and spun off certain business departments. We will clarify authority and responsibilities within each organization (business divisions, business support divisions, and corporate divisions), and promote further growth through dynamic decision-making and visibility of profitability under an independent and self-managed structure.

Promoting the transformation of the talent portfolio

- To achieve this transformation, which is essential for our business portfolio reform, we actively shifted our workforce to growth and new businesses, while fostering Self-reliant and Creative Talents.

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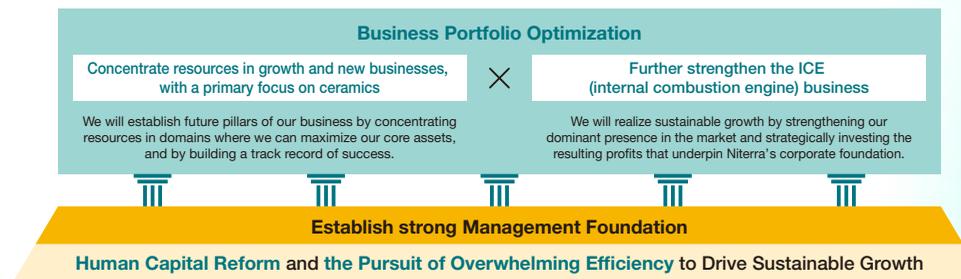
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02 Growth Strategy Mid-term Management Plan 2030



- 1 Generate new businesses by focusing on our cultivated core assets, such as ceramics and inorganic materials.
- 2 Further strengthen our strong Internal Combustion Engine (ICE) business and continue to contribute to society.
- 3 Strongly drive further reforms of our management foundation to support the Business Portfolio Optimization outlined above.



Key Management Targets

With regard to revenue, we will focus on our ceramics-based domains, and considering the anticipated continued existence of the ICE market, we aim to greatly expand our top line, targeting a 1.5x increase to 1 trillion yen between the fiscal year ended March 2025 and the fiscal year ending March 2030.

Furthermore, our policy is to enhance our earning power through growth investments centered on the Automotive Components and SPE businesses, expanding EBITDA to 285 billion yen, which corresponds to a 1.6x increase.

* This management target includes the plug and exhaust sensor businesses, for which a business transfer agreement was concluded with DENSO in September 2025. Although clearance from competition authorities has yet to be obtained, these businesses are included under certain assumptions.

Financial Targets	FY 3/25	FY 3/30
Net sales (billion yen)	652.9	1,000
Of which: Component solutions, etc.	114	300
EBITDA (billion yen)*1	175	285
Operating income (billion yen)	129.6	210
Operating income ratio	20%	21%
Profit attributable to owners of the parent (billion yen)	92.6	145
ROIC	11%	12%
ROE	14%	16%
Exchange rate	1.00 USD = 153 JPY	1.00 USD = 135 JPY

*1 EBITDA: Operating income + Depreciation and amortization + Impairment loss

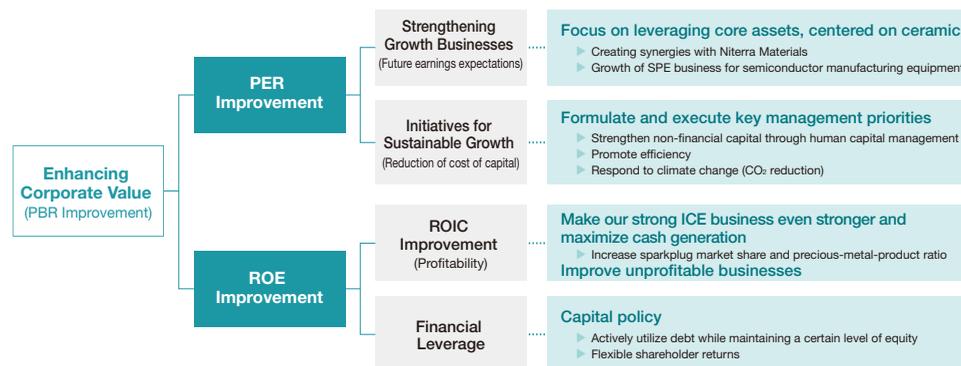
*2 Operating income and related items are figures calculated based on certain assumptions for purchase price allocation (PPA) of M&A projects and related amortization.

Objectives of the Mid-term Management Plan

To enhance corporate value, we will pursue the dual objectives of further improving ROE and increasing the PER (Price Earnings Ratio).

To improve ROE, we will further strengthen our robust ICE business to maximize cash generation while drastically improving unprofitable operations. We will also pursue capital strategies that proactively utilize debt while maintaining equity capital, and optimize financial leverage through flexible shareholder returns.

Meanwhile, to improve the PER, we will strengthen growth businesses centered on ceramics core asset utilization, such as creating synergies with Niterra Materials and driving growth in the SPE business for semiconductor production equipment, thereby raising future earnings expectations. Furthermore, we will advance initiatives for sustainable growth, including enhancing global governance, addressing climate change (reducing CO₂ emissions), and strengthening non-financial capital by managing human capital, while also striving to reduce our cost of capital. By adopting these measures, we will establish a resilient corporate structure capable of achieving sustainable growth and aim to become a company that brightens the Earth.



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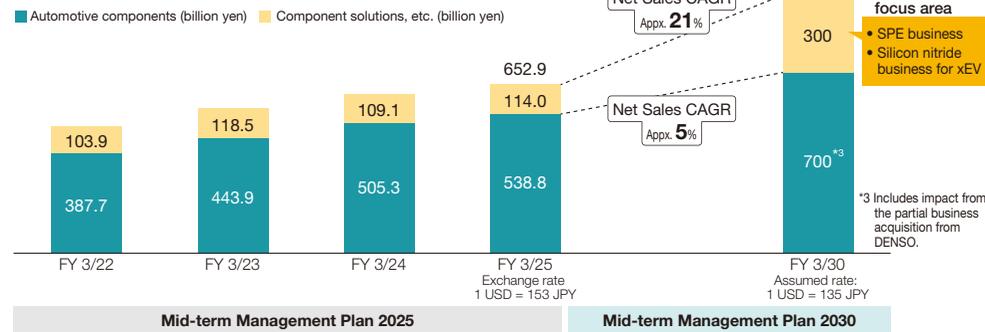
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Business Portfolio Transformation by FY 3/2030

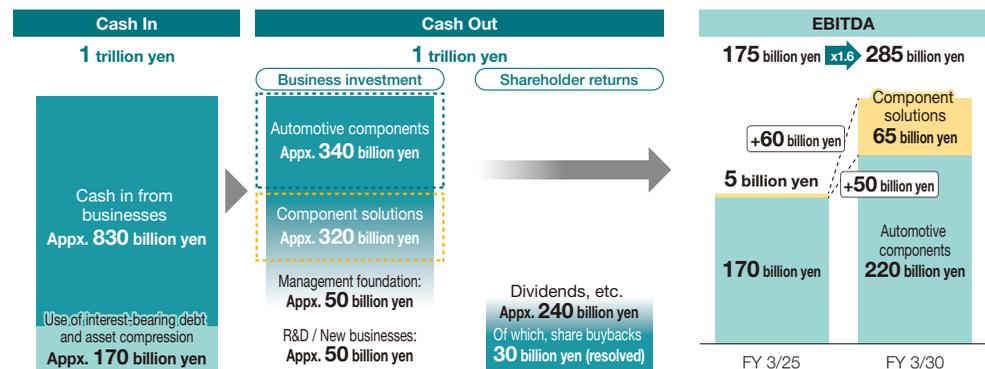
The automotive components business aims for stable growth by accurately capturing the re-evaluation and growing demand for internal combustion engines. The component solutions business will be driven by focus domains centered on the SPE and silicon nitride businesses, while also expanding into xEV applications.

Net sales trends



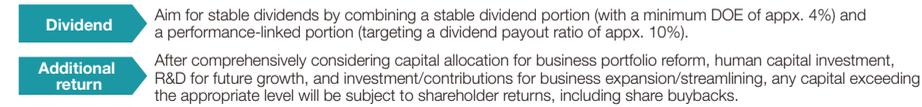
Cash Allocation

Support sustainable growth by intensively allocating cash to our focus domains (Mobility, Semiconductors, Environment & Energy). Enhance shareholder returns by implementing additional returns through share buybacks, in addition to dividends, while maintaining financial soundness. As a result, expand EBITDA 1.6-fold by FY 3/30.

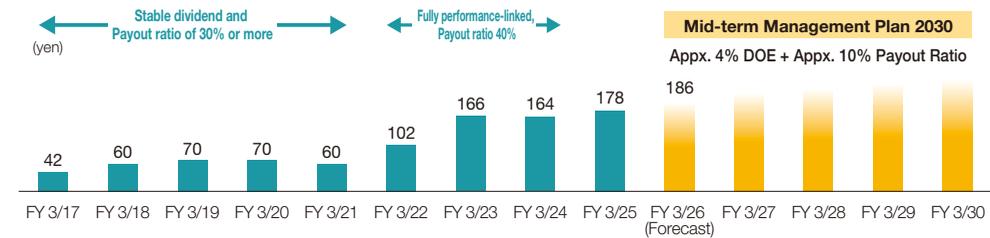


Shareholder Return Policy

We will enhance shareholder returns through a dividend policy based on stable dividends (by introducing a DOE indicator) and consideration for profit growth.

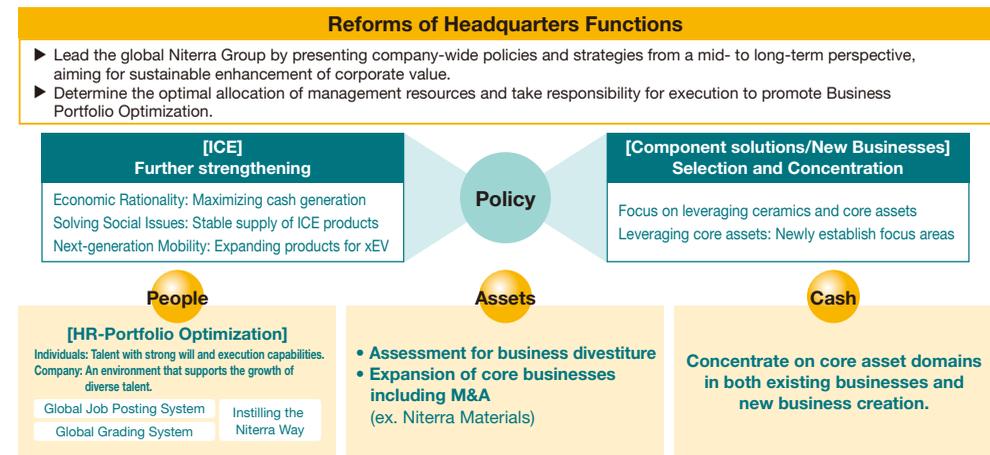


Dividend per Share (DPS): Track Record and Future Outlook



Strengthening the Management Foundation

As part of strengthening our management foundation, we will proceed with reforming our headquarters functions.



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Overview of Niterra DX

We formulated Niterra DX as our vision to promote digital transformation (DX) and to achieve our vision and goals established in the Niterra Group's Mid- to Long-term Management Plan. We will establish basic strategies for each layer of this plan to transform our operations, business, and existing concepts.

1. IT infrastructure to support transformation

We will establish flexible, secure, and safe IT infrastructure to support the digital transformation of the Niterra Group, encourage synergies between businesses, and support new business growth.

2. Talent to support transformation

We will develop educational programs for all Group companies and core talent to foster a culture that is open to change and innovation through education and that proactively embraces and utilizes digital technology.

3. Transformation of operations

We will introduce various work styles in both offices and plants. We will also pursue faster decision-making through data utilization and pursue value creation and productivity improvement through the use of AI and other technologies.

4. Transformation of business

We will create businesses that contribute to achieving a sustainable society based on Niterra Group ceramic technologies cultivated to date.

Goals for Improving Productivity

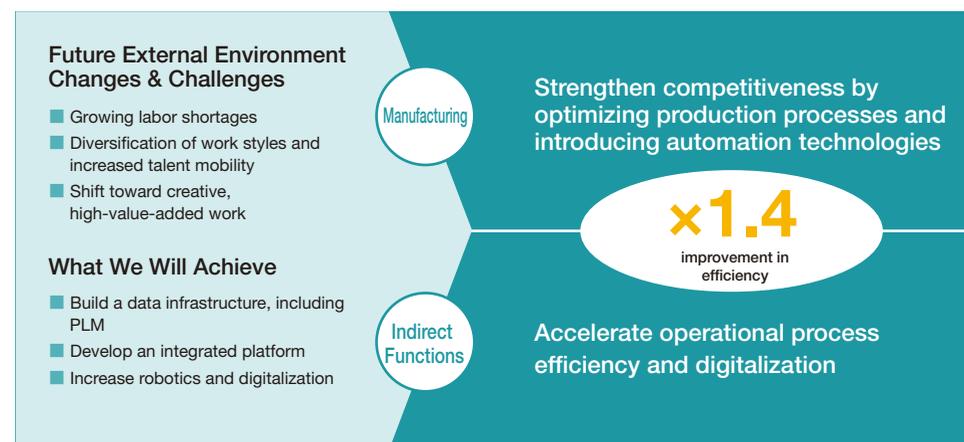
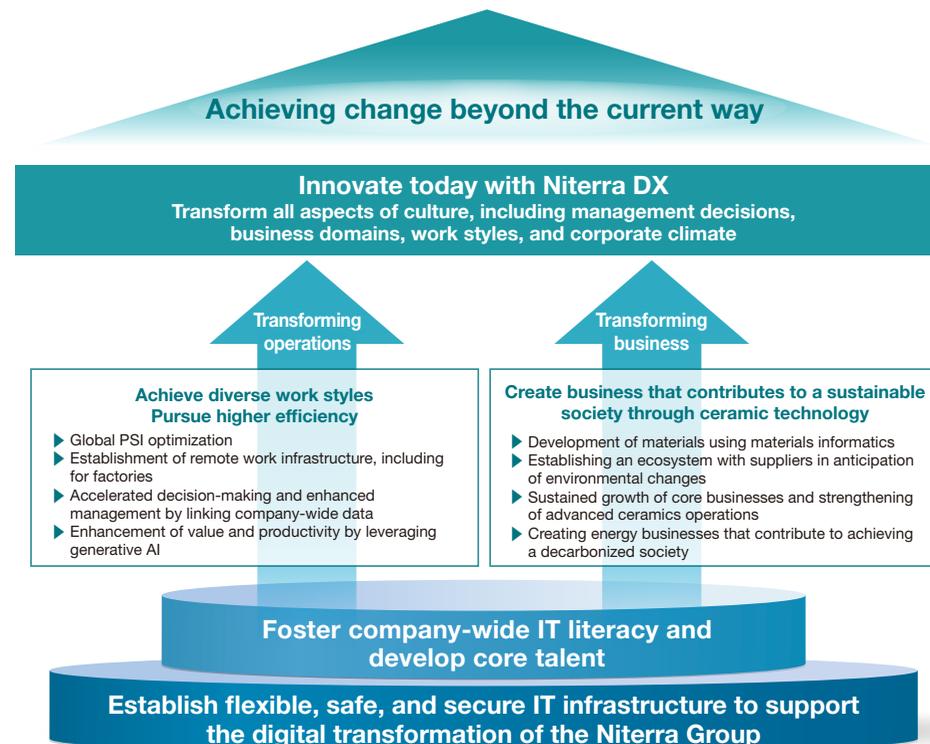
Our Group will evolve our business foundation by utilizing diverse data, including smart factories, to enhance value-added productivity and revolutionize operational efficiency.

Declaration of Niterra DX Promotion

We, the Niterra Group, declare that we will promote Niterra DX as our management strategy to transform through digital technology, contribute to a sustainable society, and achieve our goals set in the Mid- to Long-term Management Plan.

Takeshi Kawai

Representative Director, President & Chief Operating Officer



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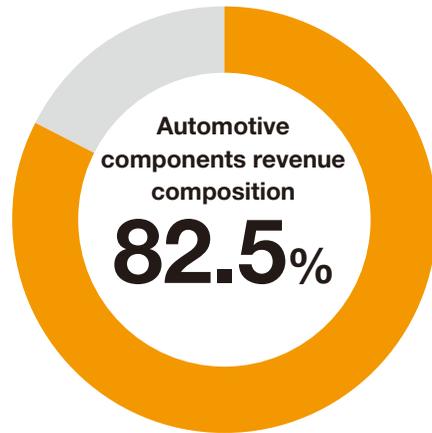
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Growth Strategy

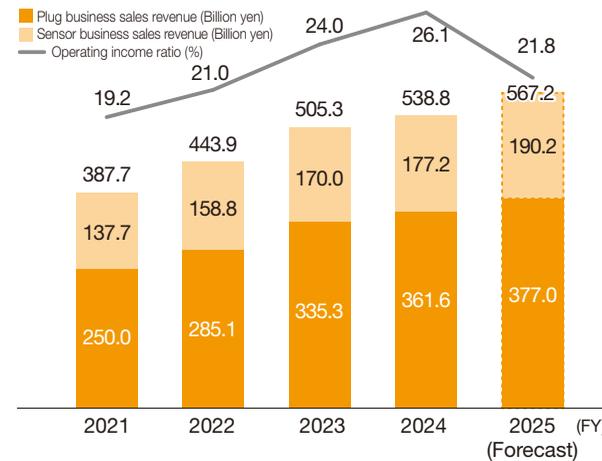
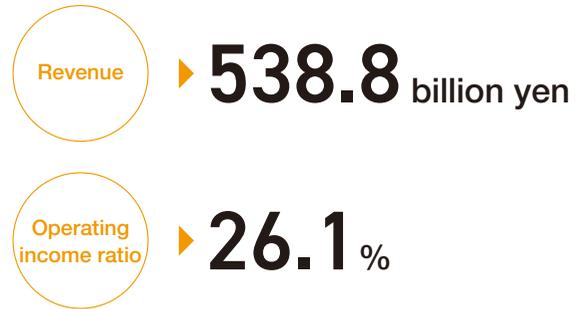
Business Strategy: Automotive Components



Revenue and operating income ratio



FY2024 results



S (Strength)

W (Weakness)

O (Opportunity)

T (Threat)

Plugs/ Sensors

- Ceramic material technology, disparate material bonding technology
- Application technology for harsh environments
- Global production and sales system
- Specification proposals and technical support to meet customer needs

- Delays in advancing digitalization, such as converting existing production processes into smart factories

- Extended lifespan of internal combustion engines due to sluggish electrification and expectations for new technologies such as fuel diversification
- The number of internal combustion engine vehicles in operation remains high
- Continued growth in new vehicle sales in emerging markets, with new demand driven by new regulations

- Decrease in sales of new vehicle products due to the reduced production volume of internal combustion engine vehicles
- Cost impacts from geopolitical risks, including U.S. tariff measures and fluctuations in base prices for rare materials such as precious metals

Affiliated companies

Ceramic Sensor, Nittoku Spark Tech WKS, overseas manufacturing and sales subsidiaries ▶ P. 18



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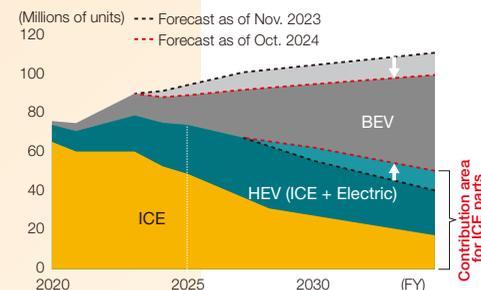
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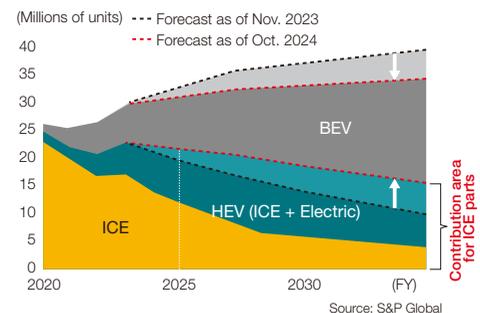
External Environment

The business environment for our automotive components business is characterized by efforts in various countries to reduce CO₂ emissions and achieve carbon neutrality. This involves not only the popularization of battery electric vehicles (BEV), but also a renewed focus on the flexible utilization of internal combustion engines (ICE) which is driven by increased demand for hybrid vehicles in China and the role of ICE as a platform for fuel diversification in Europe. Due to the impact of the aforementioned delay in electrification, the latest forecast for new ICE vehicle production has been revised upwards from the previous year. Particularly in China, anticipating increased demand for hybrid vehicles, there is a noticeable trend toward a temporary shift back to ICE vehicles at present.

Number of production vehicles (global total)

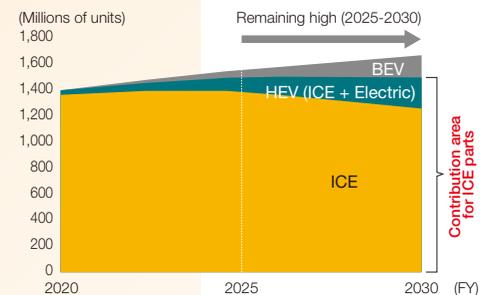


Number of production vehicles (China only)

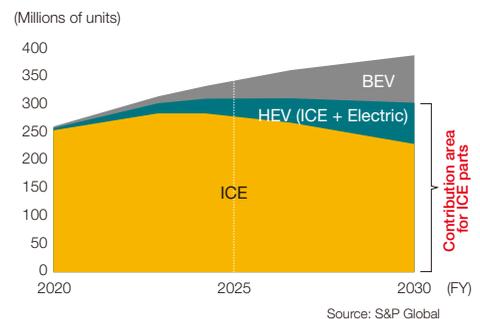


The global fleet of ICE vehicles is expected to remain at the same level of 2020 even by 2030, continuing to maintain a high number of vehicles in operation. The number of vehicles in operation is expected to follow a similar trend in China, the world's largest new car market.

Number of owned vehicles (global total)



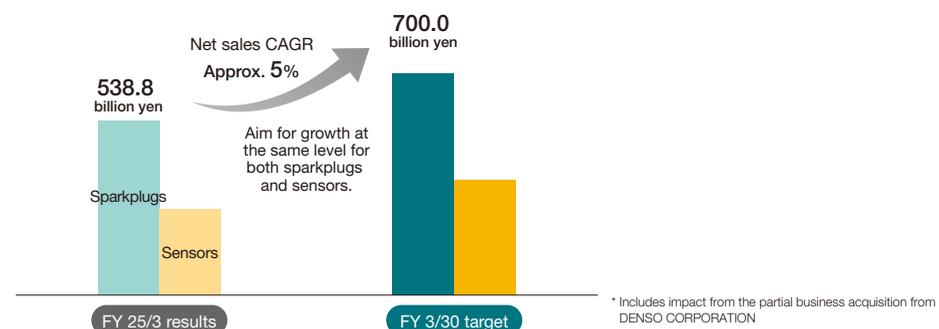
Number of owned vehicles (China only)



Revenue Target for the Fiscal Year Ending March 2030

Considering the external environment described in the preceding section, we will formulate strategies for both new vehicle assembly products and repair parts, aiming for sales growth of our products toward our 2030 target. In addition to this, based on the assumption of acquiring certain businesses from DENSO CORPORATION, we have established a new target of achieving 700 billion yen in overall automotive components business revenue by FY2029.

Sales Target



Partial business acquisition from DENSO CORPORATION

The Company concluded a business transfer agreement regarding the acquisition of the Spark Plug business and the Exhaust Gas Sensor business, from DENSO CORPORATION on September 1, 2025.

While countries explore pathways such as electrification and fuel diversification to achieve carbon neutrality, various power sources and related technologies tailored to regional and national energy circumstances and the vehicles already in use will continue to be required. In that process, ongoing demand for internal-combustion engines is expected to continue. Against this background, the Company aims to contribute to the transition to carbon neutrality by leveraging its core technologies of ceramic development and manufacturing and fulfilling its supply responsibilities for internal-combustion-engine parts. We have concluded that the integration of sales channels and production systems to build an industry-wide, optimized production systems will ensure stable global supply and further strengthening our business foundation will support our sustainable growth. Accordingly, we have decided to proceed with the acquisition of the Business.

Please note that the Acquisition is subject to the fulfillment of conditions precedent to the transaction, including obtaining clearances from domestic and foreign competition authorities and any other permits or approvals from relevant authorities required by law.



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Key Initiatives for Different Commercial Flows

<Products for installation in new vehicles>

To reduce CO₂ emissions and achieve carbon neutrality, the shift toward BEVs is being reevaluated. Flexible utilization of internal combustion engines (ICE) is being reconsidered, alongside discussions on increasing demand for hybrid vehicles (HEV) and adopting biofuels. Consequently, the transition period toward BEV adoption is being reassessed, necessitating an increase in ICE vehicles and technological innovations. In response to this, demand for both spark plugs and sensors for installation in new vehicles has been revised upward.

In the area of spark plugs, precious metal types are more widely used than conventional nickel types for HEV and PHEV applications. Since they also contribute to improved fuel efficiency, we aim to further expand the market share of precious metal spark plugs.

For sensors, as the two-wheeler market is expected to continue expanding, we will continue to consider necessary investments while maximizing the utilization of existing facilities to aim for expanding our market share.

<Products for aftermarket>

We expect increased sales volume for AM spark plugs on a global scale. Furthermore, we anticipate additional revenue growth through expanding sales of high-value-added products with higher unit prices and passing on rising raw material costs and inflation to sales prices. Furthermore, similar to new vehicle assembly, we intend to enhance the proportion of precious metal plugs to reduce CO₂ emissions and increase our environmental contribution. In preparation for the upcoming off-peak demand, we will consolidate part numbers, strengthen our order management system, and reduce inventory. We will also advance smart factory initiatives to establish an efficient production and supply system.

Review of the Previous Fiscal Year and Outlook for the Future

<Revenue and operating income>

Revenue in the plug business increased by 8% year-on-year (YoY), including the impact of foreign exchange rates. Sales of new vehicle assembly products declined YoY, impacted by reduced production of ICE vehicles in China and ongoing adjustments to automobile production by our customers in Europe and the U.S. On the other hand, sales volume of aftermarket (AM) products increased YoY due to higher sales volume driven by steady demand in each region. In addition, the implementation of price adjustments to counter inflation and the weakening yen boosted revenue, leading to an increase in operating income as well.

Sales revenue for the sensor business increased by 4% YoY, including the impact of foreign exchange rates. Similar to products for new vehicle assembly in the plug business, sales increased YoY despite being impacted by the decline in automobile production, particularly the decrease in production of ICE vehicles in the Chinese market, due in part to the weak yen.

<Sales results>

According to our estimates, global production of ICE vehicles decreased by 1.2% in the fiscal year ended March 2025 compared to the previous fiscal year. However, in the Chinese market, production of ICE vehicles by our major customers such as Japanese, the U.S., and European automakers decreased by 15.5% compared to the previous year.

Under these market conditions, sales volume of our plug products for new vehicle assembly in Europe and the U.S. decreased due to production adjustments and demand fluctuations associated with model changes by our customers. In China as well, sales volumes of products for new vehicle assembly have declined due to sluggish production growth among our customers, i.e. Japanese, U.S., and European automotive manufacturers.

On the other hand, sales volume of plug replacement products increased globally compared to the previous year, driven primarily by growth in North America and China.

Excluding foreign exchange effects, sales revenue for plugs increased by 5.2% YoY globally due to price pass-through and higher sales of AM products in North America.

Sales volume and amounts by region (full year ended March 2024 vs. full year ended March 2025)

Region	ICE automotive production volume (Niterra estimation)	Sales amounts (Excluding FOREX impact)		Sales volume		
		Plugs	Sensors	Plugs		Oxygen sensors for exhaust gas
				OEM	AM	
North America	-1.4%	4.3%	2.1%	-9.2%	3.5%	-4.3%
Europe	-3.5%	2.1%	1.8%	-8.8%	0.1%	6.2%
China	1.1% (-15.5%)*1	0.8%	-14.1%	-8.7%	5.5%	-10.2%
South East Asia	-11.7%	4.1%	-17.6%*2	+2.1%*3	-0.1%	-12.3%*2
Global total	-1.2%	5.2%	-1.0%	-3.7%	4.0%	-1.3%

*1 ICE vehicle production by Japanese, European and American automobile makers, which are Niterra's customer in China.

*2 In the sensor business, the proportion of sales in South East Asia to the global sales is very low.

*3 In the OEM market, the proportion of sales in South East Asia to the global sales is low.

<Future forecast>

In the plug business, we anticipate an increase by growing sales volume and continuous price rises for AM products; however, there will be more competitive local manufacturers in the market in China. In the sensor business, we anticipate increased revenue due to rising sales driven by On-Board Diagnostics (OBD) regulations in India.

Although operating income is due to be impacted by U.S. tariffs, we expect an increase in profit excluding the effects of foreign exchange and segment changes. This is due to measures such as passing on price increases, as well as improved profitability driven by increased sales of high-margin AM products.

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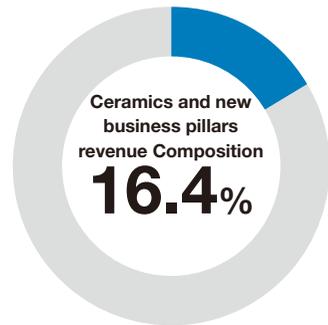
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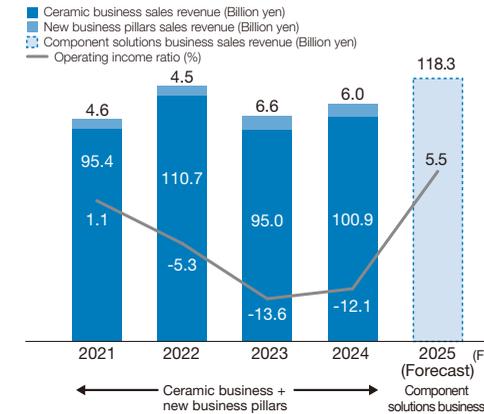
Revenue and operating income ratio



FY2024 results: Ceramics and new business pillars



* In line with our reorganization on April 1 2025, the reportable segments have been changed to the "Automotive components" and "Component solutions." The segment of new business pillars is discontinued.



	S (Strength)	W (Weakness)	O (Opportunity)	T (Threat)
SPE	<ul style="list-style-type: none"> Ceramic material technology that can withstand high-power plasma Ceramic sheet lamination technology that contributes to surface temperature homogenization, low particles, and wide-ranging surface temperatures 	<ul style="list-style-type: none"> Responding to volatility in the semiconductor market 	<ul style="list-style-type: none"> Expansion of the semiconductor market driven by growing demand for generative AI Enhanced performance and increased complexity of semiconductors 	<ul style="list-style-type: none"> Geopolitical risks such as U.S.-China tensions The speed of semiconductor technological innovations
Medical	<ul style="list-style-type: none"> Product lineup including portable and stationary oxygen concentrators and cardiopulmonary diagnostic equipment Worldwide sales channels for rental operators and hospitals 	<ul style="list-style-type: none"> Cost competitiveness for low-priced products 	<ul style="list-style-type: none"> Increased opportunities to support respiratory patients due to global population growth Increased demand for diagnostic equipment driven by heightened health awareness and the advancement of preventive medicine 	<ul style="list-style-type: none"> Further decline in market prices due to the dominance of low-cost products Structural transformation of respiratory medicine itself by using generative AI and cutting-edge technologies
Semiconductor PKG	<ul style="list-style-type: none"> Multi-layer ceramic sheet stacking technology customized for various applications Product designs with excellent heat dissipation Short delivery times to meet customer needs 	<ul style="list-style-type: none"> Price competitiveness Responding to volatility in the semiconductor market 	<ul style="list-style-type: none"> Expansion of the semiconductor market driven by growing demand for generative AI Expansion of related markets for high-frequency and high-speed communications 	<ul style="list-style-type: none"> Transition from ceramic to organic PKG Geopolitical risks such as U.S.-China tensions
Silicon nitride	<ul style="list-style-type: none"> Development capabilities, material design technology, and mass production technology for ceramics materials Production system that ensures stable supply in both quality and quantity Global sales network 	<ul style="list-style-type: none"> Price competitiveness 	<ul style="list-style-type: none"> Electrification of various power sources toward achieving a decarbonized society High-voltage systems addressing energy-saving and charging time reduction needs 	<ul style="list-style-type: none"> Declining market prices due to the rise of Chinese competitors Chinese rare earth procurement risks
Fuel cell (SOFC)	<ul style="list-style-type: none"> Advantages of the flat model (low cost, compact size, ultra-high efficiency) Application of existing proprietary technologies (ceramic materials, catalysts, disparate material bonding, film formation, etc.) Accelerating development via collaboration within the Morimura Group 	<ul style="list-style-type: none"> A latecomer as a stack manufacturer System manufacturers have a significant influence on the direction of development 	<ul style="list-style-type: none"> Momentum toward achieving a decarbonized society (government policies, subsidy programs, etc.) The presence of large untapped markets (existing buildings, multi-unit housing, LP gas, diverse fuels, etc.) Increased awareness of usefulness in disaster preparedness 	<ul style="list-style-type: none"> Slowdown due to the political impact of the decarbonization momentum (impact of global circumstances, etc.) Obsolescence of CO₂ reduction potential in SOFCs due to accelerated decarbonization efforts Entry of overseas manufacturers into the domestic market

Affiliated companies
NTK CERATEC
CAIRE
NTK CERAMIC
Niterra Materials
MORIMURA SOFC TECHNOLOGY

SPE

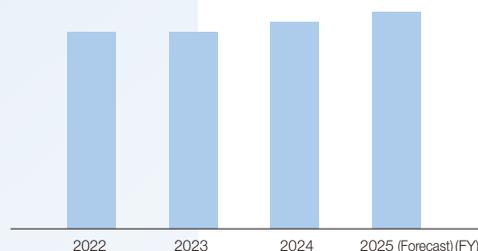
External Environment

The semiconductor production equipment market saw an improving supply-demand balance as inventory adjustments progressed in the memory market, which had been a concern since the latter half of FY2022. Additionally, as demand for AI servers increases in conjunction with the growing demand for generative AI, memory manufacturers' willingness to invest in equipment and facilities is also showing signs of recovery. On the other hand, geopolitical risks such as the Russia-Ukraine conflict, the Palestinian issue, and U.S.-China tensions remain an ongoing concern. The semiconductor production equipment market is expected to grow steadily in FY2025 due to expanding semiconductor demand driven by the adoption of generative AI and other factors. To enhance AI capabilities, DRAM will also require higher capacity and faster speeds, accelerating development and mass production for the manufacture of cutting-edge semiconductors.

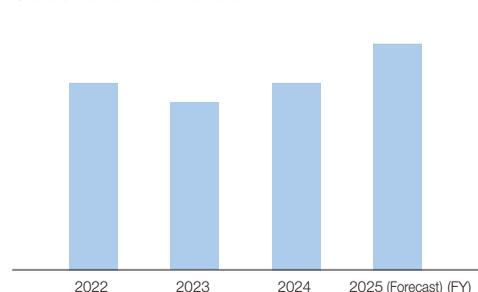
Review of the Previous Fiscal Year and Outlook for the Future

The first half of FY2024 was significantly impacted by prolonged production adjustments at customer sites, and while AM demand increased in the second half due to recovering semiconductor demand, demand for new production equipment showed only a gradual recovery. Consequently, full-year profits declined slightly compared to the previous fiscal year. From FY2025 to FY2028, we plan to achieve the prototyping and mass production of development products for cutting-edge equipment, targeting double-digit growth exceeding the average annual growth rate of the semiconductor production equipment market.

Outlook for semiconductor production equipment market



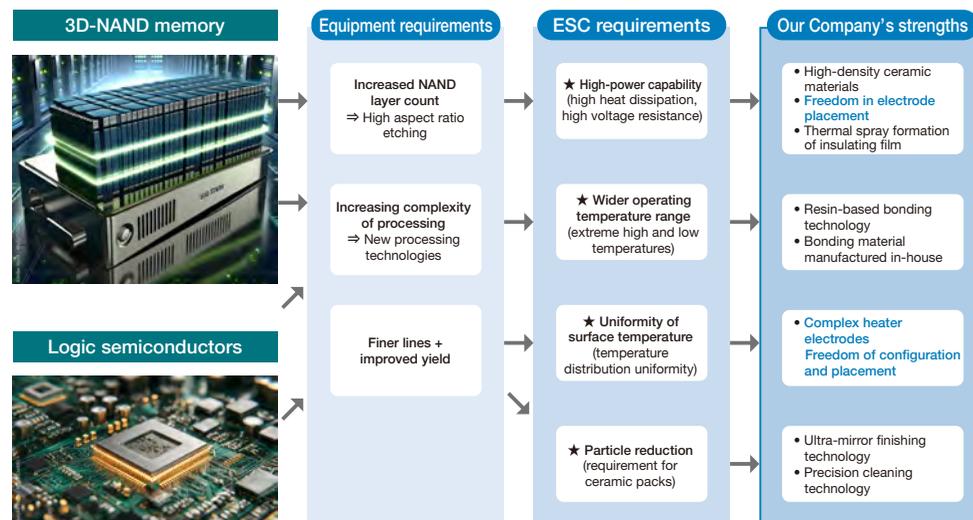
Sales revenue trends



Source: External research organizations (December 2024)

Our Vision/Key Initiatives

We will contribute to meeting the growing demand for etching devices in both the memory and logic markets by providing ceramic material technology that can withstand high-power plasma. We will additionally contribute with our technologies for surface temperatures homogenization, low particle counts, and wide-ranging surface temperatures, all of which are based on our strength technology in ceramic sheet stacking technology. In this way, we aim to achieve an average annual sales growth rate of 12% or higher by differentiating ourselves with our technologies that meet customer needs. We additionally aim to increase labor productivity by 30% compared to FY2021 by establishing a production system that is resistant to market fluctuations through optimizing inventories and improving facility operation rates.



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Medical

External Environment

The global market for oxygen treatment is expected to continue to expand due to factors such as an aging population and the number of COPD sufferers increasing, such that the projected size of the market in 2025 is 200 billion yen. In regional terms, the North American market is currently the biggest, and the number of patients is expected to continue rising, and we believe that demand for portable oxygen concentrators, in particular, will rise. Meanwhile, in the Chinese market, an increase in the number of people with COPD is expected to lead to higher demand for stationary oxygen concentrators, and this market is forecast to grow at a faster rate than the U.S. market.

Our Vision/Key Initiatives

We continuously develop products that meet market needs, aiming to provide ongoing value to society in the markets and products where our group excels, thereby establishing a revenue foundation for future business. To achieve this, we will develop new products with differentiating features for CAIRE's flagship portable and stationary oxygen concentrators, while for MGC Diagnostics Holdings, Inc.—the cardiopulmonary diagnostics manufacturer acquired in 2022—we plan to develop new products in-house. This will enable us to expand our business, primarily in the U.S. market, with improved profitability, thereby enhancing our contribution to patients and local communities.

Review of the Previous Fiscal Year and Outlook for the Future

For FY2024, while sales of portable oxygen concentrators in North America and sales in Europe improved, the results were on par with the previous fiscal year when excluding the FOREX impact. This was due to the presence of a large-scale project in the on-site oxygen generator business during the previous fiscal year, as well as delays in some orders due to customer circumstances.

We anticipate a recovery in sales in North America for FY2025. We will also review our product portfolio to improve profitability while focusing on new product development to build the foundation for medium-term growth.

Fuel Cell (Initiatives of MORIMURA SOFC TECHNOLOGY)

External Environment

As social demand for a decarbonized society strengthens, we expect the wide-spread use of fuel cells as highly efficient generators and cogeneration systems to significantly reduce CO₂, regulate power sources for renewable electricity, and improve resilience in the event of disasters. Expectations are growing for the introduction of fuel cell into various markets, such as factories aiming to recycle carbon and emergency power sources, in addition to their traditional uses in business areas such as households, housing complexes, nursing homes, and commercial facilities.

Our Vision/Key Initiatives

MORIMURA SOFC TECHNOLOGY aims to expand its business in the energy field by contributing to society through the widespread adoption of clean, highly efficient, and compact SOFCs. This will provide the world with safe and secure lifestyles by reducing CO₂ emissions and enhancing resilience. To that end, we will expand sales in the commercial and industrial fuel cell markets where we are already established, enter the residential fuel cell sector, and pursue new markets such as diverse fuels and distributed power generation to achieve carbon neutrality, thereby enabling us to contribute to achieving a decarbonized society.

Review of the Previous Fiscal Year and Outlook for the Future

In our activities through FY2024, we have pursued product development leveraging the advantages of our flat cell stacks that are smaller, lighter, and more efficient than competitors' offerings. In FY2024, we also launched new high-efficiency commercial and industrial SOFC systems equipped with our stacks, advancing our position as a leading manufacturer of flat fuel cell stacks. Hereafter, we will further improve productivity and strengthen our production system, as well as reinforce and advance collaborations to win more orders.

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Silicon Nitride

External Environment

To improve energy efficiency and reduce charging time for electric vehicles (EVs), the use of higher voltages (up to 800 V) for electric drive systems has been considered. However, the challenge is electrical corrosion of bearings due to high voltages. Against this backdrop, silicon nitride ceramic balls are attracting attention from European and Chinese automakers as an electrical insulation material that is durable, highly reliable, and relatively easy to replace. In addition to EV applications, the material's excellent insulation, corrosion resistance, light weight, and durability make it a promising material for a wide range of applications, such as renewable energy, medical, aerospace, and industrial machinery. Its demand is growing.

Furthermore, as the power density of electric vehicle power control units increases and the miniaturization of semiconductor chips raises the thermal density of power modules, the thermal performance and reliability requirements for heat dissipation and insulation substrates are becoming more demanding. Therefore, the application of silicon nitride heat dissipation substrates, which possess high mechanical properties and thermal conductivity, is expected to increase.

Our Vision/Key Initiatives

By combining the strengths of the Niterra Group and Niterra Materials, we will achieve transformative change beyond the scope of our past efforts and strive to remain the leading company in ceramic components.

For applications demanding high reliability, such as aircrafts, we supply high-end ceramic balls. Also, for applications requiring lower costs, such as EVs, we offer cost-effective options including low-cost silicon nitride balls and Alumina-Zirconia balls, thereby meeting diverse customer needs. Furthermore, we will accelerate the mass production of plated products and high-thermal-conductivity substrates, while promoting their adoption by major domestic and international customers through the Niterra Group's global sales network.

By taking these measures, we aim to secure the top market share even as the market expands.

Silicon nitride balls

- Electrolytic corrosion measure in motor bearings
- Lightweight and suitable for high-speed rotation
- High wear resistance for extended service life



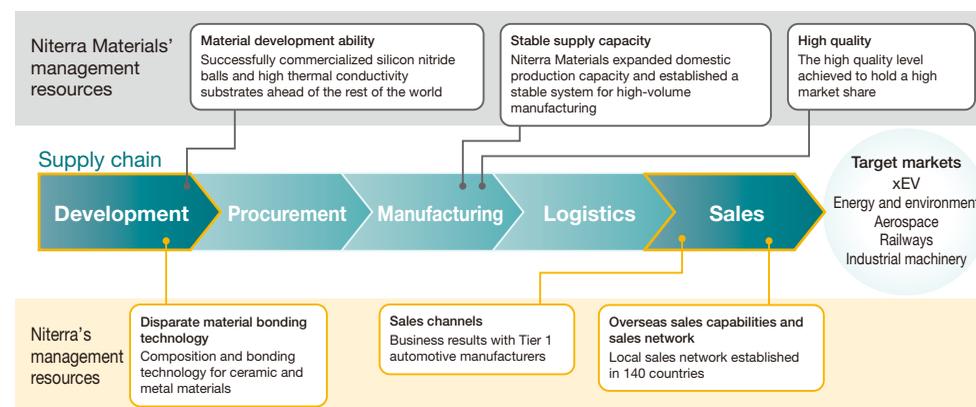
Silicon nitride heat dissipation substrates

- Small and high output
- High heat dissipation capability
- High strength and extended service life



Acquisition of Shares in Toshiba Materials

Our Group has established a major strategic theme of pursuing a dual-track business approach: strengthening our core ICE business by leveraging our core competencies in ceramic materials and processing technologies, while at the same time expanding the scale of our non-ICE businesses. Among these, the market for ceramic balls used in bearings for motors in EVs and other applications, which utilize silicon nitride, is expanding alongside the trend toward higher system voltages. Additionally, silicon nitride heat dissipation substrates for power semiconductors are also considered strong business contenders. Niterra Materials develops, manufactures, and sells the following products and materials: Fine ceramics, fluorescent materials, magnetic components, tungsten, and molybdenum. In particular, Niterra Materials is expected to achieve further growth as a leading company in the industry, thanks to its superior technology, quality, and stable production capacity, especially in silicon nitride balls used in bearings for EVs and similar applications, as well as silicon nitride heat dissipation substrates used in power semiconductors for inverters. We determined that acquiring all shares would enable us to leverage Niterra Materials' material design, process, and product application technologies cultivated over many years in the fields of automotive, semiconductors, medical, and environmental energy. For Niterra Materials, we expect synergies in various aspects, including integration with our ceramic technologies and expansion of its customer base and support systems by utilizing our global network.



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03 Capital for Improving Corporate Value

Financial Capital



Vision

- Enhancing corporate value by improving both ROE and PER

Key Features

- Stable cash inflow generated from Automotive Components business
- Concentrating management resources on focus areas to enhance profitability

Challenges

- Expanding EBITDA to 1.6x during the Mid-term Management Plan 2030 period
- Optimizing the portfolio to improve ROIC

Message from the Finance Officer

Steadily enhancing earning power and channeling the generated cash flow into growth investments

Yoshitaka Suzuki

Executive Officer
In charge of Finance and Accounting Dept., Finance Group and Strategic Management Dept., Management Group, Global Strategy Div.

* Positions listed in this interview are those held at as of July 2025.



Record-high profits Business expansion and creation within our focus areas are key priorities

In the Mid-term Management Plan 2025 (MMP 2025), which ended in FY2024, we achieved the numerical targets set for revenue and operating income one year ahead of schedule in FY2023. For FY2024, revenue reached 652.9 billion yen and operating income reached 129.6 billion yen, marking the fourth consecutive year of record-high profits. I believe this is a sufficiently satisfactory result.

In terms of capital efficiency, ROE rose to 14.1% and ROIC to 10.9%, both exceeding the targets set in the MMP and showing further improvement from the previous fiscal year. We are seeing a steady improvement in our earning power, particularly in Automotive Components.

The weak yen has also played a role in boosting our operating income by approximately 10 billion yen to just under 30 billion yen over the last three periods. It is our policy to continuously review and implement specific financial operations, taking into account future FOREX risks.

On the other hand, expansion and creation of businesses within our focus areas remains a key priority for future challenges. When we view our Group's core Automotive Components business from a broader perspective

as mobility, the importance of the EV market becomes clear. Although growth has temporarily stalled globally at the moment, we expect this sector to see steady growth in the long term. It is crucial to determine how to allocate our more robust cash flow toward growth investments in this area, while strategically advancing investments in balance with the existing Automotive Components business. We will continue to place importance on management decisions that strike a balance with shareholder returns.

To enhance our competitiveness in the EV market, we acquired all shares of Toshiba Materials Co., Ltd. (now Niterrra Materials Co., Ltd.), which possesses strengths in silicon nitride balls and silicon nitride heat dissipation substrates, in June 2025. Going forward, we will strengthen our business with a focus on ceramic technology and aim to further enhance our presence in the mobility sector which is a rising growth area.

Although the acquisition cost was substantial, approximately 150 billion yen, we anticipate steady growth in the EV market from a mid-to-long term perspective and consider this investment in the field to be highly significant. Our immediate challenge is to enhance our market presence by combining Niterrra Materials' product capabilities with our technological development capacity.



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Clearly distinguishing between businesses focused on actual revenue generation and those focused on revenue efficiency to achieve optimal capital allocation

The new Mid-term Management Plan 2030 (MMP 2030), launched in FY2025, aims to achieve a virtuous cycle: further enhancing the competitiveness of our Automotive Components, investing the generated cash into our focus areas, and thereby boosting the growth potential of the entire Group.

Continuing the policy from the previous MMP, we remain committed to prioritizing the spread between ROIC and WACC by business segment. However, we have clearly differentiated how we interpret these indicators based on the nature of each business area. For example, our plug business has the top global market share, so we are prioritizing maximizing cash generation rather than further increasing its already high ROIC.

For other businesses, we will firmly monitor efficiency and growth potential with a focus on ROIC. In this way, we will clarify the roles required for each business, discern the areas where we should prioritize the rate of revenue and those where we should pursue volume, and achieve optimal capital allocation.

Looking at our current financial foundation, the equity ratio stood at 68% for FY2024 (as of March 31, 2025), but it subsequently decreased as of June

30, 2025 due to the acquisition of Toshiba Materials Co., Ltd. and the resulting increase in total assets. Regarding the appropriate capital level, we will continuously review it based on our mid- to long-term management strategy, aiming for sustainable enhancement of corporate value, while also considering the maintenance of credit ratings necessary for the effective utilization of interest-bearing liabilities.

We have continued our activities to improve ROIC since MMP 2025, and we have identified three key points in MMP 2030. The first is cost reduction in indirect departments. Currently, while our consolidated net sales increase, costs in indirect departments are also tending to rise, with domestic labor costs in particular exerting an impact. We will strive to control the fixed cost ratio of net sales and the SGA ratio while investing in human capital to establish more efficient and robust indirect departments that can reliably support our business. The second point is clarification of business withdrawal rules. For businesses where the ROIC-WACC spread cannot be secured over the long term, we will conduct reviews in the course of pursuing revitalization and structural reforms, considering divestment from a best owner perspective when synergies cannot be expected. The third and final point is optimization of the supply chain. Strategic inventory buildup in response to past precious metal procurement risks has largely run its course, but prices have surged sharply again recently, which are heightening procurement risks. To address

this issue, we will enhance the efficiency of working capital while implementing inventory management in line with our business characteristics.

Under MMP 2025, we worked to embed ROIC throughout the entire Group to instill a mindset focused on investment returns, achieving certain results in the process. Within the Company, financial indicators such as ROIC, cash, and CCC (Cash Conversion Cycle) have become commonplace throughout everyday conversations, and there has been a palpable shift in employee awareness. In MMP 2030, it is crucial to enhance strategic communication that clearly conveys what is expected and demanded of each business along with KPIs, in order to further heighten awareness of investment efficiency. This will also lead to further improvements in ROIC.

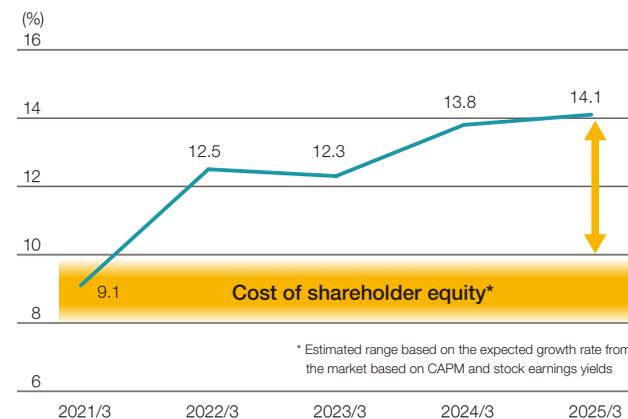
To expand PBR, prioritizing improving PER and plotting a growth strategy

MMP 2030 positions PBR as a key indicator. While it had previously remained below 1x for an extended period, it has stayed above 1x for the past few years and is currently hovering around 1.8x. We will continue to strive to enhance corporate value and earn recognition from the capital markets.

Change in price-to-book ratio (PBR)



Change in return on equity (ROE)



Change in price-to-earnings ratio (PER)



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The critical premises for PBR are the levels of ROE and PER. ROE has been improving year on year, and we believe one reason for this is that our core Automotive Components has been able to maintain its stable strength. However, we also anticipate that ROE may plateau once a certain level is reached. Therefore, it is crucial to focus on how to increase the PER. Our PER level of over 10x is certainly not unfavorable when compared to other automotive parts manufacturers. To achieve further improvement, we must devise a growth strategy that will be valued by the market and lead to an increase in the stock price. Assuming continued profitability in the Automotive Components business, we believe that as the growth areas within the component solutions business achieve a certain scale and demonstrate solid growth, we can expect an improvement in PER.

In terms of expected growth value, MMP 2030 anticipates approximately 320 billion yen in business investments, primarily focused on the SPE business and the silicon nitride business operated by Niterra Materials, including the acquisition cost of Toshiba Materials Co., Ltd. amounting to approximately 150 billion yen.

The timing of investments is critically important in the SPE business.

Additionally, the business design itself will be scrutinized for how accurately it can demonstrate that the investment will reliably generate returns. Based on our understanding of these challenges, we are working to strengthen the business foundation for generating revenue. In the silicon nitride business, we anticipate that EV-related operations will enter a phase of steady growth over the mid-to-long term. Our policy is to continue making investments to maximize synergies between Niterra Materials' technological capacity in materials development and our Company's sales capabilities to bring these products to market.

We expect to maintain research and development expenses at approximately 6% of net sales. To achieve our vision of "becoming a company that brightens the Earth" by maximizing our strengths, we intend to strengthen our technology portfolio in both fundamental and applied research while pursuing selection and focus, primarily in the area of ceramics.

From an investment perspective, shareholder returns are one means of enhancing ROE and are considered an important use of cash. Our Group prioritizes growth investments in our businesses and focuses on building the foundation to become a company that continues to generate earnings. We

also place equal emphasis on shareholder returns from the perspective of investment returns, just as we do with business investments. For FY2024, we paid an annual dividend of 178 yen per share, a payout ratio of 38.2%. Additionally, at the end of October 2025, the Company resolved to repurchase its own shares up to a maximum of 30 billion yen. To improve ROE, it is vital to provide shareholder returns in a flexible and stable manner and as we position returning profits to shareholders as one of our most important policies, the stable dividend portion, with a minimum target of approximately 4% DOE, serves as the bedrock of our shareholder returns. We will also implement a comprehensive shareholder return policy, including performance-linked dividends and flexible consideration of share buybacks and cancellations for capital exceeding suitable levels. In this way, we will strive to improve capital efficiency and achieve sustainable growth in corporate value.

Promoting IR activities that resonate with our equity story

Our Company has consistently built relationships of trust with our shareholders and investors through transparent disclosure of information and assertive dialogue. Over the past year or two in particular, we have intensified our IR activities to bolster this commitment. In FY2024, we conducted over 280 dialogues over the year, with management proactively participating in discussions with shareholders and investors, steadily enhancing both the quality and quantity of these interactions.

By holding these dialogues, we have gained valuable insights and perspectives on optimizing our business portfolio, reviewing unprofitable businesses, and establishing a growth narrative. These directly contribute to our management decisions and enhance our organizational capabilities.

Going forward, we aim to strengthen our investor relations activities in alignment with our MMP and strive to gain a deeper understanding of our equity story via proactive communications. We are committed to further strengthening our stance of achieving growth together with our shareholders, aiming for sustained enhancement of corporate value, including relative TSR.

We will continue to place value on co-creation through dialogues with all of our valued shareholders as we aspire to create corporate value.

Cash Allocation [▶ P.43](#)

Shareholder Return Policy
(Dividend per Share (DPS): Track record and future outlook) [▶ P.43](#)

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Vision

- The personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group.

Key Features

- Developing the global talent portfolio which aligned with our business portfolio
- Developing specific recruitment, development, and promotion measures through HQ and regional talent meetings
- Fostering career ownership by clarifying job roles and visualizing career paths

Challenges

- Instilling the shared values throughout the entire Group
- Ensuring optimal placement by visualizing both talent and roles
- Establishing a system to support each individual's self-driven growth

Human Capital Policy

Human Capital Policy

- We recognize employees as our most important management resource. By respecting the diversity and individuality of our employees, we aim to develop self-leading and innovative persons and contribute to the growth of our Group.

Action Guidelines

- We will foster the development and progress of employees who are driven to improve their own value and contribute value to society, while building a relationship where employees and the company can continue to grow together.
- We create an environment where diverse talents can combine their individual strengths and maximize their potential.

Overview of Strategy

Our Mid-term Management Plan 2030 centers on human capital management to drive corporate value, guided by the principle: 'At Niterra, the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group.'

To achieve this, we will pursue the following Niterra Talent Management on a global scale.

First, to optimize our business portfolio, we will build a global talent portfolio that ensures the right people are in the right place at the right time. By deepening discussions on this talent portfolio at HQ

and regional talent meetings, we will develop specific recruitment, development, and promotion measures, which will strengthen our diverse talent pool to adapt to changes in the business environment.

Simultaneously, by clarifying internal job roles and outlining career paths, we will achieve talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments. This approach fosters each employee's career ownership and cultivates people with both strong will and execution capabilities, thereby building a relationship where both employees and the Company continue to grow together.



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Niterra's Approach to Human Capital Management

Both the optimization of the business portfolio and strengthening of the management foundation outlined in the Mid-term Management Plan 2030 are key strategic pillars supporting the sustained development of our Group. In order to ensure the successful execution of these strategies, the growth of the people and organizations that drive them is indispensable. Therefore, for the latter half of our Long-term management plan starting in 2025 and continuing after, we prioritize having diverse and proactive individuals who embody the Niterra Way. At the core of achieving this challenge is the globally deployed Niterra Talent Management program. We will strongly support the growth of each and every employee, clearly define roles and responsibilities, and expand opportunities for them to volunteer to do the work they wish to take on. Then we will respond appropriately to achievements and contributions made. Furthermore, to realize the Mid-term Management Plan 2030, we are in the process of revising our talent development programs to cultivate individuals who embody the Niterra Way.

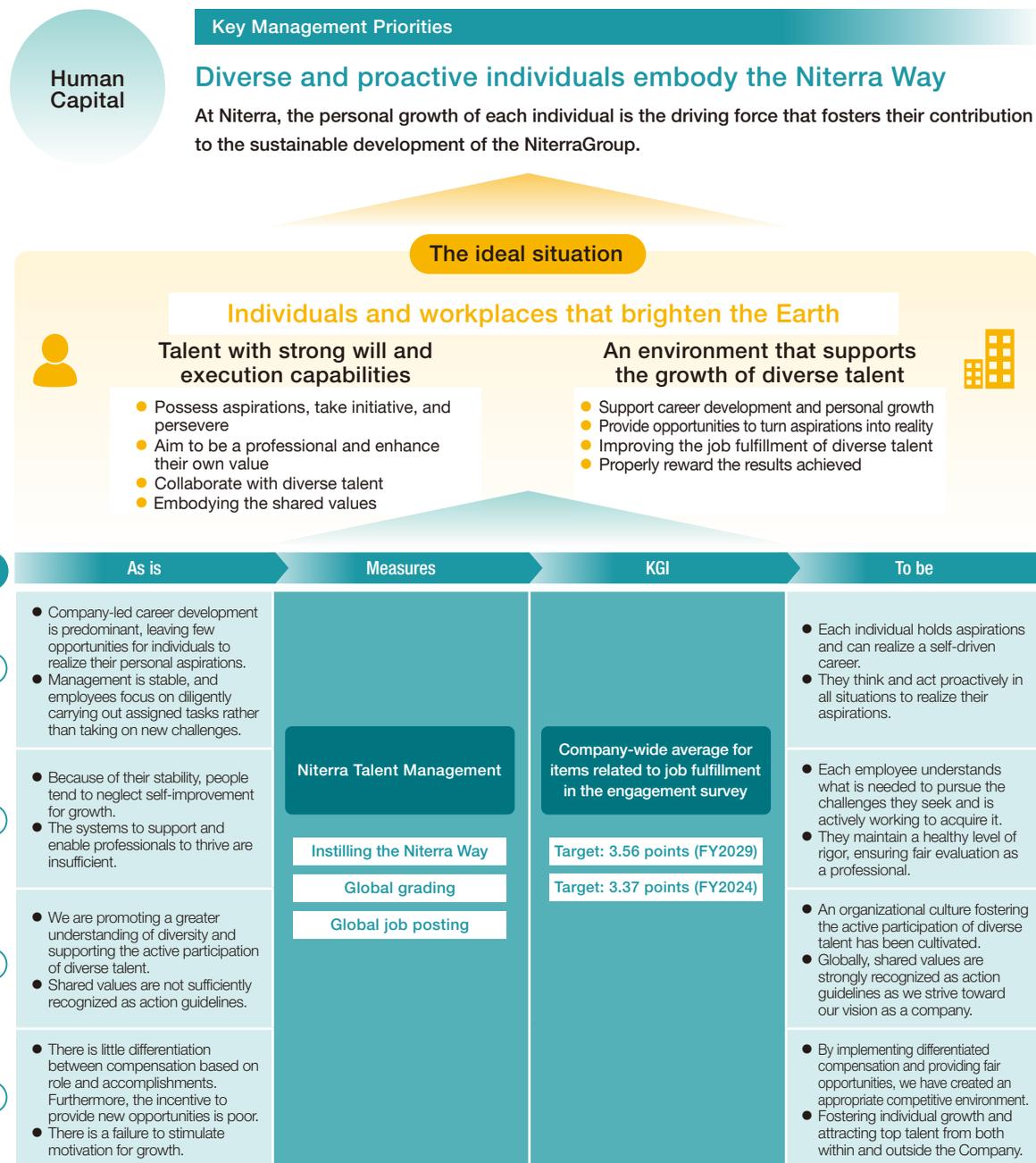
By means of these talent development activities and the permeation of the Niterra Way, we will establish an environment where every employee can embody the Niterra Way with actions such as: having aspirations, taking initiative, and seeing things through, aiming to be a professional and enhancing one's value, as well as collaborating with diverse talent. In this way, we will strive to achieve our management strategy while becoming a company that brightens the Earth, embodying the spirit of our English corporate name "Niterra."

Business Strategy

- Creating new business pillars utilizing existing core assets
- Strengthening the internal combustion engine business and achieving sustained growth
- Strengthening management foundation to support business portfolio optimization

Challenges Concerning People and Organizations

- Due to the stable business environment to date, activities toward career development based on individual aspirations and growth aimed at becoming a professional are insufficient.
- Shared values are not sufficiently recognized as action guidelines.
- Incentives are not performing sufficiently as drivers for growth.



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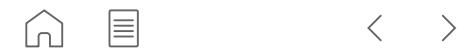
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Four Key Elements in Talent Management

The Group recognizes that employees are our greatest management resource and promotes human capital management. By supporting employees' self-driven growth, we aim to build a relationship where both employees and the Company continue to grow, enabling each individual to maximize their potential. From 2025 onward, we will identify four key elements for this purpose and implement measures for talent management.



The first key element, "Aspiration," is the source of each individual's ability to take initiative. Thus by fostering aspirations, we encourage employees to shape their own futures through their work. To that end, we will henceforth provide broader and fairer opportunities for each individual to pursue their aspirations and make them a reality.

The second element is "Professionalism." We expect employees to understand what they need to pursue the challenges they seek and to enhance their value as professionals. Furthermore, throughout the revision of our HR system, we will ensure that appropriate evaluations are conducted with a healthy rigor, enabling professionals to receive fair assessments.

The third element is "Diversity." To continuously deliver corporate value amid rapid changes in the external environment, we believe it is essential for individuals with diverse backgrounds to unite and increase their strength as a team many times over. Going forward, we will promote the cultivation of an organizational culture where diverse talent can thrive, encompassing not only differences in gender and nationality, but also aspects in a broader sense such as lifestyle, personality, and values.

As for the final "Incentives," we foster a fair competitive environment through clear distinctions in compensation based on roles and achievements, coupled with the provision of equitable opportunities, thereby encouraging the ambitious growth of each individual. As a result, we will continue to attract top talent from both within and outside the Company, leading to sustainable growth.

Initiatives to Improve Employee Engagement

The Group recognizes that respecting each individual's diverse personality and eliciting their motivation and abilities is essential for the sustainable growth of both our employees and the organization. Based on this philosophy, we have positioned the enhancement of employee engagement as a key management priority and are working company-wide to promote this concept.

By visualizing the state of our people and organization using quantitative and qualitative data from our engagement survey conducted annually, we identify current challenges and develop and implement specific measures to achieve a better condition.

Throughout this process, the HR department takes the lead in fostering company-wide alignment by holding discussions with executives and organizing meetings to share initiatives with division managers. At the same time, each workplace takes the lead in organizing workshops where all members actively participate with a sense of involvement to develop approaches for creating better workplaces.

Additionally, starting in FY2022, we have adopted the engagement survey results as one of the indicators used in calculating executive bonuses, accelerating our efforts to improve employee engagement.

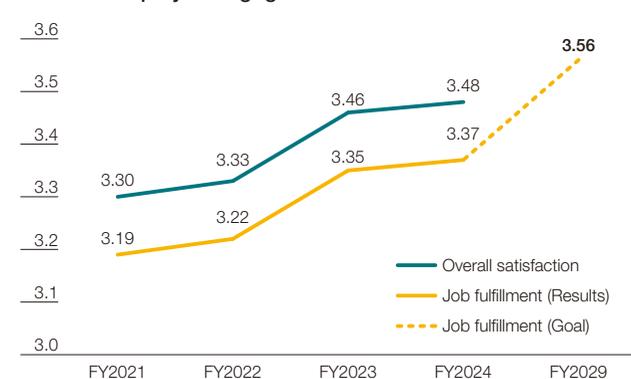
As a result of these activities, engagement has steadily improved from 3.30 points in FY2021 to 3.48 points in FY2024.

We will continue to work together as a unified Group to enhance employee engagement, driving the growth of both our employees and organization.

In the new Mid-term Management Plan starting in FY2025, employee engagement figures will be set as the Key Goal Indicator (KGI) for our human capital strategy. Until now, we have measured overall satisfaction by combining health-related factors such as ease of work with motivational factors such as job fulfillment. However, a key challenge has been that scores for items related to job fulfillment remained low compared to improvements in overall satisfaction achieved through environmental improvements that include health management initiatives. Therefore, going forward, we will promote talent management that places the right people in the right roles and focus on items related to job fulfillment (such as fulfillment in work, sense of belonging, and loyalty to the Company). We aim to raise this score from the company-wide average of 3.37 points as of FY2024 to 3.56 points or higher by FY2029.

We aim to achieve these goals by implementing the various initiatives of Niterra Talent Management described on the following page.

Shifts in employee engagement



Current status and goal for the job fulfillment

FY2024	Result: 3.37
FY2029	Goal: 3.56

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Niterra Talent Management

Beyond 2025, as mentioned earlier, we have placed at the core of our human capital management the goal of enhancing corporate value by ensuring that "The personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group." Based on this, we will advance Niterra Talent Management.

To achieve this, we will clarify internal job roles and outline career paths to support each individual in building their own career. Specifically, we are implementing global grading, which measures core positions within the Group using common indicators, and global job posting, which publicly shares internal positions based on grading and enables employees to apply for transfers should they wish.

Furthermore, by reinforcing the Niterra Way throughout the entire Group and encouraging actions aligned with it, we will establish it as a foundation connecting individuals with diverse backgrounds.



Global grading

As of FY2024, our Group operates 62 overseas locations, with overseas sales accounting for over 80% of total sales. Also, talent at overseas subsidiaries comprise over 40% of the Group's total workforce. Under these internal environmental conditions, we will introduce global grading as part of our human capital management strategy. By establishing a common grading system for core positions across domestic and international Group companies, we aim to clarify job value and further strengthen the placement of the right people in the right roles throughout the entire Group. Specifically, we will identify core positions within domestic and international Group companies and the key talent tied to them. By strengthening strategic development plans and assignments and ensuring succession plans function effectively, we will contribute to the sustainable growth of our corporate value.

Global job posting

To support each individual's self-driven career development, we will introduce a new global job posting framework during the Mid-term Management Plan 2030 period. This initiative entails publishing job descriptions for core positions both domestically and internationally within the Company, enabling employees to voluntarily submit requests for transfers. Following the selection process, the official appointees will be determined.

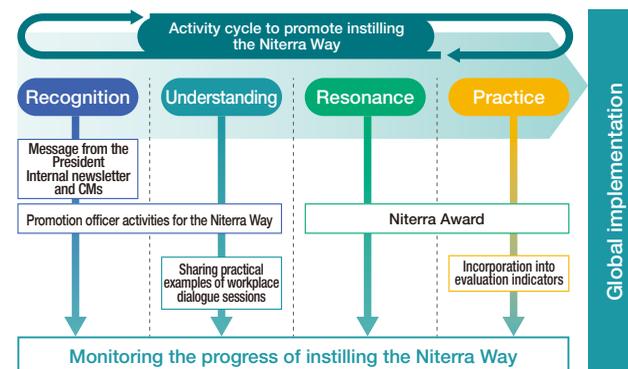
We have previously implemented an internal job posting framework, but challenges remained in achieving company-wide utilization, such as the disclosure and application of positions being limited to certain departments. During the Mid-term Management Plan 2030 period, by including overseas core positions as eligible targets, it will be possible to chart career paths that incorporate overseas experience. Additionally, we intend to expand domestic position disclosures and increase the number of more attractive internal job openings in a bid to attract and retain top talent.

Instilling the Niterra Way

In 2017, the Group reorganized the principles which have been valued since the founding of Morimura Gumi, the cornerstone of the Morimura Group, and established them as the Nittoku Way (now the Niterra Way). Approximately ten years after its enactment, we recognize that the challenge remains that its permeation throughout domestic and overseas Group companies is only halfway done.

As we proactively pursue business diversification and global expansion to attract talent with diverse backgrounds, while also fostering an environment where diverse individuals can thrive, we again believe it is crucial that instilling the Niterra Way as a unifying foundation connecting this diverse workforce, and that each employee embodies it. As a result, we hope to foster a sense of unity within the Group and cultivate individuals who possess both strong will and execution capabilities.

Activities for instilling the Niterra Way



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Managerial Talent Development and Administration

Our Group implements various next-generation management talent development programs, such as the global selection program HAGI and the domestic selection program Nittoku Business School, to cultivate talent who will lead the next generation of management. Graduates of HAGI and the Nittoku Business School are currently serving in key positions within the Group. Additionally, we are promoting the development of local leadership that contributes to management within each country and region via our unique selective training programs. Talent-related matters for core positions across the entire Group are discussed at length every month at the Corporate Management Committee. This approach revitalizes the entire organization, accelerating sustainable growth and enhancing corporate value on a global scale.

HAGI

Our Group launched the HAGI global next-generation management talent development program in 2016 to cultivate the next generation of managerial talent in line with our expansion of global business. This program selects future management candidates at the division head level regardless whether they are domestic or international, and explores their core principles as executives. Named after Hagi, the birthplace of the Shoka Sonjuku school during the Bakumatsu period, Chairman Odo serves as its principal. We continuously hold these sessions as a platform for mutual learning that emphasizes a company-wide perspective, cultivating and producing talent with aspirations and a sense of mission required to lead the Niterra Group into the future.

Nittoku Business School

As a step-up program to HAGI, we offer places at the Nittoku Business School for selected domestic talent. In addition to acquiring business skills such as management strategy and logical thinking through practical case studies, we aim to promote the cultivation of leaders who are not solely focused on knowledge (technique). In this way, we foster talent who possess mind, technique, and body by refining the spirit (mind) and soundness (body) of a leader by means of self-exploration and articulating one's core values.



Scene from a HAGI course

Work Style Reforms

We have formulated a "Work Style Reform Declaration" based on our Long-term management plan.

We are creating an environment where employees will continuously create value, with the aim of maximizing performance and enhancing engagement. In specific terms, by diversifying work locations and hours, we are contributing to securing top talent and improving work-life balance. By promoting a hybrid model combining remote work and on-site attendance, we are stimulating communication and enhancing productivity.

We will continue to support flexible working arrangements, aiming to invigorate the entire organization and achieve sustainable growth.

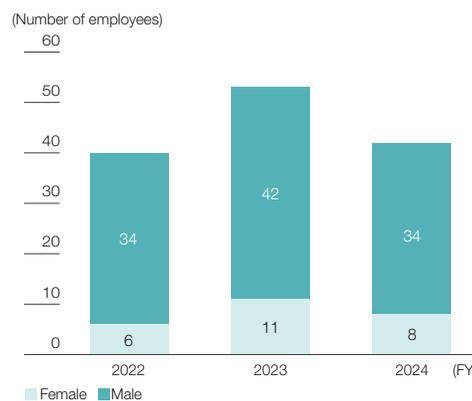
Recruitment Strategy

To swiftly respond to changes in the business environment and transform our talent portfolio, we are proactively promoting mid-career hiring, including managerial positions, primarily within our headquarters departments, new business divisions, and IT departments.

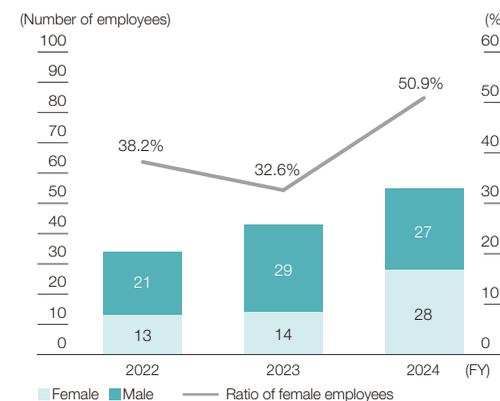
Furthermore, in order to respond to increasing globalization, we are proactively recruiting foreign national employees to enable diverse talent to thrive. We have consistently hired foreign national employees in our new graduate recruitment programs and in recent years have focused on recruiting not only international students attending Japanese universities but also students who have acquired specialized expertise at overseas universities.

Furthermore, we are actively promoting an increase in the hiring ratio of female employees and people with disabilities. By including diverse talent this way, including mid-career hires and foreign national employees, who thrive in each workplace, we are contributing to the advancement of Diversity, Equity & Inclusion (DE&I) across the entire Company.

Mid-career employment (non-consolidated)



New graduate recruitment (non-consolidated)



* The graph shows the number of employees hired by the Company on a non-consolidated basis.

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Diversity, Equity & Inclusion (DE&I)

Our Vision Fostering an organizational culture where diverse talent can thrive in their own way

We consider Diversity, Equity & Inclusion (DE&I) to be one of our most important management strategies as we believe that leveraging the uniqueness of each employee and helping them fully demonstrate their potential is essential for the company to attain sound growth and ensure happiness for all employees. We put an importance in accepting diverse individuals regardless of gender, age, physical condition, nationality, as well as lifestyle and personality, and to provide each one with the best support and opportunities in a fair manner. We leverage new values and ideas coming from an employee-friendly workplace that accepts such people by combining different forms of knowledge.

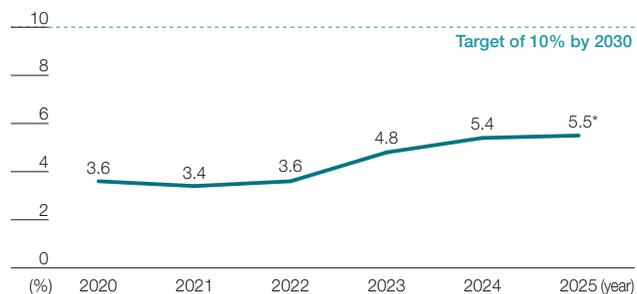
Activities to Promote DE&I

1. Fostering diverse leaders (empowerment of women)

Our Group aims to build an organization where leaders with diverse backgrounds can thrive, working toward realizing our vision. We have focused particularly on promoting the advancement of women in the workplace, setting targets to achieve a 30% representation of women and foreign national employees on the Board of Directors and a 25% representation of women, foreign nationals, and mid-career hires in managerial positions by 2030. We have already achieved both of these targets. In addition, we are advancing initiatives targeting a 10% representation of women holding managerial positions by 2030.

To increase the ratio of women in managerial positions, we have been implementing the Raise UP Program, a training program for the selective promotion of women to managerial positions, since 2019. With the support of management and supervisors, we provide opportunities for them to acquire the knowledge, skills, and mindset required for managerial positions. To date, 28 women have successfully attained such positions. The training program has steadily increased the ratio of female managers year after year, resulting in the gradual cultivation of a culture that fosters diverse leadership. These activities also contribute to closing the gender pay gap.

Ratio of female managers (as of April 1)



* The ratio excluding managerial-level specialists is 5.61 (as of the end of March 2025).

Going forward, our Group will continue to promote the development of diverse leaders, with women's empowerment as a key pillar. We will further emphasize underlying diversity, including diversity of experience and perspectives, and persistently strive to build an organization where diverse talent can thrive while cultivating leaders who drive this progress.

2. Creating an environment where diverse talent can thrive

To create an environment where diverse talent can thrive, our Company is committed to supporting the balance between work and childcare. In recent years, we have focused particularly on increasing the rate of male employees taking childcare leave, proactively implementing initiatives such as sharing experiences of those who have taken leave at internal forums, seminars on work-life balance strategies, and networking events for employees raising children. As a result, the uptake rate for male childcare leave and childcare-related leave reached 90.6% in FY2024, and is continuing to improve yearly.

We have established a multifaceted support system to provide diverse career options and empower all employees to achieve greater success. To help employees develop their careers with peace of mind, we have established a career counseling service staffed by specialized counselors. Furthermore, we are supporting employee growth by implementing age-specific career initiatives tailored to each life stage.

3. Expanding internal understanding of DE&I

In addition to achieving the aforementioned goals and establishing the necessary environment, our Company is also focusing on instilling a deep understanding of DE&I (Diversity, Equity & Inclusion) to foster a workplace culture where diverse talent can thrive in their own way.

One specific effort we made was to designate a week in February 2025 as DE&I Week, a period to think about and promote DE&I with employees. We held various events under the theme "Inclusive Niterra" with the goal of encouraging everyone to take ownership of DE&I initiatives and translate them into individual

actions. During this period, we invited an outside lecturer to deliver a presentation conveying that the active participation of every employee is essential to the organization. Furthermore, we also sent out messages from the president and executives, sharing a strong commitment to promoting DE&I throughout the entire Company.

Additionally, we repeatedly conduct diversity-themed sessions on Mimi-Tako (MT) Training, referring to hearing something many times over, for managers. Information about these activities and various DE&I initiatives is disseminated through the monthly Diversity Forum which is published by the HR department for all employees, ensuring comprehensive awareness and fostering regular understanding.

Promoting DE&I toward a Niterra where each and every individual thrives



T.S.
Human Resources Strategy
Department, Well-being Strategy
Group, Global Strategy Division

Our Group is committed to promoting DE&I so that every employee with diverse backgrounds can maximize their potential. By participating in the training program for promoting women to managerial positions, I myself recognized the importance of embracing diverse perspectives and came to appreciate the value of each individual being able to thrive in their own way.

The initiative launched in 2013 as a Women's Empowerment Project has steadily evolved, achieving progress in enhancing diversity among managers and fostering company-wide awareness. Our vision for DE&I goes beyond merely meeting numerical targets and is designed to maximize the organization's strength by fully leveraging the diverse perspectives generated by each individual's experiences and perspectives - irrespective of gender, nationality, or career background. In this way, we aim to create innovation and drive sustainable growth.

The Diversity Promotion Team will continue its activities to ensure every employee embraces DE&I as their own responsibility, respects each other's differences, and proactively participates in creating new value.

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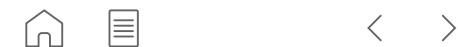
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Occupational Health and Safety



Occupational Health and Safety Policy

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

* This policy applies to all persons involved in our business activities, including employees, temporary employees, contractors, suppliers, construction workers and visitors.

Action Guidelines

- To prevent health damage, injuries at work, and illnesses of employees, we will provide healthy and safety 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 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 ensure access to safe water and sanitation facilities, and promote good hygiene practices.
- We will promote ability and awareness at 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, based on the action plan agreed with the 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 Health and Safety Officer, which holds two regular meetings per year, as well as irregular meetings as required. The Central Health and Safety Committee reviews the Group's health and safety issues and reports on related activities from each company, while the Chief Health and Safety Officer conducts management reviews. Each in-house company and department develops its own goals and plans, and engages in health and safety activities via the Health and Safety Committee of each plant.



In FY2024, the Central Health and Safety Committee convened twice to report on and discuss activities including responding to occupational accidents, the global health and safety framework, health management initiatives, and workplace environment improvements.

Initiatives for Preventing Occupational Accidents

Risk assessment initiatives

As a core activity of our OHSMS, we conduct risk assessments when introducing equipment and chemicals, and review the content annually.

We conduct detailed investigations of hazards from equipment, chemicals, and work processes in all workplaces to conduct health and safety risk assessments, and implement hard and soft countermeasures (residual risk management), prioritizing the most dangerous hazards.

Education

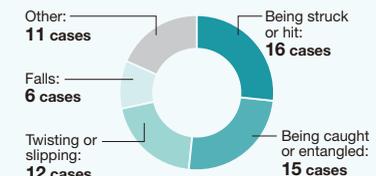
To prevent disasters from occurring, we implement diverse training programs, including tiered education and specialized training, from the viewpoints of "people," "products," and "systems." The Health and Safety Guidelines (English version available) for all employees is a booklet summarizing the basics of health and safety, and is put to use in each workplace.

In FY2024, we administered a comprehension test for all employees to ensure a deeper understanding and retention of occupational safety and health knowledge. Additionally, training using hazard simulation equipment enhances safety awareness by allowing participants to experience the threat of disasters on a simulated level.

Disaster occurrence status

In FY2024, 60 disasters occurred within the Group. The breakdown consists of 24 lost-time injuries and 36 non-lost-time injuries, with accidents involving being struck or hit and being caught or entangled accounting for half of all incidents.

For companies where major disasters occurred, workplace safety activities were bolstered to prevent recurrence, including annual comprehensive inspections covering all equipment as well as safety initiative sharing meetings across all organizations. Additionally, we are working to prevent similar disasters across the entire Group through on-site inspections based on the "Three Reality Principle" — which focuses on actual places, actual things, and actual situations— investigation of similar equipment and operations to develop countermeasures, and review of our frameworks.



Health and Productivity Management Initiatives

The Group views employee health as a vital management resource and in December 2017 issued a declaration on health and productivity management. We are promoting various initiatives from the perspectives of lifestyle-related disease prevention, mental health support, and measures against passive smoking. The rate of employees undergoing health checkups, which form the basis of health management, has consistently remained at 100% every year. To prevent passive smoking, smoking was banned throughout the premises from April 2023. Additionally, in terms of lifestyle disease prevention, we have seen results such as improvements in exercise habits and a reduction in the rate of smoking thanks to the continued operation of our in-house smoking cessation clinic.

Declaration on health and productivity management

- I. The Niterra Group declares that we will support the health of each and every employee and promote Kenkokeiei (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.
- II. 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 potential as well as work energetically.
- III. We will work together with the labor and health insurance unions to proactively engage in health promotion activities that include employees' families from a long-term perspective.

Takeshi Kawai, Representative Director, President & Chief Operating Officer

Kenkokeiei is a registered trademark of NPO Kenkokeiei.

Furthermore, starting in 2023, we introduced a health management system that can aggregate and analyze the health information of our employees. We will strive to achieve well-being by promoting digital transformation (DX) alongside data from workforce management systems, talent management systems, engagement tools, and other HR tech solutions, leading to the development of challenge-driven health management by leveraging these technologies.

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Respect for Human Rights

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 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 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 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 consistently require all of our business partners, including suppliers, to understand the Policy and join our efforts to respect human rights.

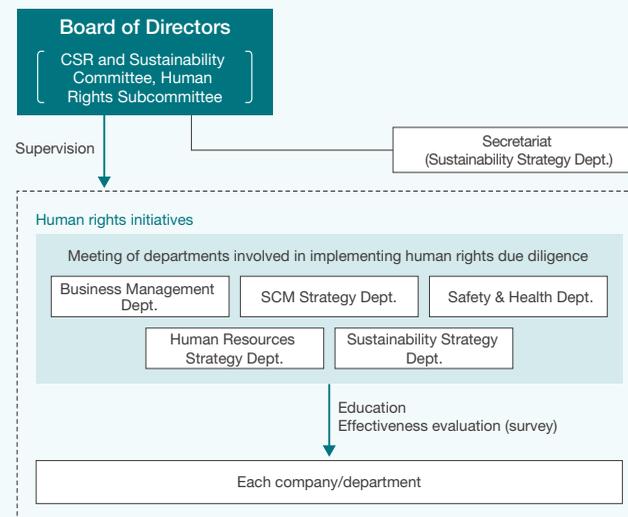
For more information please visit our website: <https://www.sustainability.niterragroup.com/en/themes/547/>

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 since FY2022 primarily between the departments engaged in human rights due diligence (namely, the Business Management Department, SCM Strategy Department, Safety & Health Department, Human Resources Strategy Department, and the Sustainability Strategy Department).

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.



Human Rights Policy Formulation and Announcement

Since establishing the Human Rights Policy as one of our CSR basic policies in 2020, we have reviewed its content annually and whenever necessary.

In January 2023, recognizing the growing importance of corporate efforts to respect human rights and the need for initiatives not only within our Group but throughout the entire value chain, we comprehensively revised our Human Rights Policy to align with international standards and other relevant norms. We also specified examples of the human rights we respect in an appendix to the Human Rights Policy. These revisions were made after receiving advice from outside human rights experts, conducting extensive discussions within the departments involved in implementing human rights due diligence, obtaining confirmation from the CSR and Sustainability Committee, and securing approval from the Board of Directors. Additionally, in December 2024, we revised the appendix to the Human Rights Policy, adding sections on indigenous peoples' and local communities' rights and respect for human rights in security operations.



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Human Rights Due Diligence

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

When identifying risks to human rights, 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 them out, and identify human rights risks in priority areas.

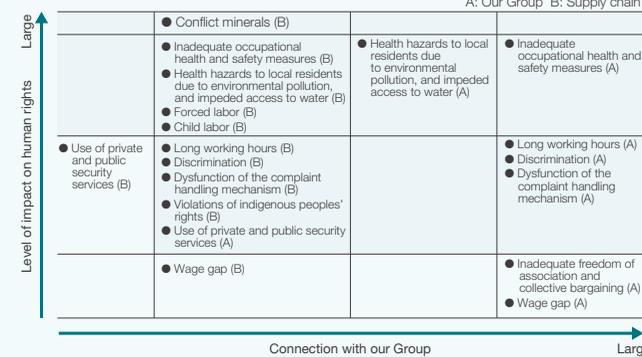
We currently encourage efforts to respect human rights by focusing on priority risks directly in our Group and our supply chain based on these results. We also recognize that identified human rights risks may alter due to changes in social conditions, the progress of the Group's business, the development of new business partners, and other factors. Therefore, 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.

We regularly conduct surveys to verify the status of human rights respect within our Group and supply chain. We implement reform measures as necessary for issues and potential human rights risks identified in the course of our investigations, striving to prevent them before they occur.

As a specific example, it was discovered that in FY2024, a Group company in Thailand was conducting pregnancy and infectious disease tests prior to hiring, citing safety considerations during employment. This practice has been discontinued in accordance with international standards, as it has the possibility of leading to discrimination. We also confirmed that no other Group companies have conducted similar testing.

Risks related to human rights cannot be completely eliminated, even with mechanisms such as human rights due diligence in place, and they still persist. This is because such issues often stem from the limitations of frameworks, unforeseen circumstances, and the complexity of human rights issues. Furthermore, human rights standards also vary by country, region, and era. To mitigate these risks, we will strive for continuous improvement, engage in dialogue with stakeholders, ensure highly transparent disclosure, and dedicate ourselves to education activities that embed respect for human rights as part of our corporate culture.

Human rights risk map



Level of impact on human rights: Evaluated based on severity (scale, scope, and irreversibility of human rights violations) and likelihood of occurrence

Connection with our Group: Evaluated based on the nature of involvement (direct, contributory, or indirect) and the party involved

Human rights risks in priority areas

Our Group	Supply chain
<ul style="list-style-type: none"> ● Inadequate occupational health and safety measures ● Health hazards to local residents due to environmental pollution, and impeded access to water ● Long working hours ● Discrimination ● Dysfunction of the complaint handling mechanism ● Use of private and public security services 	<ul style="list-style-type: none"> ● Conflict minerals ● Inadequate occupational health and safety measures ● Health hazards to local residents due to environmental pollution, and impeded access to water ● Forced labor ● Child labor ● Long working hours ● Discrimination ● Dysfunction of the complaint handling mechanism ● Violations of indigenous peoples' rights

Surveys of our Group and the supply chain

Our Group	Compliance awareness survey	Held every two years within Japan (Previous occasion: FY2023)
	Human rights and labor survey	Conducted annually (Previous occasion: FY2024)
Supply chain	Survey administered through the CSR and Sustainability Procurement Guideline checklist	Held every two years (Previous occasion: FY2023)

Key initiatives in FY2024

Human Rights Issue	Initiative	Specific Action
Conflict Minerals	Commitment to Responsible Minerals Sourcing	We established the "Niterra Group Responsible Mineral Procurement Guideline."
Forced Labor	Abolition of Pay Reduction as a Disciplinary Measure	We abolished pay reduction as a disciplinary action, in accordance with international standards. We plan to extend this policy to our Group companies.
Discrimination	Support for Same-sex Partnerships	Employees in registered same-sex partnerships are now eligible for welfare and benefits programs on the same basis as employees in heterosexual marriages. We will extend this policy to Group companies where it is not yet implemented.

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 FY2024 as well, we conducted dialogues on the topic 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. In



Dialogue with labor unions on the topic of human rights

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.

Group employees based in Japan participate 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 training and newsletters have increased Group awareness of gender equality and LGBTQ+ issues, and we keep a close watch on human rights issues around the world.

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* For information on our complaint handling mechanism, please refer to the "Internal Reporting System" section.

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Vision

- Implement systematic production site reorganization to achieve optimal location utilization for both current and new business pillars
- Establish processes that effectively harness digital data, aiming for a plant where anyone can produce quality goods anywhere without relying on people
- Establish a quality assurance system on a global scale and develop standardized processes tailored to each area of business to consistently deliver quality that meets customer requirements for all products.

Key Features

- Securing future space requirements through systematic plant reorganization for future business expansion
- Implementing a company-wide unified information utilization platform to enhance value-added productivity with data integration
- Unifying quality control rules based on global quality regulations and establish an information sharing system enabling swift responses to prevent defects on a global scale

Challenges

- Strategic production site planning
- Establishment of operational standardization and utilization of data integration
- Swift responses to quality defect prevention activities (including information transmission speed)

To ensure the Niterra Group's sustainable development by sustaining existing businesses and creating new business pillars, we aim to maintain and enhance our competitive advantage in the market by optimizing production locations for our products, managing product quality, and improving productivity.

● Examples of Specific Initiatives for Strengthening Capital

Production site strategy

Our Group is advancing its production site strategy initiatives to implement systematic production site consolidation both domestically and internationally, thereby realizing the optimal utilization of locations for current and new business pillars. We are implementing measures such as securing vacant land and realizing the effective use of plants, organizing proposed sites capable of adapting to sudden changes in new business pillars, and providing planning departments with aggregated information and optimal layout proposals.

Promotion of smart factories

Our Group is establishing model lines that effectively leverage digital data, aiming to create factories where anyone can produce quality goods anywhere without relying on people, thereby promoting improvements in productivity and operational efficiency. Under the model line concept of the Niterra Data-Driven Factory, we aim to establish an information utilization platform and achieve enhanced value-added labor productivity.

Quality management

We are advancing efforts to clarify roles and responsibilities based on the Group Quality Regulations and establish a framework for monitoring the implementation status globally, aiming for quality governance and QMS enhancement from a global perspective.

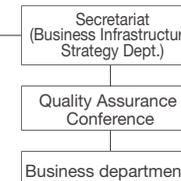
Quality governance promotion framework

Our Group has established a Quality Committee (holding regular meetings twice a year and special meetings as necessary) to promote quality governance under our quality policy. This committee is chaired by the executive officer in charge of the Business Infrastructure Strategy Department, who is the chief executive responsible for quality governance.

The Quality Committee determines policies and guidelines for optimizing each of our company's functions from a company-wide perspective.

Additionally, at the Quality Assurance Conference, we share the causes of quality defects and appropriate countermeasures to take, discuss them, and promote their implementation, all with the aim of raising the level of quality assurance.

Quality Committee



Quality Policy

We continue to cocreate value with customers and contribute to society in accordance with basic traits of "Quality Product" & "Involvement by all".

Action Guidelines

- We constantly consider what we should do to please our customers with our products and services, with a view to increasing our organizational capability.
- We are engaged in quality improvement activities across the company and encourage our employees to achieve higher goals by making the best use of their individual abilities and creativity and uniting their wisdom to address problems and challenging issues.



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Vision

- Through research and development of new technologies that will become Niterra's new core competencies, we will ultimately contribute to the creation of new businesses
- To enhance the corporate value and ensure the sustainable development of the Niterra Group, we will increase intellectual property rights that foster innovation and give new business pillars a competitive edge

Key Features

- Accelerating technological innovations by fostering a flexible and open research framework that integrates internal and external expertise
- Securing a competitive advantage through intellectual property mix activities cultivated over many years in the automotive components business

Challenges

- Identifying businesses with the potential to grow into major ventures replacing spark plugs and sensors, and conducting R&D on new technologies
- Global strategic applications and obtaining rights for supporting the competitive advantage of new business pillars

● Initiatives to Strengthen Intellectual Capital

Research and development policy in the Mid-term Management Plan 2030

Our Company previously established a Scientific Research Laboratory as its R&D division, conducting both applied and development research as well as fundamental research. However, starting in April 2025, we separated and reorganized these functions.

Specifically, we transferred the applied and development research department to the Business Implementation Division, which is responsible for business development. This will accelerate the commercialization of research outcomes and augment the development of products and services that meet market needs.

Meanwhile, we reorganized the Science Research Laboratory as a specialized department dedicated to fundamental research. Here, we pursue innovative research and development with a long-term perspective, aiming to create new technologies that will become the core competencies supporting our Company's future.

Through this restructuring of the organization, we will enhance each area's expertise and pursue more efficient and strategic innovation.

Regarding human capital, we will delve into expertise and foster co-creation in entirely new fields using measures such as implementing course-specific hiring, introducing discretionary work arrangements, and establishing sites within universities. We will also maintain close communication with relevant government ministries and ceramics research institutions/associations to enhance our ability to identify market challenges and new technologies.

Key initiatives in the Mid-term Management Plan 2030

1. Research contributing to the realization of a circular economy

We are working to recycle used ceramics with the goal of reducing environmental impact throughout the entire product lifecycle. In specific terms, we are developing proprietary disaggregation processes that convert sintered bodies back into powder, as well as technologies for separating and recovering valuable materials such as precious metals from composite components. This enables the circulation of materials that were previously discarded as valuable resources, contributing to the realization of a waste-free society.

2. Pursuing quantum technology to solve energy problems

Achieving a decarbonized society requires a fundamental improvement in our energy efficiency. Our Company focuses on the mutual conversion of energy forms such as heat, light, electricity, and magnetism, aiming to minimize losses generated during these processes to the absolute limit. The key to this lies in quantum technology, which controls the fundamental behavior of matter. Based on advanced approaches, we are exploring the feasibility of previously challenging energy conversion pathways such as highly efficient thermoelectric conversion and thermophotovoltaic (TPV) conversion in collaboration with outside partners. With this innovative fundamental research, we aim to create new technologies that will contribute to solving future energy problems.

● Creation of New Business Pillars Utilizing Our Core Assets

We established a division focused on business development centered around our core technologies (Business Implementation Division) starting in FY2023. This division proactively collaborates with the Management of Technology Division, which drives the creation of new technologies and the establishment of new core competencies. It focuses on reaffirming the value of core assets centered on ceramics, with a key strategy being the rapid creation of new business pillars leveraging our proprietary technologies. By accurately identifying the technologies required in the process of creating new businesses and swiftly delivering products and services, we will significantly contribute to the transformation and challenges of the Niterra Group, making the Earth shine for all.



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Action Guidelines for Intellectual Property Activities

Action Guidelines

- Further enhance corporate value by promoting innovation and increasing intellectual property rights.
- Honor intellectual property rights of third parties.
- Comply with laws and regulations regarding intellectual property in individual countries.

Intellectual Property Activities Aligned with Business Strategy

Our Group is pursuing a mid- to long-term management strategy focused on further strengthening our internal combustion engine (ICE) business, reforming and strengthening our management foundation, and creating new business pillars centered on our core assets. Intellectual property activities are also crucial to this management strategy, and we are promoting various initiatives accordingly.

Automotive components

We will continue to secure a competitive advantage and maximize profitability through IP mix activities that protect our technologies and expertise in multiple aspects.

Component solutions

By integrating IP strategy into the early stages of business strategy planning, we are able to create IP that strengthens business competitiveness in close collaboration with the development departments. We contribute to enhancing business competitiveness by increasing the number of applications and advancing the obtaining of rights.

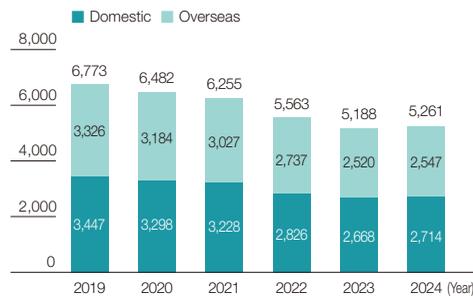
Strengthening governance systems

We are strengthening governance by reporting the results of reviews of IP activities at each site annually to the responsible executive regarding IP activities across all Group companies domestically and internationally.

Organizational change

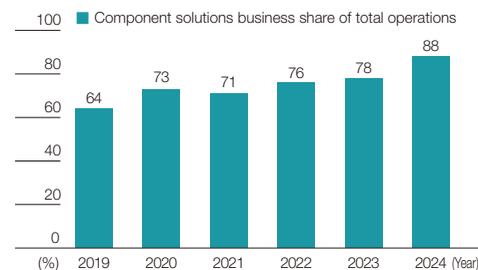
We will establish a new IP strategy formulation capability within the Management of Technology Division to bolster the formulation and promotion of IP strategies integrated with our overall business strategy.

Number of patents held



The reason for the decline over the past six years is that we carefully examined our patent rights in accordance with changes in the business environment.

Percentage of new inventors in the component solutions business relative to all new inventors



The proportion of new inventors in the component solutions business has been increasing year by year compared to the automotive components business.
* Calculated by totaling up the number of new inventors in the automotive components business and the number of new inventors in the component solutions business, with the total sum equaling 100%.

Intellectual Property Activities by Operating Segment

Automotive components

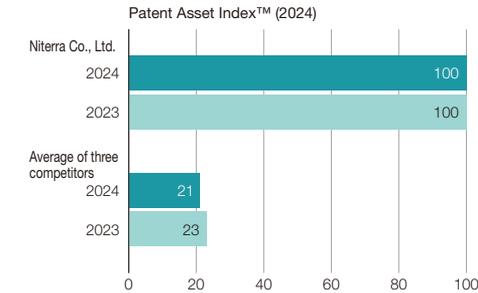
In our automotive components businesses, which are the pillars of our earnings, we aim to secure a competitive advantage through IP mix activities that protect our technologies and expertise in multiple aspects, and continue to contribute to maximizing profitability.

Examples of intellectual property mix activities

- Defense with a superiority patent portfolio
- Brand protection by detecting and eliminating counterfeit products
- Defense through know-how secrecy

Patent asset index (PAI) for spark plugs

(Comparison with competitors when our Company is set at 100)



The PAI value related to spark plugs shows no change in trend for FY2024, and we continue to maintain our superiority.
* Prepared by our Company from LexisNexis PatentSight.
We evaluate these figures using the Patent Asset Index of LexisNexis PatentSight. This index comprehensively takes into account the technology perspective, market perspective, and number of patent applications and rights obtained with valid legal status (pending applications and patents that have been granted).

Component solutions

Based on the results of the analysis using IP information for a part of our component solutions business, we are working together with the development departments to create intellectual property that will strengthen business competitiveness.

Example of activities

Step 1: Organize the Company's intellectual property that is the source of competitive advantage, and analyze the trends and expected competitors in related business areas using patent analysis (utilizing the IP landscape)

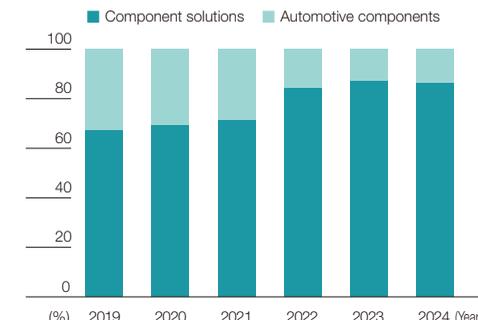
Step 2: Consider what the future should look like at the time of business realization (e.g. patent portfolio)

Step 3: Formulate and implement an IP strategy for realizing the vision of the future (applications and obtaining rights)

Step 4: Look back at implementation details
We are repeatedly carrying out the steps above with a sense of speed, in order to increase the ratio of patent applications and obtain rights for our component solutions business.

Patent publication rate by business in Japan

(total as 100%)



The ratio of patent publications related to the component solutions business has been increasing year by year since 2019 and has remained at approximately 80% in recent years.

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Vision

- We are actively pursuing initiatives to realize a decarbonized society, aiming for carbon neutrality by 2050.
- We are addressing global water-related risks while working to ensure sustainable water use and conservation in our business activities.
- We are promoting zero waste emissions and contributing to the formation of a global recycle-oriented society.

Key Features

- CO₂ circulation, CO₂ capture and utilization, and development of solutions for a hydrogen based society
- Promoting CO₂ reduction by means of internal carbon pricing, internal carbon taxes, and internal environmental funds
- Adoption of a closed-loop water system that purifies and reuses factory wastewater without discharging it externally (at some plants)
- Promoting the effective utilization of diverse waste materials

Challenges

- Balancing business growth and reduction of CO₂ emissions
- Strengthening water risk management and increasing water reuse rates across all production sites to reduce water intake and discharge volumes
- Circular economy implementation and promotion
- Introduction of LCA during development and design

Environmental Policy

As a globally developing core manufacturing corporation, we aim to promote environmental conservation activities linked with corporate management 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, including the utilization of renewable energy, toward the realization of a decarbonized society, conserve water resources, manage waste, and develop, offer and expand environmentally friendly products.
- We prevent soil, air, and water 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 set environmental objectives and continuously improve our environmental management system 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 Environmental 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 Environmental Committee reviews the progress of Eco Vision 2030 and identifies environmental issues within the Group, striving for continuous improvement. In FY2024, the Central Environmental Committee convened twice to report and discuss progress on Eco Vision 2030, internal audit results, environmental incident information, and the progress and future plans for the climate change initiatives response roadmap.

Each internal company manages its own targets on items relevant to business activities and conducts activities integrated with business to achieve Eco Vision 2030 in the future. 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.

92% of Group employees have obtained ISO 14001 certification.

* Number of companies and employee ratio as of the end of FY2024



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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 in April 2021, which shows the vision (or goal) of what we want to be by 2030 and the vision of what we will pursue until 2040. Eco Vision represents a long-term environmental initiative plan based on our environmental policy.

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 Niterra Green Products. Through this initiative, we will expand our lineup of environmentally conscious products that reduce environmental impact throughout their entire lifecycle, accelerating manufacturing practices that contribute to solving environmental challenges facing society, such as building a recycling-oriented society and improving resource efficiency.

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 ones.

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. In the course of 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 * Scheduled to change to 46% reduction in April 2026	Implementing activities toward realizing a decarbonized society * Aiming for carbon neutrality by 2050
Expanding Environmentally Friendly Products 	Expand Niterra Green Products	All products contribute to the improvement of the global environment and contribute to making a sustainable society come true
Conserving Water Resources 	Water consumption intensity: Keep below the 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 risk climate change risks on our business and incorporating 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 proactively engage in environmental conservation activities	All employees have a high level of environmental awareness and contribute to making a sustainable society into reality
Management of Chemical Substances 	Appropriately manage chemical substances to reduce environmental impact	Contributing to the conservation of biodiversity through the continuous management of appropriate chemical substances
Promoting Green Procurement 	Achieve 100% introduction of a green procurement system	Implementing environmentally friendly procurement activities to make a sustainable society into reality
Expanding Green Logistics 	Reducing CO ₂ emissions by promoting green logistics and optimizing logistics efficiency	Our green logistics system is developed 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



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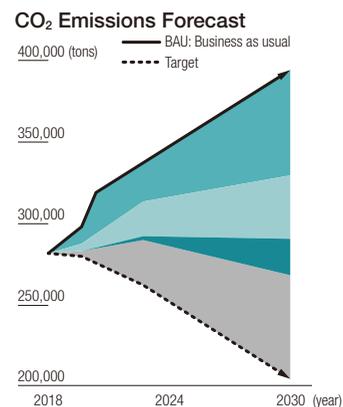


Responding to Climate Change

Our Group has declared a CO₂ emissions reduction target of 30% reduction* by FY2030 compared to FY2018 levels (Scope 1 and 2) in our Eco Vision 2030, based on the premise of achieving carbon neutrality by 2050. We are also promoting CO₂ emissions reductions across our supply chain and product lifecycle, aiming for a 30% reduction by FY2030 compared to FY2018 levels (Scope 3). 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: Manufacturing improvements, work style reforms, and new technology adoption, Plan C: Energy creation, and Plan D: Procurement/certificates), we will achieve both the planned reduction of CO₂ emissions and also economic growth.

Furthermore, to clarify our commitment to climate change countermeasures, we have set a new interim target for FY2035: a 71.4% reduction compared to FY2018 levels, at the end of FY2024. This is equivalent to the level required to meet SBT's 1.5°C target (reductions of at least 4.2% annually).

* Scheduled to change to 46% reduction in April 2026



Plan	Examples of measures
Plan A Energy Saving	(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) Optimization of air conditioning supply and exhaust interlock operation and conditions (4) Renewal of production 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 improvements, work style reforms, and new technology adoption	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

Information Disclosure Based on TCFD Recommendations

In July 2020, the Niterra 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://www.sustainability.niterragroup.com/en/themes/531/>

Governance

Regarding the approach of management concerning climate change, the CSR and Sustainability Committee, an advisory body to the Board of Directors, 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, progress on key initiatives for Key Management Priorities, including our Responding to Climate Change, is reported by the Sustainability Department to the CSR and Sustainability Committee, which reviews and monitors this progress. 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 integrated risk management.

Strategy (risks & opportunities)

Regarding climate-related risks and 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.

For the listed risk items, we evaluated business impacts by considering two primary risks: risks associated with the transition to a low-carbon economy, primarily occurring during the 2°C scenario route, and risks associated with physical changes due to climate change, arising if the 4°C scenario materializes due to failure to reduce global CO₂ emissions. Additionally, regarding the listed opportunity items, we examined opportunities for management reform through climate change mitigation and adaptation measures.

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

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Climate-related risks

Risk item	Business impact (risk)	Assessment (impact)			Timing of the risk			
		Small	Medium	Large	Short-term	Medium-term	Long-term	
2°C scenario Risks related to the transition to a lower-carbon economy	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.					
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 of work.			●	●		
4°C scenario Risks related to the physical impacts of climate change	Acute	Increased severity of extreme weather events	● Typhoons and other extreme weather events will cause damage to plants and other facilities, resulting in shutdowns 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 so forth.			●	●	
		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 personnel expenses will increase.			●	●	

Climate-related opportunities

Aspect	Major opportunity	Timing of the opportunity		
		Short-term	Medium-term	Long-term
Resource efficiency	● The increasing adoption of new energy-saving and renewable-energy technologies will reduce energy costs.			
Energy sources	● The increased demand for hydrogen as a fuel exempt from carbon tax will give rise to 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 give rise to business opportunities.			
Resilience	● In disaster preparedness, the continuous reinforcement of the BCM and BCP of our Group, including our supply chain, will help reinforce 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: Until around 2027
 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

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

To further clarify climate-related risks and opportunities, we examined the business environment and corresponding measures under 2°C and 4°C scenarios for each project. As a result, no critical impacts related to physical risks were identified.

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, we have designated Environment and Energy as one of our key focus areas moving forward and are actively pursuing the optimization of our business portfolio.

* The financial impact of the internal combustion engine business: Based on our forecast using S&P Global analysis, we anticipate that the number of vehicles with internal combustion engines will 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 forms 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 FY2024 levels, we estimate a decrease in revenue of about 27 billion yen and a decrease in operating income of about 7 billion yen.

FY2024 ICE business revenue: 538.9 billion yen / FY2024 ICE business operating income: 140.9 billion yen
Assumed decrease in sales of products for internal combustion engines beginning in FY2040: 5%
Business revenue: 538.9 billion yen × 5% = 26.9 billion yen / Operating income: 140.9 billion yen × 5% = 7.0 billion yen

Risk management

The Niterra 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 Key Management Priorities (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	Spark plugs, glow plugs, and 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 saving 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 on certain revenue sources*	700 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, semiconductor PKG, 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, under the 2°C scenario, sales are expected to decline in the future due to stricter regulations. Therefore, the optimization 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

Based on the premise of achieving carbon neutrality by 2050, we have set the following targets: CO₂ emissions: 30% reduction* compared to FY2018 levels (by FY2030) and CO₂ emissions: 71.4% reduction compared to FY2018 levels (by FY2035).

For Scope 1 and 2 emissions, energy-saving initiatives and other CO₂ reduction measures progressed as planned. Furthermore, reductions exceeded planned targets due to energy generation from solar power and the adoption of CO₂-free electricity.

CO₂ reduction targets and results

Item	Target	Results
Scope 1 and 2	30% reduction by FY2030* 71.4% reduction from the FY2018 level by FY2035 * Scheduled to change to 46% reduction in April 2026	Reduced by 31.7% compared with FY2018 in FY2024 [Emissions: 191k tons] [Third-party Certification] [Intensity: 0.48 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 by FY2030 (Compared to FY2018 levels)	Reduced by 13.4% compared with FY2018 in FY2024 [Emissions: 9.78M tons] [Third-party Certification] : Category 4

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 are requesting our suppliers to set and pursue CO₂ reduction targets, and we provide appropriate support by hosting carbon neutrality seminars and offering CO₂ reduction support services (Category 1). We are also focusing on activities to reduce CO₂ emissions across the entire supply chain, such as changing product delivery routes and transportation methods (Category 4) and continuing to develop environmentally conscious products (Category 11).

* Scheduled to change to 46% reduction in April 2026

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

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Conserving Water Resources Third-party Certification: Water usage

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 FY2024, water consumption intensity for drinking water, well water, and river water was 3.91 m³/million yen, which was a decrease of 27.7% compared with FY2018.

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

Key Progress Based on TNFD Recommendations

Since FY2023, we have been advancing our initial analysis based on the TNFD recommendations.

(1) Organization of dependencies and impacts of the business on nature

We created a heatmap using the ENCORE tool to illustrate the relationship between our Group's business operations and natural capital/ecosystem services within the value chain. As a result, all operations were assessed as having significant impacts on GHG emissions and water use during raw material extraction/procurement and product manufacturing, as well as high degree of dependency on water resources and climate regulation.

(2) Ascertainment of points of contact with nature at production sites

Regarding our Group's production sites, we analyzed the environmental conditions of each production site's location using tools such as IBAT and WRI Aqueduct, based on the four indicators outlined in the TNFD recommendations. As a result, we identified the following sites requiring further detailed examination as areas of concern: importance of biodiversity: 1 site; ecosystem integrity: 3 sites; importance of ecosystem service provision: 1 site; and physical water risks: 15 sites.

(3) Identification of potential nature-related risks and opportunities

Based on the initial analysis results ((1) and (2)), we have identified the specific risks and opportunities anticipated at this juncture.

We will continue to conduct detailed analyses of our business operations and the actual conditions at each site, including upstream segments of the value chain. While incorporating future risks identified by scenario analysis, we will pinpoint significant risks and opportunities for our Group. For significant risks, we will formulate and implement necessary countermeasures while monitoring them.

Waste Management Third-party Certification: Waste disposal volume

The Niterra 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.

The effective utilization rate for FY2024 was 90.6%, an improvement over FY2023. Our waste intensity was 0.051 tons per million yen, a decrease of 31.6% compared with FY2018. Total disposal volume was 20,332 tons.

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.

* For more information on conserving water resources, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/533/>

* For more information on waste management, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/532/>

* For more information on chemical substances management, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/534/>

As an initial screening, we used ENCORE* to assess the potential dependencies and impacts 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

Potential primary nature-related risks

Classification	Dependencies and impacts on related natural environments	Potential risks	Level of impact	Likelihood of occurrence/severity		
Physical risks	Acute	[Dependency] Climate regulation, disaster mitigation, and soil stabilization	• Due to the decline in natural disaster mitigation and soil stabilization functions caused by development in surrounding areas, production sites will experience damage from wind and water as well as sediment-related disasters.	Large	Medium	
	Chronic	[Dependency] Climate regulation, disaster mitigation, and soil stabilization	• Due to the decline in natural disaster mitigation and soil stabilization functions caused by environmental degradation in surrounding areas, production sites will experience damage from wind and water as well as sediment-related disasters.	Large	Medium	
		[Dependency] Water resources supply	• As the natural water retention capacity and recharge capacity decline, water resources will also diminish. • Water quality will deteriorate as purification capacity declines.	Small	High	
Migration risks	[Dependency] Water resources supply	[Impact] Use/recovery of resources	• Excessive water intake and pollution will degrade water resources and destabilize its supply (including excessive intake and pollution by other parties upstream).	Medium	High	
	Policy	[Impact] Land ecosystems and water resource use, air/water/soil pollution, waste (mineral production sites)	• The introduction of regulations on collection and mining (including land alteration) for the sake of nature conservation will lead to shortages in the supply of raw materials and price surges. • Mineral prices will rise due to reduced supply resulting from stricter environmental regulations during mining and increased production costs.	Large	Medium	
		[Dependency] Water resources supply	[Impact] Use/recovery of resources	• Regulations and ordinances governing the intake of water resources such as surface water and groundwater will become stricter. • Water procurement costs will increase due to water intake restrictions.	Medium	High
		[Impact] Pollution/pollution removal	• Regulations and ordinances concerning drainage will become stricter. • The introduction of closed systems as countermeasures against drainage restrictions will increase operational costs.	Large	High	
	Policy and markets	[Impact] Pollution/pollution removal	• With the tightening of regulations and ordinances concerning exhaust, wastewater, and waste plastics, compliance measures (such as emission reduction and mandatory reporting) will be required.	Medium	High	
		[Impact] GHG emissions, non-GHG air pollution	• Demand for spark plugs and sensors will decline due to reduced demand for gasoline and diesel vehicles.	Large	Medium	
[Impact] General		• Customer preference for products that impact nature and ecosystems will decline.	Large	Medium		
Reputation and liability	[Impact] Use/recovery of resources, pollution/pollution removal	• Criticism and lawsuits will arise over heavy water consumption during operations, water pollution, soil contamination, and disturbances (light pollution and noise), particularly when water resources are used at production sites where the supply is strained in the watershed of that site. • Penalties and damages may be incurred for excessive use of resources or pollution during operations.	Large	High		
			Large	Low		

* For details on the assessment criteria for the impact level, likelihood/urgency of occurrence of major anticipated natural risks, anticipated natural opportunities, and other information, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/535/>

* For more information on the social and environmental information verification report, please visit our website: https://www.sustainability.niterragroup.com/resource/pdf/08en_Independent_verification_report.pdf

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Vision

- Engaging in ongoing dialogue with shareholders and investors to foster mutual understanding, we strive for sustainable growth and enhanced corporate value
- By building strong relationships of trust with our customers and co-creating new value, we are growing in the global market
- We are working to enhance our collaboration with our suppliers and establish sound, sustainable partnerships
- Working collaboratively with local communities, we are developing together toward the realization of a sustainable society

Key Features

- Appropriate disclosure of information and dialogue with stakeholders
- Global market share and the sales network supporting it
- Trust-based relationships with our suppliers
- Relationships with local communities built over many years at our sites around the world

Challenges

- Improving the quality of communication with stakeholders
- Building trust with customers in new business domains
- Addressing issues such as decarbonization, biodiversity, and human rights across the entire supply chain
- Resolving issues in local communities that arise through our business activities

Dialogue with Stakeholders

The sustainable growth and enhancement of corporate value for our Group are built upon constructive relationships with all of our stakeholders. By engaging in dialogue with everyone, we will develop a deeper mutual understanding and build a sound, sustainable partnership based on trust. We will contribute to the realization of sustainable development for society as a whole by promoting the co-creation of new value and collaboration that arise from this, and by maximizing mutual benefits.



Stakeholders	Initiatives	Opportunities for communication	FY2024 results
Shareholders and investors	We not only comply with legal disclosure standards but also disclose information necessary for investment decisions accurately and in a timely manner, primarily via our company website. We also actively engage in bidirectional communication during Q&A sessions at financial results briefings and company briefing sessions for individual investors, listening carefully to everyone's opinions and questions then responding in detail.	<ul style="list-style-type: none"> ● Ordinary General Meeting of Shareholders ● Financial results briefings, etc. ● Company briefing sessions for individual investors 	<ul style="list-style-type: none"> ● Held the ordinary general meeting of shareholders in June and conducted a business briefing afterward to create opportunities to hold dialogue with shareholders ● Financial results briefings held in May and November ● 315 individuals attended the company briefing session for individual investors
Customers	To ensure customers can purchase and use our products and services with confidence, we strive to provide information from the customer's perspective on our website, at exhibitions, and in other settings. Our global sales network is a vital point of contact with our customers. We accurately identify needs not only through communication with end-user customers but also through dialogue with our dealers who have a deep understanding of markets in each country and region, and we leverage this insight to enhance our products and services.	<ul style="list-style-type: none"> ● Website and social media ● Exhibitions and events ● Customer satisfaction survey ● Handling product defects and other issues 	<ul style="list-style-type: none"> ● Official Instagram account launched ● Product and technology explanations at exhibitions ● Communication at event venues such as races ● Conducted a customer satisfaction survey ● World's leading market share in spark plugs and oxygen sensors * FY2023 results ● Global sales presence: Approx. 140 countries ● Authorized distributors: Approx. 374 companies
Suppliers	To build sound, trusting relationships as partners with our suppliers and achieve mutual growth, we conduct activities such as procurement policy briefings for suppliers who play a key role in our supply chain. These activities aim to ensure stable supply and maintain and improve quality throughout the entire supply chain, thereby jointly creating value.	<ul style="list-style-type: none"> ● Procurement policy briefing sessions ● Periodic evaluations ● Survey administered through the CSR and Sustainability Procurement Guideline checklist ● On-site practical training & seminars for our suppliers <p>▶ P. 18 Global automotive customers and sales channels</p> <p>▶ P. 75 CSR and Sustainability Procurement</p>	<ul style="list-style-type: none"> ● Procurement policy briefing session held in May ● Conducted periodic evaluations and recognized outstanding suppliers ● Continued to follow up on the survey conducted using checklists in FY2023 (approximately 700 companies surveyed, 63% response rate) ● 13 on-site practice and seminar sessions held
Local communities	At our locations around the world, we respect local cultures and customs, and listen to the needs of local communities and opinions concerning our business activities. Based on these dialogues, we strive to participate in various philanthropic activities as members of the local community, aiming to build a comfortable society by working together.	<ul style="list-style-type: none"> ● Hold and sponsor community events ● Dialogue with local communities ● Environmental plant tour ● Community clean-up activities ● Joint clean-up activities with an NPO 	<ul style="list-style-type: none"> ● Hosted a family musical inviting local residents, attended by approximately 3,600 people ● Sponsored the Marathon Festival Nagoya Aichi ● Participated in and sponsored local events (such as festivals) at each site ● Hosted a total of 685 participants for environmental plant tours ● Community clean-up activities with a total of 408 participants ● A total of 38 people participated in the joint clean-up activity with an NPO
Employees	We not only provide appropriate information through various forms of disclosure and internal communications, but also foster bidirectional communication using various surveys such as employee engagement surveys and dialogue with labor unions. We continuously strive to improve our HR systems and workplace environment based on the frank opinions and issues raised by our employees.	<ul style="list-style-type: none"> ● Internal newsletter ● Various labor-management council ● Internal reporting system ● Employee engagement survey <p>▶ P. 56 Human Capital</p> <p>▶ P. 63 Respect for Human Rights</p>	<ul style="list-style-type: none"> ● Regularly published on the web-based company newsletter ● Labor-management council meetings held as needed ● Received 107 consultations and reports through the internal reporting system ● Conducted an employee engagement survey

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CSR and Sustainability Procurement



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 transactions at appropriate prices based on fair, transparent, open competition and rationality.
- 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.
- To reduce the burden on the global environment, we strive to procure sustainable materials, including recycled materials.
- We enhance mutual trust with our suppliers, who are good partners for us, and strive to realize mutual development.

Promotion System

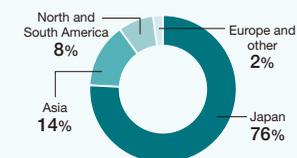
The Niterra Group is committed to working with our diverse suppliers in order to meet society's expectations throughout our entire supply chain. We are also committed to promoting responsible procurement with consideration for issues such as human rights and the environment. To that end, our Procurement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

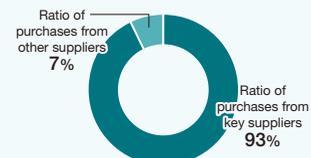
The Procurement Department takes the lead in thoroughly managing our suppliers who make up the supply chain. In doing so, we place significant emphasis not only on quality, technology, price, and delivery times, but also on sustainability perspectives such as environmental, social, and governance (ESG) factors and the commitment to continuous improvement. Additionally, regarding business continuity planning (BCP), we continuously identify potential risks and take actions to mitigate them.

For key suppliers (those who provide components, processing, equipment, etc. involved in manufacturing our products), we conduct annual evaluations based on the above supplier management criteria, ranking them from A to D. Based on this feedback, we encourage continuous improvement in order to build strong partnerships.

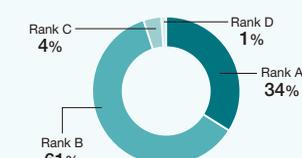
Procurement value composition by country/region



Ratio of purchases from key suppliers



Percentages by level of key supplier (Results of FY2024 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.

In FY2024, we revised our guidelines to reflect updates to our Group's Human Rights Policy. In April 2025, we integrated our Green Procurement Guidelines and once again requested our suppliers to comply with them.

To monitor the status of implementation by the suppliers, we conduct surveys every two years using a checklist and provide feedback on the results. For the survey we conducted in FY2023, we targeted approximately 700 companies with whom we have regular business dealings, receiving responses from 63% of suppliers (the equivalent of 83% on a total purchase value basis). We assessed the results and conducted follow-up actions, such as interviews with management, for suppliers posing high-risk concerns, requesting improvements to address the issues.

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.

Initiatives regarding conflict minerals

We conduct annual traceability investigations of our supply chain using internationally recognized tools to assess the use of conflict minerals and similar resources. Where risks are identified, we endeavor to avoid their use. In February 2025, we established the Responsible Mineral Procurement Policy to outline our Group's principles regarding conflict minerals and related issues.

* For details on our responsible procurement practices, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/525/>

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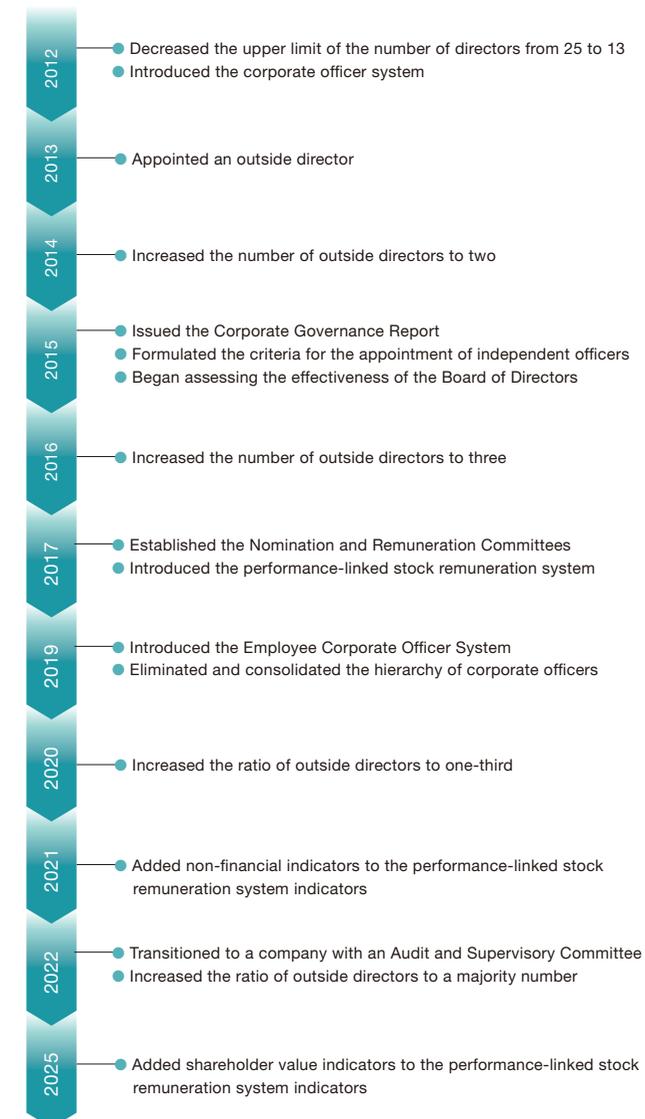




Overview of Major Organizations

(1) Board of Directors	<p>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.</p> <p>Status of Specific Activities In FY2024, 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 Mid-term Management Plan 2025 and Mid-term Management Plan 2030, important investment deals, business and growth strategies for individual businesses, initiatives towards sustainability challenges, activities of Risk Management Committee and Compliance Committee, dialogue with shareholders and investors, and the effectiveness of the Board of Directors.</p>	<p>Chair</p> <p>Shinichi Odo Chairman of the Board</p>	<p>Membership</p>  <p>11 directors (including 7 outside directors)</p>	<p>Meetings held in FY2024</p> <p>12</p>
(2) Audit and Supervisory Committee	<p>Purpose The Audit and Supervisory Committee audits and supervises the execution of duties of directors (excluding directors who are Audit and Supervisory Committee members; hereinafter "directors"). It also confirms the appropriateness and suitability of the process of nominations and remuneration of directors by attending Nomination Committee and Remuneration Committee meetings and expressing opinions on these matters.</p> <p>Status of Specific Activities In FY2024, in addition to attending the board of directors meetings, conducting interviews with directors, corporate officers, heads of business, and others, and holding regular liaison meetings with the Internal Auditing Department, and joint audit activities, the Audit and Supervisory Committee deliberated on and confirmed the effectiveness of internal controls and the status of business execution at Audit and Supervisory Committee meetings, by having the full-time Audit and Supervisory Committee member attend important meetings such as the Corporate Management Committee, review approval documents, and receive reports on activities such as regular liaison meetings with Group company auditors. Efforts were also begun on assessing the effectiveness of the Audit and Supervisory Committee.</p>	<p>Chair</p> <p>Kenji Isobe Full-time Audit and Supervisory Committee Member</p>	<p>Membership</p>  <p>4 directors who are Audit and Supervisory Committee members (including 3 outside directors)</p>	<p>Meetings held in FY2024</p> <p>12</p>
(3) Nomination Committee	<p>Purpose 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 a succession plan, and then delivers its opinions to the Board of Directors.</p> <p>Status of Specific Activities In FY2024, 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, the appointment of corporate officers, and the revision of a succession plan and skill matrix, and delivered its opinions to the Board of Directors.</p>	<p>Chair</p> <p>Shinichi Odo Chairman of the Board</p>	<p>Membership</p> <p>Shinichi Odo, Chairman of the Board Takeshi Kawai, President Keiji Suzuki, Director and Executive Officer Miwako Doi, Outside Director Chiharu Takakura, Outside Director Takayoshi Mimura, Outside Director Hisanori Makaya, Outside Director <small>* All directors who are Audit and Supervisory Committee members also attend.</small></p>	<p>Meetings held in FY2024</p> <p>5</p>
(4) Remuneration Committee	<p>Purpose 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.</p> <p>Status of Specific Activities In FY2024, 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), revisions to the remuneration system for directors (excluding directors who are Audit and Supervisory Committee members) and 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.</p>	<p>Chair</p> <p>Shinichi Odo Chairman of the Board</p>	<p>Membership</p> <p>Shinichi Odo, Chairman of the Board Takeshi Kawai, President Keiji Suzuki, Director and Executive Officer Miwako Doi, Outside Director Chiharu Takakura, Outside Director Takayoshi Mimura, Outside Director Hisanori Makaya, Outside Director <small>* All directors who are Audit and Supervisory Committee members also attend.</small></p>	<p>Meetings held in FY2024</p> <p>3</p>
(5) CSR and Sustainability Committee	<p>Purpose To promote sustainability management in the Group, the CSR and Sustainability Committee, based on the Board of Directors' request for opinions, deliberates on initiatives and key ESG (Environment, Social, and Governance) topics in the three areas of social issues, human capital, and management foundation identified as Key Management Priorities, and delivers its opinions and advice to the Board of Directors.</p> <p>Status of Specific Activities In FY2024, the CSR and Sustainability Committee discussed sustainability management and future Key Management Priorities, and deliberated on the revision of the CSR basic policy. In addition, the Human Rights Subcommittee established within the CSR and Sustainability Committee met twice and reported on the results of human rights due diligence. Furthermore, the CSR and Sustainability Committee invited outside experts to give lectures to enhance the knowledge and perspective of the committee.</p>	<p>Chair</p> <p>Chiharu Takakura Outside Director</p>	<p>Membership</p> <p>Chiharu Takakura, Outside Director Toru Matsui, Executive Vice President Keiji Suzuki, Director and Executive Officer Kenji Kobayashi, Executive Officer Hiromi Kitagawa, Corporate Officer</p>	<p>Meetings held in FY2024</p> <p>10</p>

Corporate Governance Measures Over Time



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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 mid- to long-term basis, thereby increasing its profitability, capital efficiency and others:

- Deliberates and makes decisions on the basic management policies, mid- 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 talent with different backgrounds, including specialized knowledge and experience, in order to achieve sustainable growth and increases in corporate value over the mid- to long-term. The Board is made up of talent 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, management policy, external environment, and other facets of the Group, the Board of Directors identified the experience, knowledge and expertise required for important management decision-making and business execution supervision, and assigned Directors in a well-balanced manner with consideration for diversity.

This experience, knowledge, and expertise should be reviewed as appropriate in response to changes in the Company's management policy, external environment, and other factors. In FY2024, with the conclusion of the previous Mid-term Management Plan (FY2021 to FY2024), we revised the skill matrix to focus on items that strengthen monitoring functions from a longer term perspective, while clarifying the reasons for selecting each skill and the roles expected of Directors. 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

Name	Position	Independence	Experience/Knowledge/Expertise						
			Corporate management	Finance/Accounting	Governance/Legal/Risk management	Human capital	Global business	Technology/R&D	Business development/M&A
Shinichi Odo	Representative Director, Chairman of the Board		○				○		○
Takeshi Kawai	Representative Director, President & Chief Operating Officer		○					○	○
Keiji Suzuki	Director, Executive Officer		○					○	○
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			○	○	○			
Fumiko Nagatomi	Outside Director, Audit and Supervisory Committee Member	●			○				
Christina L. Ahmadjian	Outside Director, Audit and Supervisory Committee Member	●			○		○		
Hideyo Uchiyama	Outside Director, Audit and Supervisory Committee Member	●	○	○	○				

Skill item	Reason for selection
Corporate management	As the automotive industry undergoes a major transformation period, management skills are essential for the Board of Directors to determine management policies that balance mid- to long-term corporate value enhancement with contributions to resolving social issues, in order to build an optimal business portfolio and enable the management team to supervise decisive decision-making.
Finance/Accounting	As the Company promotes mid- to long-term profit growth and enhanced shareholder returns, finance and accounting skills are essential for the Board of Directors to supervise the formulation and execution of financial strategies that balance financial soundness with investments for growth and realize investments to strengthen the management foundation, as well as to ensure the proper operation of a sound financial reporting system.
Governance/Legal/Risk management	As the Company pursues a more advanced governance framework, skills related to governance, legal affairs, and risk management are essential for the Board of Directors to supervise the establishment and operation of governance and risk management systems that promote compliance and appropriately address risks that may hinder business operations.
Human capital	As the Company promotes initiatives focused on human capital investment to foster talents who embody the Niterra Way, including talent development, optimal talent placement, and organizational and institutional reforms, skills related to human capital are essential for the Board of Directors to supervise the formulation and execution of human capital strategies.
Global business	As the Company expands its business in global markets and leverages its worldwide production and sales network to enter new business domains, global business skills are essential for the Board of Directors to supervise operations based on an understanding of global market strategies and risks as well as diverse perspectives.
Technology/R&D	Amid the Company's goal to expand its business centered on ceramic technology and to acquire new core competencies, technology and R&D are key business activities. Accordingly, it is essential for the Board of Directors to possess skills in technology and R&D to identify priority areas and supervise the allocation of business resources to achieve these objectives.
Business development/M&A	Amid the Company's goal to create and grow new business by realizing synergies with other companies through business development and M&A leveraging its core competencies, skills related to business development and M&A are essential for the Board of Directors to supervise appropriate allocation of management resources, business continuity decisions, and M&A in line with mid- to long-term strategies.

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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 mid- 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	Frequency of attendance in FY2024	
			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 has deep insight in business development, having been involved in launching new businesses at a business company. We have selected her as an outside director based on her experience and insight as an outside director at the Company in overseeing business execution by the Company's management team and providing advice to the team.	12/12	—
Outside Director	Chiharu Takakura	She has an abundance of experience and deep insight in human capital management and global organizational management through her experience as a consultant in organizational development and human resource development and her involvement in promoting human capital management and organizational reform at many global companies, including international pharmaceutical companies. We have selected her as an outside director based on her experience and insight as an outside director at the Company in overseeing business execution by the Company's management team and providing advice to the team.	12/12	—
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 global business, business development, and M&A including driving the cultivation of overseas markets and business expansion through M&A. We have selected him as an outside director based on his experience and insight as an outside director at the Company in overseeing business execution by the Company's management team and providing advice to the team.	12/12	—
Outside Director	Hisanori Makaya	He has extensive experience and deep insight in corporate management, business development, M&A, and global business, having been involved for many years in organizational reform and business portfolio transformation through new business creation and M&A in the corporate planning division of an operating company, as well as serving as a management executive for business divisions and subsidiaries engaged in global operations. We have selected him as an outside director based on his experience and insight as an outside director at the Company in overseeing business execution by the Company's management team and providing advice to the team.	10/10 (Took office on June 25, 2024)	—
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 based on her expertise and experience in supervising and auditing the Company's overall management as an outside director who is an Audit and Supervisory Committee member, and in providing appropriate advice for overall management as necessary.	12/12	12/12
Outside Director, Audit and Supervisory Committee Member	Christina L. Ahmadjian	We have selected her as an outside director who is an Audit and Supervisory Committee member 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, as well as her contribution to supervising and auditing the Company's overall management as an outside director who is an Audit and Supervisory Committee member while providing appropriate advice for overall management as necessary.	12/12	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. We have selected him as an outside director who is an Audit and Supervisory Committee member based on his knowledge and experience in supervising and auditing the Company's overall management as an outside director who is an Audit and Supervisory Committee member, and in providing appropriate advice for overall management as necessary.	10/10 (Took office on June 25, 2024)	10/10 (Took office on June 25, 2024)

Succession Plan

1. Formulation and implementation of the succession plan

To ensure the Group's sustained growth and enhancement of its mid- to long-term corporate value, we dedicate sufficient time and resources to formulating and implementing a succession plan that enables us to appoint the most qualified individual to lead the Group as president in the future.

The Company's succession plan is formulated and implemented under the leadership of the Chairman of the Board and the President. To ensure objectivity and transparency, the Nomination Committee,

the majority of whose members are independent outside directors, regularly receives reports on the formulation and implementation status of the plan and provides advice as appropriate.

2. Selection and development of successor candidates

Based on the selection criteria of the successor, we select multiple successor candidates and implement a training program. The Nomination Committee receives reports on the selection status of successor candidates, details of development plans, and the

implementation status, and deliberates and provides advice accordingly. In addition, outside directors who serve on the Nomination Committee are given opportunities to directly observe the implementation of the development program by attending the sessions.

The continuation or replacement of successor candidates is reviewed and decided by the Nomination Committee every year, taking into account the status of the development program.

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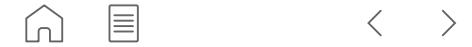
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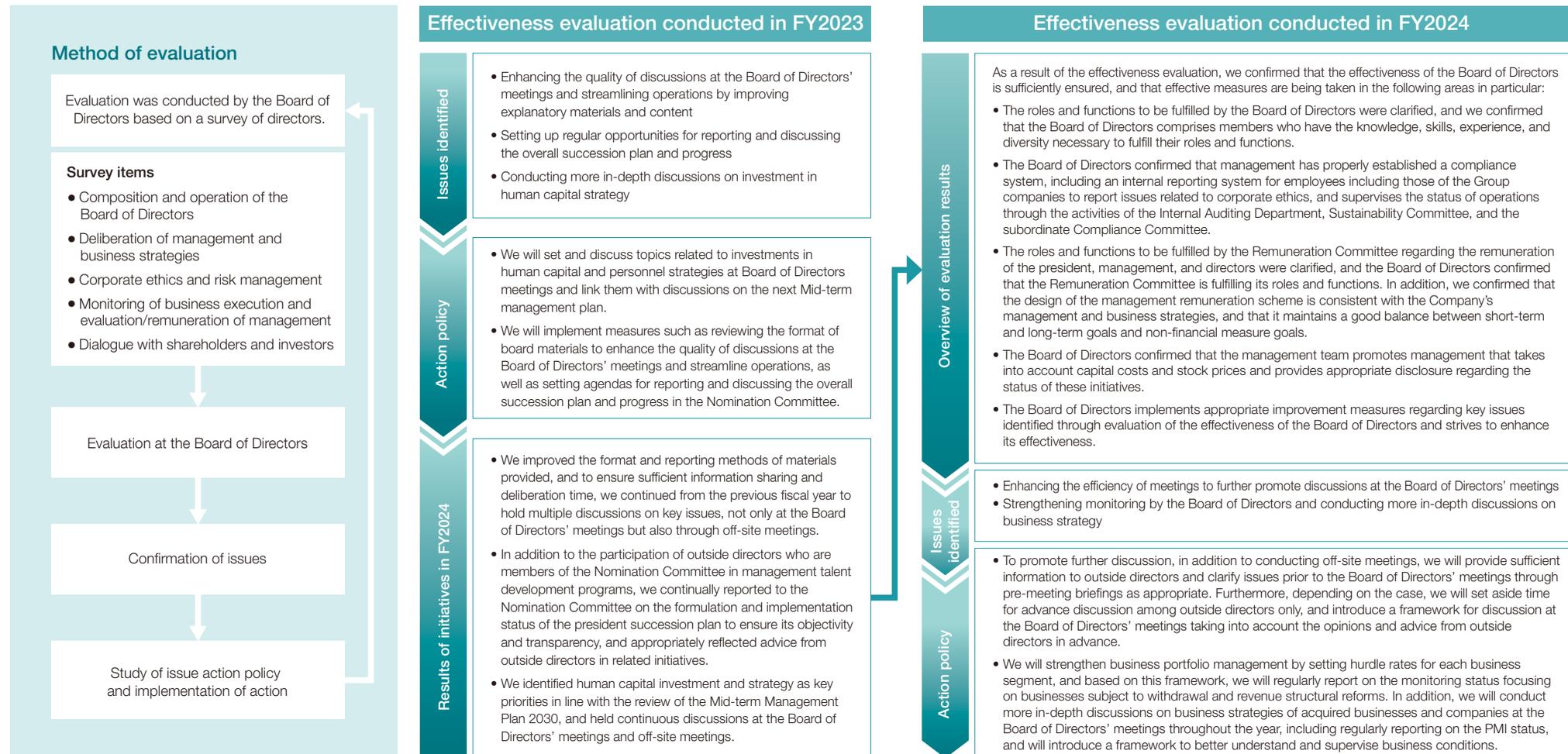
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Evaluation of the Effectiveness of the Board of Directors

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 FY2024, 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. The distribution of surveys and the collection and compilation of responses were outsourced to an external organization.



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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 mid- 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 Mid-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 FY2024, the committee met three times.

Example of remuneration payment (Assuming 100% achievement of each evaluation indicator)

Fixed remuneration 50%	Bonus 30%	Performance-linked stock remuneration 20%
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Policy on the payment of bonus

The bonus is determined by multiplying the base amount for each position by a coefficient based on the degree of achievement of the consolidated performance goals for a single fiscal year, which reflect the results of operating activities, as well as the degree of achievement of non-financial indicators that reflect the results of activities to achieve sustainable growth and enhance corporate value, and is paid at a certain time each year in cash.

The indicator of the Company's performance used for the calculation of bonus amounts is based on profit attributable to owners of the parent, which is the profit indicator that reflects the final outcome of business activities and the creation of shareholder value. For officers who do not also serve as directors, in addition to these indicators, the degree of achievement of performance targets set for their division is also taken into account.

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 mid- 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 Mid-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. The degree of achievement of performance goals is evaluated based on medium-term performance indicators, shareholder value indicators, and non-financial indicators. The medium-term performance indicators are based on consolidated revenue and profit attributable to owners of the parent set as goals of the Mid-term Management Plan. However, for officers who do not also serve as directors, the performance targets set for their division are taken into account. The shareholder value indicators are based on relative total shareholder return (TSR) calculated based on the comparison of the Company's TSR with that of peer group companies during the period of the Mid-term Management Plan, with the aim of strengthening awareness of enhancing shareholder value. The non-financial measure goals are based on employee engagement, aiming to evaluate the outcomes of human capital management initiatives that support the Group's sustained growth.

Malus-clawback system

We have established a Malus-clawback system under which rights to receive bonuses and performance-linked stock-based compensation may be forfeited, and payment or delivery may be reduced or reclaimed, in the event of certain circumstances such as significant misconduct or violation of laws and regulations, material accounting errors or fraud, or voluntary resignation.

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 by multiplying the base amount for each position by a coefficient based on the degree of achievement of the consolidated performance goals for a single fiscal year, which reflect the results of operating activities, as well as the degree of achievement of non-financial indicators that reflect the results of activities to achieve sustainable growth and enhance corporate value, 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 Mid-term Management Plan, etc.
Indicators against which the achievement of performance targets is assessed	—	<ul style="list-style-type: none"> Degree of achievement of profit attributable to owners of the parent against the performance forecast announced at the beginning of the fiscal year Degree of improvement from the previous fiscal year in the results of the employee engagement survey conducted annually among employees Note: For officers who do not also serve as directors, in addition to the above, the degree of achievement of performance targets set for their division	<ul style="list-style-type: none"> Medium-term performance indicators Degree of achievement of goals for consolidated revenue and profit attributable to owners of the parent set forth in the Mid-term Management Plan Note: For officers who do not also serve as directors, the degree of achievement of performance targets set for their division Shareholder value indicators Relative TSR calculated based on the comparison of the Company's TSR with that of peer group companies during the period of the Mid-term Management Plan Non-financial indicators Degree of achievement of goals for employee engagement during the period of the Mid-term Management Plan
How to determine payment	—	Payment is determined within the range of 0% to 200%.	Payment is determined within the range of 0% to 200%.
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

Total amount of remuneration, etc. paid by category, total payment amount by remuneration type, and the number of recipients (for FY2024)

Category	Total amount of remuneration paid (millions of yen)	Total payment amount by remuneration type (millions of yen)			Number of recipients
		Fixed remuneration	Bonus	Performance-linked stock remuneration	
Directors (excluding directors who are Audit and Supervisory Committee members) (of which, outside directors)	494 (62)	296 (62)	151 (—)	46 (—)	8 (5)
Directors who are Audit and Supervisory Committee members (of which, outside directors)	87 (46)	87 (46)	—	—	6 (4)

(Notes) 1. The total amount of bonuses and performance-linked stock remuneration are both the amounts expensed during FY2024.

2. The above includes remuneration for one outside director (who is not an Audit and Supervisory Committee member) and two directors who are Audit and Supervisory Committee members (including one outside director) who retired at the conclusion of the 124th ordinary general meeting of shareholders.



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Evaluation of the Effectiveness of the Audit and Supervisory Committee

In the Audit and Supervisory Committee, we have previously conducted reviews of audit activities at the end of each fiscal year. To further enhance the effectiveness of audits, we have begun conducting comprehensive evaluations, including organizational structure and operations, through self-assessment.

Method of evaluation

- Survey of all Audit and Supervisory Committee members (to be created, distributed, collected, and compiled by the Audit and Supervisory Committee Office)
- The Chair raises points of discussion for each item, and using the overall survey results and Audit and Supervisory Committee materials, all Audit and Supervisory Committee members exchange opinions and identify effective initiatives for auditing the execution of director duties and initiatives to be improved in the future.

Survey items

- Operations of the Audit and Supervisory Committee: The number of Audit and Supervisory Committee meetings held, agenda items, key audit items, and provision of information to external Audit and Supervisory Committee members
- Audit activities: Interviews, business site audits, audit results

Evaluation results

Upon deliberation of all Audit and Supervisory Committee members, we confirmed that the effectiveness of the Audit and Supervisory Committee is sufficiently ensured, and that effective measures are being taken in the following areas in particular:

- In the Audit and Supervisory Committee, information related to the Corporate Management Meeting, which is a key executive meeting, is appropriately reported to external Audit and Supervisory Committee members by the full-time Audit and Supervisory Audit Committee member. In addition, by actively engaging in interviews and various dialogue

with internal directors who are not Audit and Supervisory Committee members, executive officers, and division heads, the committee is able to gain a comprehensive understanding of executive perspectives and internal conditions. These initiatives are useful in conducting audits and expressing opinions at the Board of Directors' meetings and other meetings.

- The Audit and Supervisory Committee strives to ensure cooperation with outside directors who are not Audit and Supervisory Committee members by sharing information and exchanging honest opinions through regular individual interviews and roundtable meetings.

Meanwhile, in the effectiveness evaluation, we identified the following two items as areas for further enhancement of the effectiveness of the Audit and Supervisory Committee, and we will work to make improvements.

1. Key audit items

As audit progress reports are concentrated at the end of the fiscal year, making it difficult to conduct in-depth discussions, we will create regular opportunities for reporting and discussion to accelerate audit-related actions.

2. Business site audits

We have been confirming the status of business sites and Group companies through collaboration with the accounting auditor and Internal Audit Department as well as through hearings at internal meetings. However, it is also necessary to allocate sufficient time for on-site visits where Audit and Supervisory Committee members directly conduct interviews, and we will enhance on-site audits by linking them with key audit items.

Stocks Held for Reasons Other than Pure Investment Purposes

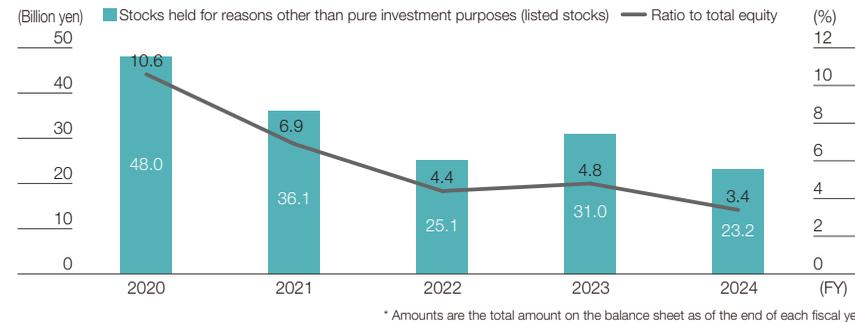
Policy on the stocks held for reasons other than pure investment purposes

Niterra 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 mid- 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 mid- 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 eight stocks held for reasons other than pure investment purposes (listed stocks) as of the end of FY2024 amounted to 23.2 billion yen (market value basis), accounting for 3.4% 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.

Change in stocks held for reasons other than pure investment purposes and ratio to total equity



Change in the number of stocks held for reasons other than pure investment purposes (listed stocks)

2020	2021	2022	2023	2024
20	16	10	9	8

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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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We will supervise management with a sense of urgency to ensure the sustainable enhancement of corporate value

The Niterrra Group has formulated the Mid-term Management Plan 2030 and has begun taking action toward further growth. An internal director and three outside directors discussed challenges to improving the effectiveness of governance.



Kenji Isobe, Director, Full-time Audit and Supervisory Committee Member

Fumiko Nagatomi, Outside Director, Audit and Supervisory Committee Member

Christina L. Ahmadjian, Outside Director, Audit and Supervisory Committee Member

Hideyo Uchiyama, Outside Director, Audit and Supervisory Committee Member

Evaluating governance reforms to date

Isobe First, I would like to discuss strengthening governance from the perspective of an internal Full-time Audit and Supervisory Committee member. To date, our Group has identified investor expectations for stronger governance, held repeated discussions, and studied advanced initiatives implemented by other companies to steadily establish a governance framework. In addition, we conduct an annual evaluation of the effectiveness of the Board of Directors and use the results to drive ongoing improvements. We recognize the importance of taking opinions seriously and making appropriate decisions about whether to incorporate them. What are your thoughts as outside directors?

Nagatomi As you are aware and as I mentioned in our roundtable discussion last year, the governance framework is taking shape through the reforms implemented to date. We are approaching the

final stage, and our efforts are progressing steadily. For example, over the past year, we have seen great results with actions such as establishing the Board of Directors Department and enhancing off-site meetings. To enhance the effectiveness of governance, we have implemented various measures, and these are gradually bearing fruit. That is where we are at with Group governance.

Ahadjian It is true that our Group's governance has taken another next step forward over the past year. Looking ahead to the future of the Group, the fact that internal and outside directors are now able to share a deeper understanding than ever before of what is required is a significant step forward. At the Board of Directors meetings, there has been a stronger willingness to listen to the opinions of outside directors, and we are hearing many honest remarks showing interest in our comments and engaging in dialogue. We are now able to discuss future strategies from various perspectives, and this is leading to the creation of useful ideas. Although there are still challenges in balancing detailed discussions with broader big-

picture dialogue, we have seen clear improvement. In particular, during discussions on the formulation of the Mid-term Management Plan 2030 (MMP 2030), we have had a lively exchange of opinions bringing together perspectives from both inside and outside the Company.

Uchiyama It has been one year since I was appointed as an outside director, and I believe that there is a very strong desire to improve governance among both internal and outside directors. The Board of Directors Secretariat is also working very enthusiastically. If I were to pick one topic of discussion, it would be the approach to the chair roles of the Board of Directors and Nomination and Remuneration Committees. Although this does not necessarily mean that an outside director should serve as chair, there are companies that appoint outside directors to that position in order to enhance the quality of discussions. Therefore, I believe it would be worthwhile to revisit the Company's approach to this matter.



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Evaluating the effectiveness of the Board of Directors

Isobe One of the measures adopted after evaluating the effectiveness of the Board of Directors was to implement pre-meeting briefings prior to Board of Directors meetings. Before discussing complex agenda items at Board of Directors meetings, we now hold briefings several days in advance to provide outside directors with necessary background information. I believe this has enabled us to have deeper discussions at Board of Directors meetings, but what are your thoughts?

Uchiyama While there are other companies that have introduced pre-meeting briefings, I have heard that there are those that do not actually require discussion of those agenda items explained in advance at the actual Board of Directors meetings. This type of climate does not exist at Niterra, and the Board of Directors is always operating in a way that furthers discussion. These accumulated efforts are an important element in enhancing the effectiveness of the Board of Directors.

Ahmadjian This was a great opportunity, and it deepened discussions at the Board of Directors meetings. However, there is still room for improving its implementation. For example, it might be helpful to consider setting aside a separate time for questions and answers for items that individual outside directors may not fully understand or wish to know more about.

Nagatomi It is true that it has only been a short while since the pre-meeting briefings were introduced, so the benefits and implementation method are yet to be proven. Although there is a way to confirm separately if there are any questions, a formal system for that has not yet been established, and I believe this remains a challenge going forward.

Uchiyama The minutes and archives are relatively well maintained, and consideration has been given to creating an environment and preparations to enable even newly appointed directors to participate in discussions. However, there is

the challenge of the difference in awareness between the executive side and the outside directors. On the executive side, there still remains a mindset oriented toward the management board focused on discussing decisions related to business execution. On the other hand, outside directors are seeking discussions with a mindset focused on the monitoring board that emphasizes the perspectives of supervision and oversight. Although, over the past year, there have been more opportunities at Board of Directors meetings for executives to provide explanations and discuss matters from a strategic and forward-looking perspective in response to questions and comments from outside directors, it would be even better if they consistently approached issues from a higher-level perspective.

Ahmadjian That is a very important issue. This is true for Japanese companies in general, but the executive officers and other executives should not just focus on their own business execution, but should also give consideration to strategies that take into account the future vision and company-wide perspective.

Nagatomi That is understandable. The Audit and Supervisory Committee is also thoroughly analyzing and verifying this, including how to bridge the gap in awareness. Looking at the amount of time spent on discussions at Board of Directors meetings, I believe sufficient time is being allocated to discussing future business strategies and governance issues. I agree that the function of the Board of Directors has been steadily improving.

Isobe On another note, as a new initiative toward enhancing the effectiveness of the Board of Directors, last year we began having everyone provide written feedback and comments on the discussions at the end of each meeting. The idea is to increase the frequency of effectiveness evaluations and speed up feedback. This initiative reflects the opinions of all outside directors, and we are glad that we introduced it.

Uchiyama Annual effectiveness evaluations tend to be influenced by the atmosphere at the most recent Board of Directors meeting. This new initiative is a very effective way to ensure proper evaluation.

Discussions at Board of Directors meetings toward formulating the Mid-term Management Plan 2030

Isobe In FY2024, we formulated and discussed the MMP 2030, and board members had repeated discussions about the direction in which the Group should move in the mid- to long-term. Outside Board of Directors meetings, we also organized off-site meetings on

a nearly monthly basis for all directors. The discussions about the MMP 2030 occurred during its formulation process, and opinions from outside directors have also been fully reflected in this plan.

Ahmadjian Discussions of the MMP 2030 deepened at each off-site meeting, which proved very useful. The content has improved with each discussion, and I appreciate it as a highly transparent means of communication that effectively incorporates the voices of the outside directors.

Nagatomi Off-site meetings are a necessary preparation opportunity for deepening discussion on important issues that come before the Board of Directors. They are also beginning to function as a forum for discussing the future and long-term strategies of the Group.

Uchiyama We live at a time where it is difficult to see even five years into the future. While formulating a Mid-term Management Plan itself is surely meaningful, in times of such uncertainty, it would be beneficial to foster talent who can view the Company from a company-wide perspective, where future executive candidates engage in discussions about the Company's future five or ten years from now during the formulation process. In terms of enhancing the effectiveness of the Board of Directors, it may be important not only to improve the quality of its operations, but also develop talent that can contribute to the sustained growth of such businesses.

Ahmadjian Dialogue with outside directors during the formulation process of the Mid-term Management Plan will serve as training for executive officers who will assume leadership roles in the future, and this is extremely important for the future of the Company.

Selecting directors for the succession plan

Isobe The Audit and Supervisory Committee members attend Nomination Committee meetings as observers. Naturally, they provide opinions as necessary, but fundamentally, they oversee the appropriateness of the succession plan process and the transparency and fairness of the selection of directors and executive



Fumiko Nagatomi



Kenji Isobe



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Christina L. Ahmadjian

officers. From that perspective, I appreciate that our succession plan is proceeding appropriately in line with the plan set forth at the beginning of the fiscal year.

Uchiyama In the past, we had opportunities to hold lunch meetings that bring together future executive candidates. Although the Audit and Supervisory Committee members attend the Nomination Committee meetings as observers, we are

given the opportunity to learn more about the character of the individuals being discussed, and this consideration demonstrates the Company's commitment to succession planning.

Ahmadjian Lunch meetings with the executive candidates began last year and have been a very meaningful experience. Although there are various challenges to developing the next-generation executives, the fact that these initiatives have not yet been institutionalized or systemized is an issue. For example, even for lunch meetings, it needs to be clarified who will attend and how often they will be held. In particular, I believe the process for formulating the succession plan should be further institutionalized and systemized.

Nagatomi I agree. I also believe there are still some challenges there. This is probably the first time that the Company has implemented the succession planning process in a systematic manner. The Company may still be at the stage of building the system through repeated trial and error and learning from each experience. However, the progress being made is shared with transparency and objectivity, and I recognize that there are no particular issues at this stage.

Evaluating the Audit and Supervisory Committee

Nagatomi The activities of the Audit and Supervisory Committee are carried out through a process in which priority audit items are identified at the beginning of the year, activities are implemented based on those items, and the results are evaluated at the end of the year. The analysis and evaluation of the effectiveness of the

Board of Directors is an important mission of the Audit and Supervisory Committee. In addition, in light of discussions on the need to evaluate the effectiveness of the Audit and Supervisory Committee, in FY2025, we began conducting self-assessment surveys to reflect on our own activities.

Ahmadjian I believe that evaluating the effectiveness of the Audit and Supervisory Committee is important, and the framework of sharing the evaluation results to the Board of Directors is also very good. The process of the Board of Directors and the Audit and Supervisory Committee providing mutual feedback is improving a little each time. In addition, communication in the three-way audit between the Internal Audit Department, the accounting auditor, and the Audit and Supervisory Committee has also improved significantly. The sharing of issues among the three parties has reached a new level.

Uchiyama The Internal Audit Department is made up of about 20 employees, which is more than that of domestic companies of the same size. The activities of the Audit and Supervisory Committee are largely supported by the efforts of the Internal Audit Department, and there is a constant exchange of opinions. In addition, as Audit and Supervisory Committee members, we spend a lot of time interviewing corporate officers. During the interviews, we verify their awareness of issues and how they have addressed those issues. These efforts lead to quality comments at Board of Directors meetings.

Isobe The process of evaluating the effectiveness of the Audit and Supervisory Committee, which was mentioned earlier as an issue, begins with a self-assessment, followed by an exchange of opinions among the four outside directors based on the results. Among these, one opinion expressed by the outside directors was to accelerate the confirmation of the progress of key audit items, and another was to conduct on-site audits of business divisions facing risks. Going forward, we need to focus on these areas while continuing to conduct organizational audits as usual.

Recognizing the roles of directors going forward

Isobe A frequent observation from both internal and outside directors, particularly from outside directors, is the lowered sense of urgency due to strong business performance. While the current business performance continues to reach new record highs, we received various observations, including the challenges faced by

companies acquired through M&A and delays in the launch of new businesses. This is the biggest challenge facing the Group. Looking ahead, I believe we need to incorporate efforts to address this issue into the activity planning of the Audit and Supervisory Committee.

Nagatomi I will also make the same observation. Although there is a sense of urgency in launching new businesses, it seems like we are becoming short-sighted and not making any progress. While M&A will likely be used increasingly as a measure to address these challenges, the Audit and Supervisory Committee is highly aware of governance issues regarding acquired companies. We want to be fully prepared now in anticipation of when the need arises.

Ahmadjian As Mr. Uchiyama mentioned earlier, the rising uncertainty is a very big challenge for the Group. Although our business performance has been strong to date, we do not know when it will enter a downturn due to changes in the external environment. We need to constantly verify the validity of our planning process and make course corrections. It is also important to develop talent that can address this uncertainty. It is my personal mission to take a critical look at the business environment and ensure that management maintains an appropriate sense of urgency.

Uchiyama Currently, my biggest concern is how to manage companies acquired through M&A and whether it will enhance the corporate value of the Group. As we were elected by shareholders at the ordinary general meeting of shareholders, it is naturally important for us to supervise management in a way that rewards shareholders. However, to sustainably enhance corporate value, we must also give consideration to diverse stakeholders. As an outside director, I will give due consideration to enhancing shareholder value while closely monitoring management to meet the expectations of a wide range of stakeholders.



Hideyo Uchiyama

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Directors (As of July 1, 2025)

Shinichi Odo

Representative Director, Chairman of the Board
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 2011 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: 37,944

Years in office: 18* * Years in office include years in the former system before the introduction of the corporate officer system in 2012.

Miwako Doi

Outside Director
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)
June 2019 Outside Director, Isetan Mitsukoshi Holdings Ltd.
April 2020 Vice President, Tohoku University (part-time)
June 2020 Outside Director, Subaru Co., Ltd. (up to today)
June 2020 Member of the Board (Outside Director), NGK SPARK PLUG CO., LTD. (Now Nitterra Co., Ltd.) (up to today)

Shares held: 4,106

Years in office: 5

Kenji Isobe

Member of the Board,
Standing Audit and Supervisory Committee Member
Born August 9, 1983



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 2018 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: 21,924

Years in office: 5 (including 4 years as a director from June 2018 to June 2022)

Takeshi Kawai

Representative Director, President, Chief Operating Officer
Head of All Businesses, Head of Group Internal Audit
Headquarters, Head of Well-being Strategy Group within
Global Strategy Div., General Manager of Global Strategy Div.
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: 19,650

Years in office: 10

Chiharu Takakura

Outside Director
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 2020 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. (up to today)
June 2023 Outside Director, Mitsui Sumitomo Insurance Company, Limited (up to today)

Shares held: 1,558

Years in office: 4 (including 1 year as an outside auditor from June 2021 to June 2022)

Fumiko Nagatomi

Member of the Board (Outside Director),
Audit and Supervisory Committee Member
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.
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: 3,836

Years in office: 8 (including 5 years as an outside auditor from June 2017 to June 2022)

Keiji Suzuki

Member of the Board, Executive Officer, In charge of Corporate Strategy Dept. and Business Infrastructure Strategy Dept. within Corporate Strategy Group, General Manager of Management of Technology Div., Head of Business Implementation Div., In charge of Platform Development Center and Energy Business Div.
Born March 1, 1971



April 1993 Joined our company
June 2017 General Manager of Engineering Dept., Sensor Div.
October 2018 Deputy General Manager of Sensor Div.
April 2019 Corporate Officer
April 2020 Executive Officer
June 2025 Member of the Board, Executive Officer (up to today)

Shares held: 2,576

Years in office: Newly appointed

Takayoshi Mimura

Outside Director
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 General Manager of Human Resources Department, 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, Terumo Corporation
June 2022 Outside Director, AUTOBACS SEVEN Co., Ltd.
June 2023 Outside Director, Mitsui Chemicals, Inc. (up to today)
June 2023 Member of the Board (Outside Director), Nitterra Co., Ltd. (up to today)

Shares held: 1,503

Years in office: 2

Christina L. Ahmadjian

Member of the Board (Outside Director),
Audit and Supervisory Committee Member
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.
March 2019 Outside Director, Asahi Group Holdings, Ltd.
June 2021 Outside Director, NEO Corporation
April 2022 Emeritus Professor, Hitotsubashi University (up to today)
Specialty 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)
April 2025 Outside Director, Daiwa Securities Co. Ltd. (up to today)

Shares held: 475

Years in office: 3

* 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, 2025. Shares include individual shares in Nitterra Executive Shareholding Association.

For information on corporate officers, please visit the following website.

<https://www.nitterragroup.com/english/corporate/profile/executive/>

Hisanori Makaya

Outside Director
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)
May 2025 Outside Director, YASKAWA Electric Corporation (up to today)
June 2025 Outside Director, ENEOS Holdings, Inc. (up to today)

Shares held: 1,019

Years in office: 1

Hideyo Uchiyama

Member of the Board (Outside Director),
Audit and Supervisory Committee Member
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: 38

Years in office: 1



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04 Corporate Governance Risk Management



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 actualization 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 Chief Administrator of the Business Management Department. In addition, we have established a Risk Management Committee, which holds two regular meetings per year, as well as irregular meetings as required, as a special committee, chaired by a corporate officer appointed by the President, to implement company-wide risk management.

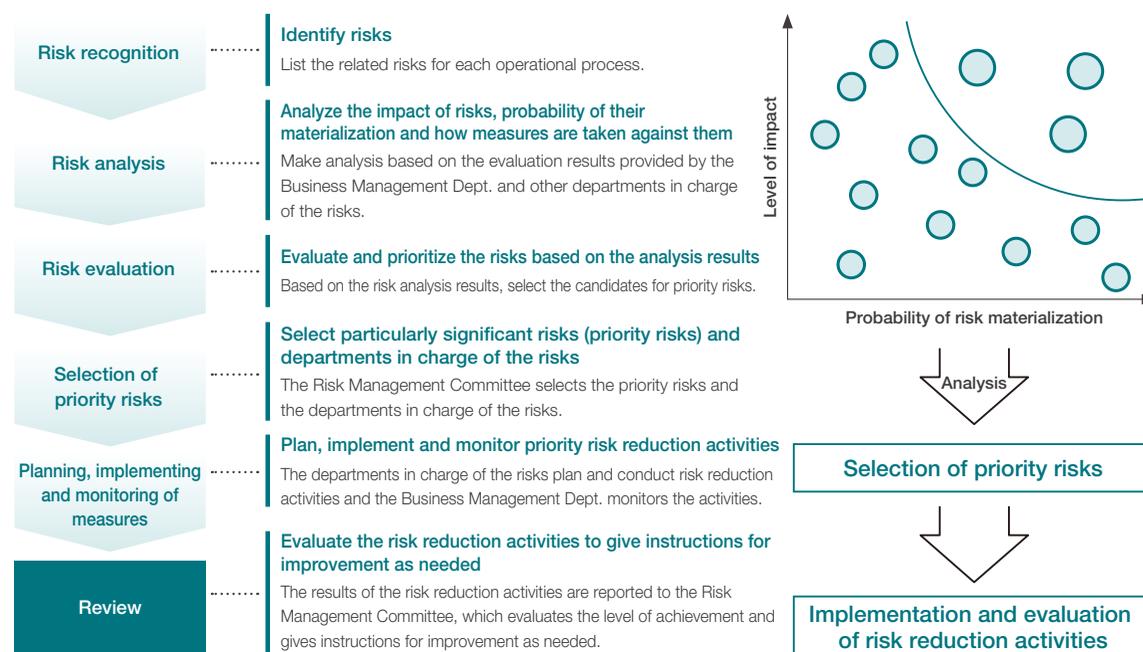
In FY2024, the Risk Management Committee met twice to report and discuss about strategic risk management, addressing priority risks, and updating the risk map.

Integrated 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 FY2024, we identified three priority risks both domestically and globally, and worked to reduce them. In addition, to incorporate strategic risks into our integrated risk management from a management perspective, we defined strategic risks as “risks that hinder the achievement of targets of the Mid-term Management Plan” and identified relevant risk factors. Some business risks, including 8. Risks related to environment, 9. Risks related to information security and 12. Risks related to business investment, are also considered priority issues for sustainability management.

Business and other risks

- | | |
|---|---|
| 1. Risks related to global conditions and changes in foreign exchange rates | 7. Risks related to natural disasters |
| 2. Risks related to the business environment | 8. Risks related to environment |
| 3. Risks related to product quality | 9. Risks related to information security |
| 4. Risks related to technology development | 10. Risks related to securing human resources |
| 5. Risks related to intellectual property | 11. Risks related to compliance |
| 6. Risks related to the procurement of raw materials and components | 12. Risks related to business investment |
| | 13. Risks related to infective diseases |
| | 14. Risks related to human rights violations |



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 infectious diseases.

* For more information on risk management, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/183/>

* For more information on our risk initiatives, please refer to page 32 of our Annual Securities Report. <https://contents.xj-storage.jp/xcontents/ASO6537/9cfBae08/0ac6/4262/8f62/b1bddb6492a8/20250829124059847s.pdf>

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04 Corporate Governance Compliance



Compliance Policy

With recognition that our company 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

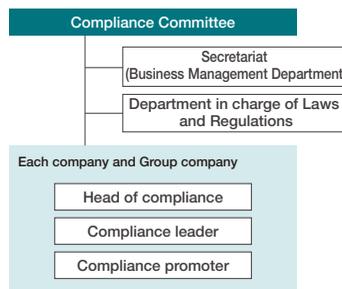
- We not only comply with laws and regulations, but also act in good faith with common sense and responsibility as a member of society.
- We regularly educate and raise the awareness of all our employees to impart a high level of ethics and correct knowledge, with which they can act voluntarily to prevent a violation.
- We comply with applicable laws and regulations regarding the prevention of corrupt practices, and not engage in any corrupt practices (bribery, conflict of interest, insider trading, anti-competitive practices, money laundering, improper relationship with politics and government, etc.), either directly or indirectly, and conduct our business activities with integrity.
- 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.

* For more information on compliance, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/185/>

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.) The Compliance Committee takes preventive measures against non-compliance and provides guidance and oversight on how to respond to any violations.

In FY2024, 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 for suppliers and improvement activities based on these.



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.

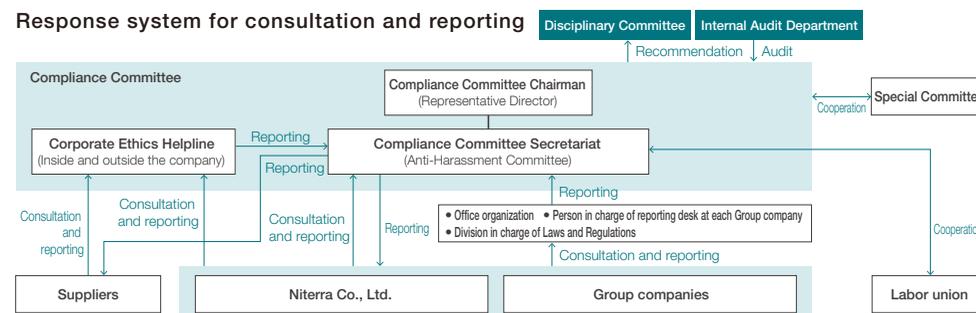
In FY2024, we conducted a compliance awareness survey of our suppliers to confirm that no inappropriate conduct occurred by the Group in its capacity as a client. The Compliance Committee Secretariat conducted the survey among approximately 700 domestic companies with which we have regular transactions. The results were reported to the Compliance Committee while ensuring the anonymity of the suppliers. The issues identified by the Compliance Committee through this survey are being addressed through improvement activities led by the Procurement Department.

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. This system is continuously promoted through training, awareness-raising via the Company's intranet, posters, and the distribution of cards.

We established contact points both internally through the Compliance Committee Secretariat and externally through a private professional service provider that is available in both Japanese and English, to ensure accessibility and allow consultation and reporting outside of working hours and on holidays. Users have access to anonymous consulting and reporting to fully protect them from being identified or suffering disadvantages. These channels accept consultations and reports regarding compliance violations, including harassment and/or any other behavior that could lead to such a violation. We investigate all details received and promptly deal with any problems confirmed. In FY2024, there were 107 consultations and reports, including those from Group companies. These included harassment, labor, and internal rules issues. Incidents where problems were identified were promptly resolved and corrective action was taken.

Each overseas Group company also has its own contact point for consultation and reporting. To further enhance the effectiveness of the system, we are continuously working to improve employee awareness and understanding.



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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 and Anti-Corruption Policy 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 work to prevent corruption (particularly the prohibition and prevention of bribery and facilitation payments to public officials), and 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 officers 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 Niterra 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

By understanding the spirit and purpose of taxation laws and regulations, we respond appropriately to the demands of society and aim to become a company trusted by the international community.

Action Guidelines

- We fulfill our social responsibilities by observing laws on corporate taxation and other tax laws in every country, as well as international taxation standards including the OECD Transfer Pricing Guidelines, the Action Plan on Base Erosion and Profit Shifting, and the arm’s length principle of transfer pricing.
- In order to ensure compliance with taxation laws and regulations, we work toward improving our knowledge and gaining a proper understanding of taxation and adopt an attitude of sincerity toward tax authorities to enhance our reliability and transparency.
- We properly manage taxation risks by working toward appropriate declaration and payment of taxes in each country, thereby enhancing shareholder value.
- We never engage in any tax avoidance schemes, such as profit shifting to tax havens or low-tax jurisdictions, or using entities lacking economic substance like paper companies.

* For information on tax amounts by country, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/347/#anchor17>

Tax Promotion System

For tax enforcement, the Finance Officer oversees tax matters, and reports important matters to the Corporate Management Committee or the Board of Directors. Niterra’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.

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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 establish rules that clearly define the system and responsibilities for the protection and management of all the information assets including the information we keep for our customers, the know-how and intellectual properties owned by our group, and personal information.
- 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 the information assets.
- We promote measures to prevent accidents in order to address the risks of information leakage 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 separate systems for promoting IT security and confidential and personal information management, and these systems work in a cooperative manner to strengthen information security. In terms of IT security, we have established the IT Security Committee to review the status of company-wide IT security activities and implement appropriate measures. This committee holds two regular meetings per year, as well as irregular meetings as required, and is chaired by the Chief Administrator of the DX Strategy Department. In FY2024, the IT Security Committee met twice to report and discuss incidents, activities to strengthen IT security, and ISMS activities. In addition, a global conference was held to strengthen and maintain the Group's overall security framework. 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. In FY2024, the subcommittee met once to report incidents and issue reminders about technical information leaks via personnel.



Information Security Management System

In response to information security risks that threaten companies and organizations, we set information security as a key management priorities (materiality) and are building an information security management system that complies with ISO 27001. In recent years, the digital transformation of business operations has advanced, and there are a growing number of risk areas that require attention, such as the use of generative AI. To address emerging risks, we continuously improve our information security management system by including them in the evaluation scope. At all sites, we conduct annual audits on IT security and IT systems, and correct any identified deficiencies promptly. 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 also focus on proactive defense, and we are trying to improve the security level and maturity of our defenses both before and after an incident occurs. We publish CSIRT Communication monthly to keep employees informed and aware of information security. In an emergency, 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 Niterra Group has set a range of internal rules to protect, manage and handle the personal information of its customers and employees.

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Financial Results Highlights for the Past 11 Years

	← J-GAAP					IFRS →						(Millions of yen)
(FY)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Revenue	347,636	383,272	372,919	409,912	425,013	426,073	427,546	491,733	562,559	614,486	652,993	
Operating income (loss)	62,196	66,284	53,595	67,279	58,385	48,447	47,389	75,512	89,219	107,591	129,660	
Ordinary income (loss)	67,907	64,483	55,559	69,094	59,258	—	—	—	—	—	—	
Profit (loss) attributable to owners of the parent	36,753	30,815	25,602	44,335	42,638	33,698	38,367	60,200	66,293	82,646	92,625	
Capital expenditures	36,372	45,339	36,328	37,591	56,587	51,004	33,444	29,589	31,335	41,173	37,532	
Depreciation	13,337	16,834	19,601	20,920	23,979	31,952	34,700	37,940	39,194	39,814	39,690	
R&D expense	21,337	23,123	23,416	25,283	28,072	28,315	26,115	23,685	27,887	29,058	28,144	
Cash flows from operating activities	36,593	56,465	49,764	65,707	43,704	59,787	63,397	71,910	69,305	118,179	132,921	
Cash flows from investing activities	(12,865)	(82,331)	(53,410)	(26,422)	(48,380)	(52,926)	(42,523)	10,234	(37,375)	(92,157)	(34,246)	
Free cash flow	13,995	(25,866)	6,335	29,636	(21,356)	4,627	41,398	69,713	34,382	33,364	98,462	
Dividend payout	7,181	8,487	9,055	10,823	14,601	14,435	12,230	20,792	33,839	33,068	35,407	
Total equity	343,380	341,044	354,710	388,115	401,505	399,737	451,626	517,988	563,739	638,300	674,722	
Total assets	485,497	526,103	563,801	599,972	629,417	663,374	771,293	823,181	903,102	975,719	990,966	
Interest bearing debt	46,153	80,212	99,275	98,115	110,755	152,946	197,194	165,268	198,222	190,840	167,835	
											(Yen)	
Earnings (losses) per share	168.88	141.60	119.44	209.37	204.74	163.06	188.59	296.04	326.09	409.47	466.34	
Equity attributable to owners of the parent per share	1,566.80	1,557.16	1,660.06	1,837.46	1,917.04	1,946.10	2,206.18	2,530.01	2,772.61	3,181.33	3,399.43	
Cash dividends per share	36.00	42.00	42.00	60.00	70.00	70.00	60.00	102.00	166.00	164.00	178.00	
Operating income ratio (%)	17.9	17.3	14.4	16.4	13.7	11.4	11.1	15.4	15.9	17.5	19.9	
Return on sales revenue (%)	10.6	8.0	6.9	10.8	10.0	7.9	9.0	12.2	11.8	13.4	14.20	
Gross profit on sales (%)	35.8	35.6	33.0	34.6	33.8	31.4	30.5	31.8	35.2	36.8	39.50	
ROE (Return on equity) (%)	11.4	9.1	7.4	12.0	10.9	8.4	9.1	12.5	12.3	13.8	14.1	
ROA (Return on assets) (%)	7.8	6.1	4.7	7.6	6.8	5.1	5.0	7.3	7.3	8.5	9.3	
ROIC (Return on invested capital) (%)	11.6	11.4	8.5	10.0	8.2	6.3	5.5	7.9	8.6	9.5	10.9	
Equity ratio (%)	70.2	64.4	62.5	64.3	63.4	59.7	58.2	62.5	62.4	65.4	68.1	
Total asset turnover (%)	0.7	0.8	0.7	0.7	0.7	0.8	0.6	0.6	0.6	0.65	0.66	
Dividend payout ratio (%)	21.3	29.7	35.2	28.7	34.2	42.9	31.8	34.5	50.9	40.1	38.2	



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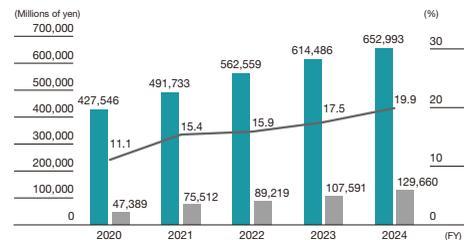
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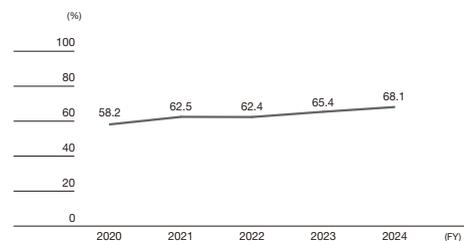
Financial Highlights

Net sales / Operating income / Operating income ratio



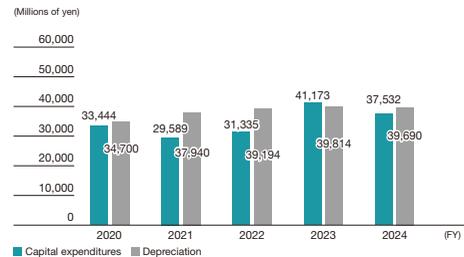
In the automotive components sector, sales of products for new vehicle assembly declined YoY due to production adjustments by our customers in Europe and the continued shutdown in ICE demand in China. However, sales of AM products increased YoY, supported by solid demand across regions. In addition, price rises boosted revenue. On the other hand, the semiconductor-related businesses began to recover from the 2nd half of the fiscal year, though the market was sluggish in the 1st half. In terms of profit, both revenue and operating income reached record highs due to the continued depreciation of the yen.

Equity ratio attributable to owners of the parent



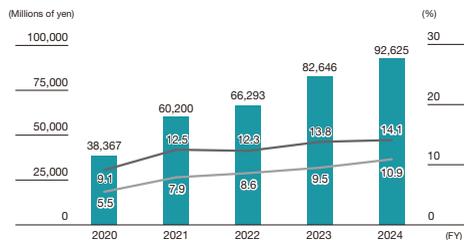
While we increased returns to shareholders through dividends and share repurchases, the increase in retained earnings backed by the solid performance and the impact of foreign exchange resulted in a 2.7% increase in the equity ratio attributable to owners of the parent.

Capital expenditures / Depreciation



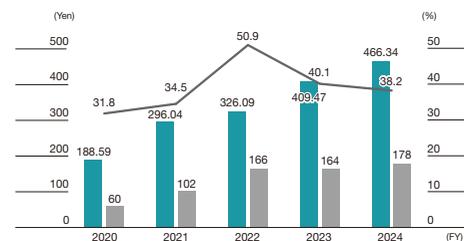
In the automotive business, we are investing mainly in upgrading existing facilities and improving production efficiency. We also continue to invest in the non-ICE business for mid- to long-term growth.

Profit attributable to owners of parent / Return on equity (ROE) / Return on invested capital (ROIC)



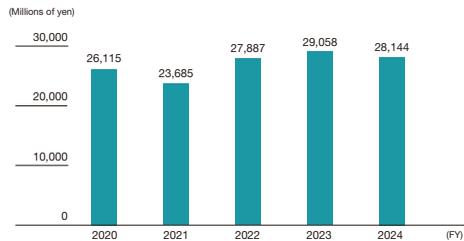
ROIC increased by 1.4% YoY and ROE increased by 0.3% YoY, achieving the Mid-term Management Plan target following on from the previous term. This was due to reduced inventories by eliminating excess inventory and strategic stockpiles. Strong performance in automotive components business and increased profits YoY due to a weakening yen also contributed.

Earnings per share / Cash dividends per share / Dividend payout ratio



The dividend policy aims to provide stable dividends by combining a fixed portion with a minimum of dividend on equity (DOE) of around 4% with a performance-linked portion with a target dividend payout ratio of around 10%. Portions of capital exceeding appropriate capital levels are subject to shareholder return, including through share repurchases. As a result, the annual dividend for FY2024 was 178 yen.

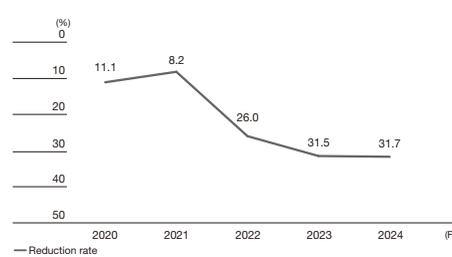
R&D expense



The Company allocates approximately 5% of revenues to research and development expenses. This percentage reached 4.3% in FY2024.

Non-financial Highlights

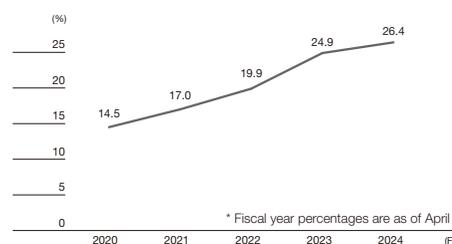
CO₂ emissions reduction rate



We aim to reduce CO₂ emissions by 30%* compared with FY2018 levels by FY2030. Progress in energy saving and other CO₂ reduction measures is going as planned. Emission in FY2024 met the target for FY2030 through energy saving activities, solar power generation, the use of CO₂ free electricity, and other efforts.

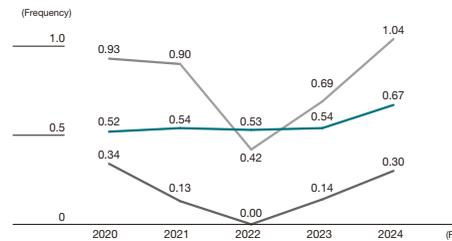
* Scheduled to change to 46% reduction in April 2026

Percentage of female / foreign-national / mid-career employees in managerial posts (non-consolidated)



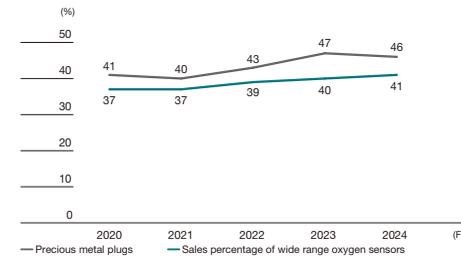
We aim to increase the percentage of women, foreigners and mid-career hires in managerial positions to 25%. The percentage increased to 26.4% in FY2024 because of awareness activities for female management candidates and the recruitment of industry-ready employees. In addition, within the domestic Group, the ratio excluding managerial-level specialists was 26.9% (as of the end of March 2025).

Frequency of occupational accidents (non-consolidated)



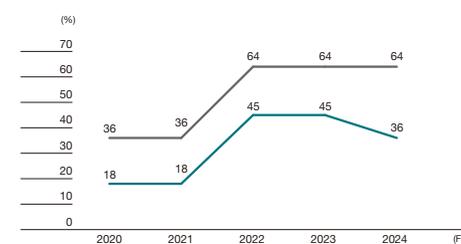
In FY2024, the Company experienced seven occupational accidents (compared to five in the previous fiscal year), with an overall frequency rate of 1.04 (compared to 0.69 in the previous fiscal year), showing an increase of accidents. Some accidents occurred while adjusting equipment, and others during non-routine work.

Sales percentage of environmentally friendly products



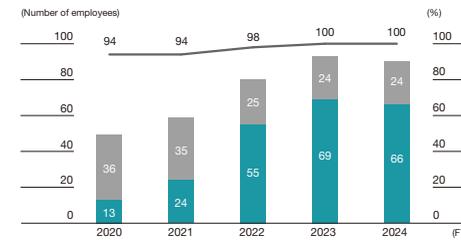
We aim to increase the sales ratio of precious metal plugs and wide range oxygen sensors by over 50%. These products are part of our environmentally friendly Niterra Green Products. Sales ratios are increasing towards this target.

Ratio of Outside Directors / Ratio of female and foreign national directors



We aim to increase the ratio of outside directors to more than one-third of all directors by FY2030. In addition, we aim to increase the ratio of female and foreign national directors to more than 30%. Since FY2022, both the percentage of outside directors and the percentage of female and foreign directors have been maintained at target levels.

Number of employees who took childcare leave / Percentage of employees who returned to work after taking childcare leave (non-consolidated)



More male employees take childcare leave, with a childcare leave uptake rate of 78% in FY2024. Additionally, their return-to-work rate after childcare leave remains high.

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Corporate data (As of March 31, 2025)

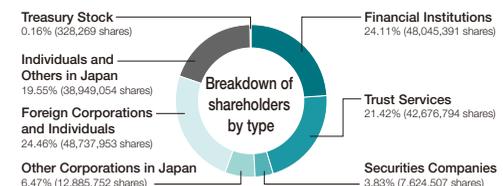
Niterra Co., Ltd.	
Headquarters	URBANNET NAGOYA NEXTA Bldg. 1-1-1 Higashisakura, Higashi-ku, Nagoya 461-0005
Established	October 1936
Number of employees	Non-consolidated: 3,195 Consolidated: 15,644
Number of shares and shareholders (As of March 31, 2025)	
Paid-in capital	47,869 million yen
Total number of authorized shares	390,000,000
Total number of issued shares	199,247,720
Listed markets	Tokyo Stock Exchange (Prime Market) Nagoya Stock Exchange (Premier Market)
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Accounting auditor	KPMG AZSA LLC
Number of shareholders	114,129

Major shareholders (As of March 31, 2025)

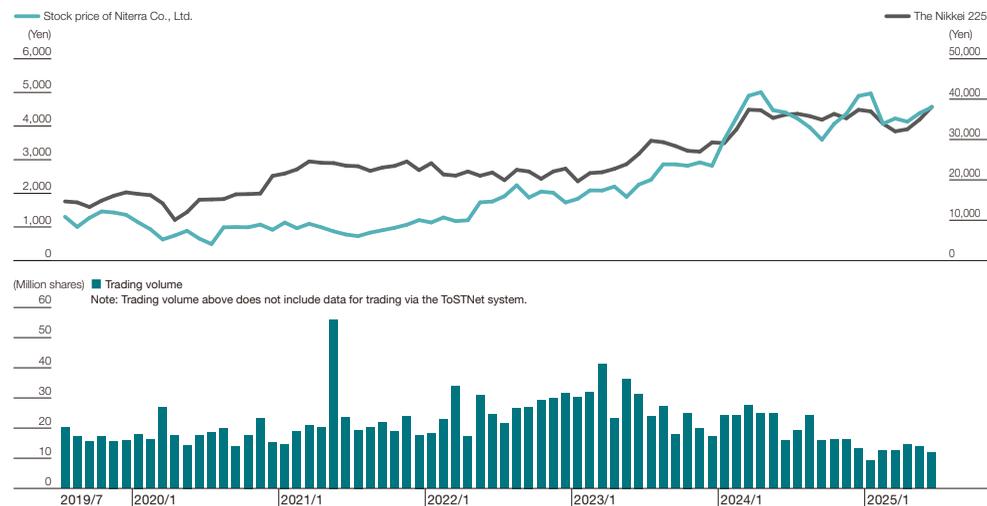
Name of shareholder	Number of shares held (thousand)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	25,920	13.03
Meiji Yasuda Life Insurance Company	16,794	8.44
The Dai-ichi Life Insurance Company, Limited	16,752	8.42
Custody Bank of Japan, Ltd. (trust account)	12,079	6.07
National Mutual Insurance Federation of Agriculture Cooperatives	4,209	2.11
Nippon Life Insurance Company	3,563	1.79
NTK Business Partners Shareholdings Association	2,778	1.39
TOTO LTD.	2,756	1.38
The Nomura Trust and Banking Co., Ltd. (Investment account)	2,604	1.30
JP MORGAN CHASE BANK 385781	2,517	1.26

Note: Ownership ratio above is calculated excluding treasury stock.

Breakdown of shareholders by type (As of March 31, 2025)



Stock price and trading volume (As of June 30, 2025)



Initiatives

Major awards and certifications

<https://www.sustainability.niterragroup.com/en/themes/190/>

Corporate evaluation of ESG investment

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Editorial Note

Thank you for taking the time to read our Niterra Report 2025. As a Group, we have been working to increase corporate value in line with our aspiration to become "a company that brightens the Earth." This aspiration is reflected in our English corporate name, "Niterra," which we adopted in FY2023. In the FY2025 Niterra Report, we present the activities of our Group aimed at realizing our vision under the newly formulated Mid-term Management Plan 2030. We hope that this Report will help to further deepen your understanding and trust in our Group. We will continue to disclose information in a timely and appropriate manner and actively communicate with you. We ask for your continued support.

Hiromi Kitagawa

Corporate Officer, in charge of Human Resources Strategy Dept., Sustainability Strategy Dept.,
Corporate Communication Dept., Well-being Strategy Group, Global Strategy Div.

Integrated Report Survey: https://www.niterragroup.com/english/ir/library/integration_report.html Administrative Office of Niterra Report 2025 Project

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Niterra Co., Ltd.

URBANNET NAGOYA NEXTA Bldg. 1-1-1 Higashisakura, Higashi-ku, Nagoya 461-0005

<https://www.niterragroup.com/english/>

Corporate Communication Dept., Well-being Strategy Group, Global Strategy Div.