Niterra Integrated Report 2026

Niterra Report 2026

Niterra

2040 Vision ▶ P.27

We will be a company that brightens the Earth

by solving social issues through our unique, *Tokushu*, technologies and ideas.





Mid-term Management Plan 2030 (5 years) ▶ P.29

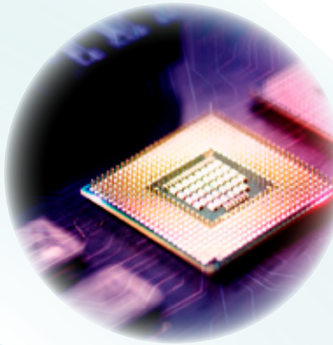
Extend for the future.
Spread out to exceed.

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







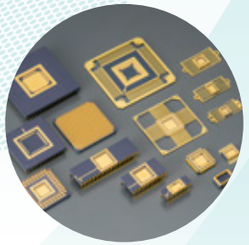














Ceramics

Gas Sensing

Core assets

▶ P.18











Global automotive customers and sales channels

Toward a convenient mobile society

Toward a digital society

Toward a decarbonized society

Focus Areas



Mobility

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



Semiconductors

Improving social convenience through advanced information processing technologies.

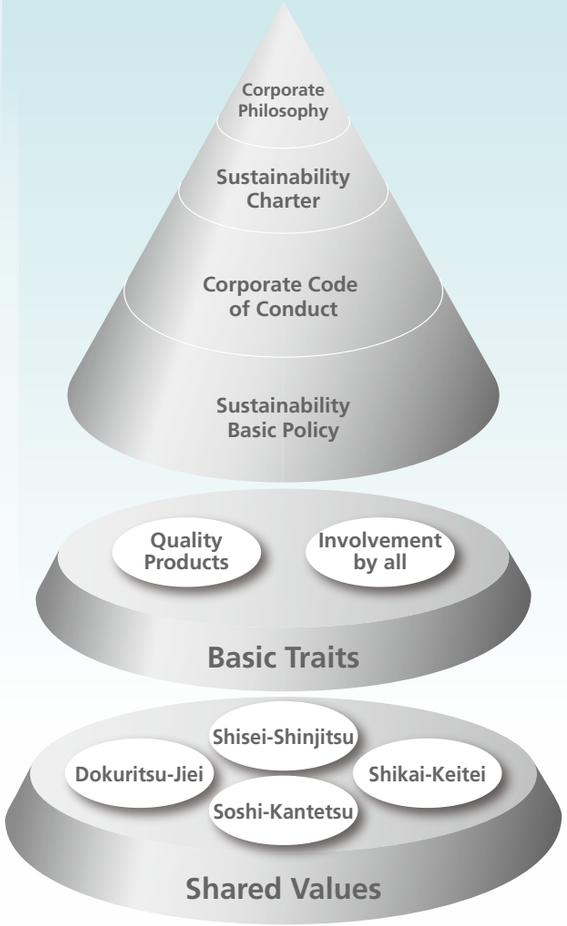


Environment & Energy

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

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.

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

The Niterra Way / 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.

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

Shikai-Keitei
Conduct business that contributes to global peace and shared prosperity.

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Points of Interest

Niterra Report 2026 presents a series of stories, centered on the launch of our new management structure, covering the progress and challenges of the Mid-term Management Plan 2030, the roles of each form of capital responsible for its realization, and the governance supporting management.

The next stage of transformation envisioned by the new management structure

Both messages from the Chairman and the new President clarify the direction that the new management team aims to take. Based on the progress and challenges of the Mid-term Management Plan 2030, these messages also convey a determination to further transform the company.

See page 6: Message from the Chairman See page 8: Message from the President

The path to achieving the Mid-term Management Plan, as outlined by the head of each business group

The heads of each business group discuss the role that each business will play in achieving the Mid-term Management Plan 2030. These messages explore the business environment, look back on past initiatives, as well as outline future growth strategies and outlooks.

See page 32: Business Strategy: Automotive Components
See page 35: Business Strategy: Component Solutions

Reinforcing the connections between management strategy and each capital strategy

Messages from officers responsible for each form of capital—finance, human resources, intellectual property, and manufacturing—clarify the role of each form of capital in achieving the Mid-term Management Plan 2030. These messages present the progress made so far, the identified challenges, and future action plans in the words of the officers in charge.

See page 42: Financial Capital See page 45: Human Capital
See page 57: Intellectual Capital See page 61: Manufactured Capital

Present the effectiveness of governance from the perspective of Outside Directors

Through the roundtable discussion with Outside Directors and various messages, each Outside Director presents their perspective on management, their understanding of challenges, and themes that should be further discussed.

See page 78: Outside Directors' Roundtable Discussion
See page 81: Message from Audit and Supervisory Committee Members
See page 82: Message from Newly Appointed Outside Directors

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 started in the previous fiscal year. Furthermore, to promote the feasibility of this strategy, the types of capital 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.

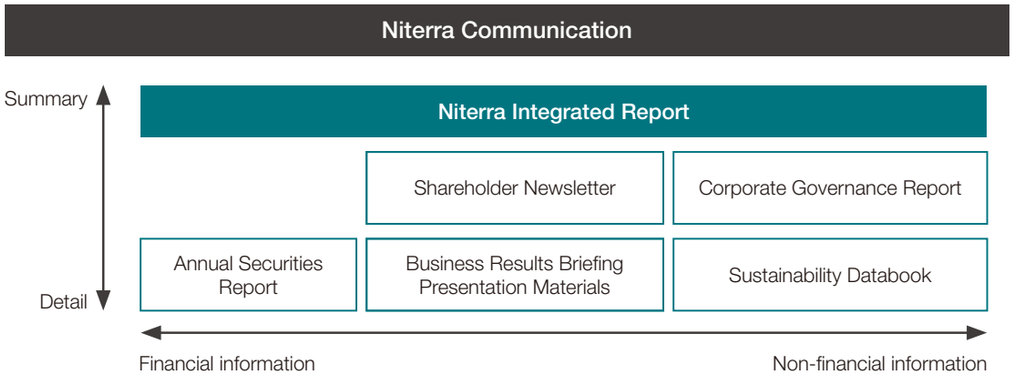
Integrated Report Questionnaire

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
FY2025 (From April 1, 2025 to March 31, 2026)
* Also includes certain information on our activities before and after FY2025.

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/09en_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/

■ 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
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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We aim to accelerate the speed of management under a new structure and to solve social challenges and achieve sustained growth.

Takeshi Kawai Representative Director, Chairman of the Board

Promoting initiatives for transformation during seven turbulent years

Effective April 1, 2026, Keiji Suzuki assumed the role of Representative Director and President. Together with me as Representative Director, Chairman of the Board, we will lead the management of the Niterra Group under a new structure. The current Mid-term Management Plan 2030 is a plan we have developed through repeated discussions with the new President since its formulation stage. In an era of rapid change, there is a risk that mindsets can become rigid if the same management structure remains in place for too long. With the aim of increasing management speed and responding more swiftly to environmental changes under a leader with a fresh perspective, we have launched a new execution structure starting this fiscal year.

Looking back at my tenure as President since 2019, I feel that while we challenged ourselves to transform in anticipation of a major turning point where the automotive industry moves toward EVs and the use of diverse energy sources such as hydrogen and e-fuels, we also spent our days reacting with swift decisions and responses to dizzying changes in domestic and international affairs. At that time, we entered an era where conventional common sense and values no longer apply, marked by the COVID-19 pandemic, the acceleration and deceleration of the EV shift, rising geopolitical risks, soaring raw material and energy prices, US tariffs, and expanding demand for AI and semiconductors. It might be more accurate to say that I was constantly forced to make decisions rather than simply continuing to make them. However, even if EV demand slows down temporarily, the trend toward diversification of fuels used in machines such as automobiles and a shift to clean energy remains the default path. Furthermore, our management stance of contributing to society through our technology, a commitment we have held since our foundation, remains unchanged. By keeping a steadfast axis of judgment based on global trends, making course corrections while deciding and acting with a sense of speed, I believe we have been able to sow the seeds for transformation.

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Linking the integration of Niterra Materials to pillars of growth

One of these seeds is the employee mindset, which is a prerequisite for the company to change. One achievement is that the company system introduced in 2021 has increased awareness among each business unit regarding their own revenue structures and how they should respond. For example, even in difficult situations such as soaring raw material prices or tariff risks, a change has spread throughout the company where those on the production floor quickly grasp the situation and proactively move to pass through costs. Furthermore, I believe the job-based system has become a mechanism that encourages positive change for motivated talent by making it clear how their work and achievements lead to their treatment.

Another seed is the creation of the next pillars of growth. Regarding the creation of new businesses, I cannot say that our challenge to create revenue pillars using our own management resources has fully borne fruit. However, we are continuing initiatives that have the potential to solve future social challenges, such as the solid oxide fuel cells (SOFC) developed by our group company, MORIMURA SOFC TECHNOLOGY Co., Ltd., and the solid oxide electrolysis cells (SOEC) at Niterra. Additionally, the integration of Niterra Materials in June 2025 was an important move to strengthen our pillars of growth centered on our strength in ceramics. We will continue our efforts to fuse the company's technologies, such as silicon nitride, with our own strengths so that it becomes one of our future pillars.

Tackling reforms of headquarters functions under the new structure

As a result of these initiatives for transformation coinciding with the strong foundation of our current businesses, steady results have appeared in terms of business performance. From the fiscal year ended March 2022, both revenue and operating income have reached record highs for five consecutive terms, and our market value, including stock price and PBR, has improved incomparably since I first became President.

This is backed by tailwinds such as exchange rate trends, a correction in the EV shift, and expectations for semiconductor-related demand. Furthermore, as the number of companies capable of continuing to fulfill their supply responsibility in the internal combustion engine business decreases, we have moved forward from an early stage with passing through costs associated with higher expenses, such as rising precious metal market prices. We have also carefully inherited the business models refined by our predecessors, as well as the product strength, strong sales network, brand, and relationships of trust with customers that support them. Our sincere attitude toward manufacturing, continuing to refine our technology for quality improvement upon this foundation, has also led to our current competitive advantage.

Going forward, the challenge will be how to steadily continue refining our on-site capabilities while simultaneously fostering an organizational culture that takes on new challenges and generates innovation. Looking back over seven years, I am once again acutely aware that changing is by no means easy for a company. In particular, the more successful current businesses are, the harder it is to generate motivation for change; however, I believe it is essential to take the next step toward a new challenge now while we have the capacity.

While there have been some tangible results, the transformation of our headquarters functions is an area where we did not achieve the desired outcomes. Regarding the remaining issues, we are currently working to build stronger headquarters functions under the execution structure led by the new President through an organizational change that clearly separates strategic and execution functions at headquarters. I believe President Suzuki is a hybrid leader who, in addition to his experience in technical roles, has experience in sales and overseas assignments in the US; he views things from multifaceted and rational perspectives and is capable of making tough decisions when necessary. I expect that through his unique leadership, he will have the seeds we have sown bloom into flowers.

Supporting the challenges of the new structure from a long-term perspective

Going forward, the new President will lead short- and medium-term management execution, while I will focus on management decisions from a long-term perspective and on talent development.

As Chairman, what I want to prioritize going forward is continuing to think over a longer time horizon about how the company can contribute to society and grow sustainably. The Niterra Group 2040 Vision is "We will be a company that brightens the Earth by solving social challenges through our unique, Tokushu, technologies and ideas." So, in what direction will we brighten the Earth, and which social challenges will we address? To ensure we do not lose sight of the direction the company should take, I intend to continue discussing its significance through repeated dialogues both inside and outside the company.

In order for our stakeholders to understand and appreciate the will of the Niterra Group, thereby leading to further improvement in corporate value, accurate information disclosure and continued sincere dialogue with all stakeholders are indispensable. Just as I did during my time as President, I will engage sincerely as Chairman and continue our dialogue while balancing factors such as growth investments, shareholder returns, and financial soundness. In addition, precisely because our business performance is currently strong, I will encourage risk-taking with a view toward the future and support the challenges undertaken by the new management structure.



Even as we transition to a new structure, we will not lose sight of the direction in which our company should proceed. Our core automotive components business also possesses a strong business foundation, and the seeds for its continuous growth and the establishment of new pillars of business have already been sown. I expect that selection and concentration, organizational transformation, and the enhancement of human capital will further evolve under the new President, and as Chairman, I will support our progress from a long-term perspective.

I hope that our stakeholders will look forward to the initiatives of the new structure and provide us with their frank opinions and insights. I believe that such dialogues will expand the new options available to the Niterra Group and lead to sustained growth. I ask for your continued support and guidance.

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Accelerating the Group's growth by establishing new businesses leveraging core assets and strengthening the revenue base of the automotive components business

Keiji Suzuki Representative Director, President

Transforming our approach and systems first optimized for the automotive components business

Effective April 1, 2026, I was appointed Representative Director and President. Together with Chairman of the Board, Takeshi Kawai, I will lead the management of the Niterra Group under a new structure.

After joining the company in 1993, I spent my first six years or so engaged in sensor design and development. After that, I worked as a sales engineer, a role that involved close, long-term interactions with customers. During that time, I was assigned abroad to the United States twice for a total of eight years. Upon returning to Japan, I served as the head of the sensor business and held executive roles in areas such as R&D and corporate management strategy at headquarters, leading to my current position.

For approximately 90 years, we have supported the evolution of the mobility sector, primarily through our business involving internal combustion engine (ICE) components such as spark plugs and sensors, and have grown alongside the automobile industry. However, as the automobile industry faces a period of transformation driven by the shift to electric vehicles, we, too, are now called upon to undergo fundamental change.

Over the seven years during which the former President spearheaded

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the drive for transformation as top management, we have seen measurable progress in shifting our mindsets internally and creating new businesses. On the other hand, while maintaining strong business performance, we are still only part of the way toward business portfolio optimization. Personally, through my involvement in human capital initiatives and the formulation of Mid-term Management Plan 2030 (hereinafter, MMP 2030)—starting from my time as a Corporate Officer—the challenges that needed to be overcome to drive our transformation gradually became clear to me. What is fundamentally required of us is to re-examine the corporate mindset and systems, which have long been optimized for the automotive business, and, adopting a more flexible and broad-minded approach, transform the talent and systems we have cultivated so that they can be leveraged across a diverse range of businesses. Of course, change is not easy for companies; the better things are going, the stronger the status quo bias becomes. However, precisely for that reason, we must now take on the challenge of transformation, even when it entails pain. It is the responsibility of top management to make that decision and carry it out.

During my time as a sales engineer acting as a liaison between customers and internal stakeholders, I always prioritized understanding the other party's thoughts and intentions by putting myself in their shoes as much as possible. And, when faced with challenges I could not resolve on my own, I have overcome them by drawing on the knowledge and support of those around me. Furthermore, my time working in the United States deepened my ability to view both myself and Japan objectively, as well as my commitment to making rational judgments. The qualities and mindset I developed through these experiences have shaped my own management philosophy. Listen to diverse opinions and perspectives, understand the underlying context, and—even in situations with no clear-cut answer—ultimately make the decision yourself. Once the decision has been made, carefully explain the background, gain the understanding of those around you, and rally the collective strength of employees. We intend to uphold this management stance and drive transformation through the concerted efforts of the entire company.

Working with a professional mindset to become a company that brightens the Earth

Our vision for 2040 to become a "company that brightens the Earth" embodies our determination to expand the value we deliver to society through our business activities more than ever before. Starting with the development of Japan's first spark plug, we have contributed to society through our automotive components business by supplying plugs and sensors that help reduce environmental impacts and improve energy efficiency, in response to the changing needs of the times. Moving forward, we will leverage our cultivated core assets to expand our reach beyond the mobility sector and contribute to solving a wider range of social challenges.

By clearly articulating this resolve, we aim to foster confidence among our employees and meet the expectations of our stakeholders. Toward this end, I want every employee to approach their work with dedication and a strong focus on results—acting as true professionals—and to let their own talents shine. This cumulative effort enhances our standing in society and paves the way for sustained growth, increased corporate value, and the realization of our vision to be a company that brightens the Earth. We hope to create such a virtuous cycle.

Accelerating growth by concentrating management resources on three focus areas: Mobility, Semiconductors, and Environment & Energy

Under MMP 2030, we have set forth a policy to concentrate management resources on three focus areas; namely, Mobility, Semiconductors, and Environment & Energy, where we can maximize the use of our core assets.

The mobility sector is a core area for us. We take pride in the fact that, by holding a significant market share and serving as part of social infrastructure, we have contributed to enhancing the convenience of people's lives. As we continue to focus on this area, we will further hone our existing competitive advantages and fulfill our responsibility to ensure business continuity as a unique supplier, while simultaneously boosting profitability through enhanced efficiency. We also anticipate growth in silicon nitride-related products for EVs, which are handled by Niterra Materials, during the latter half of MMP 2030.

We view semiconductors as an area to be established as the next pillar of earnings during MMP 2030. With the SPE business at the core, we will steadily expand production and make timely, appropriate investments to accelerate business growth. We aim to contribute to industrial development, particularly in fields that will underpin future social infrastructure, such as AI and high-capacity memory, just as we have done in the automotive components business.

As the Environment & Energy sector requires a bit more time to generate returns, we view the current Mid-term Management Plan period primarily as a phase for sowing seeds. Aiming to become a key player in the upcoming hydrogen society, we will enhance our presence over the five-year period of MMP 2030 through initiatives such as demonstration experiments.

To achieve results in these three focus areas, the challenge lies in breaking away from the automobile-centric mindset I mentioned earlier. Of particular importance is the transformation of our human resources. I believe that one of the reasons the transformation of our business portfolio has not progressed as intended is that the reallocation of human capital and the shifting of roles did not advance sufficiently. Going forward, we will optimize our talent portfolio to align with our target business portfolio and steadily reflect the achievements in our business activities.

Also, when executing strategy in uncertain times, it is crucial to have a clear set of criteria to guide the company's decision-making. These are the four Shared Values of the Niterra Way that originated during our early days as Morimura Gumi*1 in the early Meiji period. We recognized a parallel between the historical context of that time and the challenging phase we currently face. We have, therefore, articulated these values anew and are working to embed them throughout our organization. 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 current transformational phase. This is exactly the time when every one of our employees should go back and rediscover these Shared Values. To ensure these values take root, it is crucial not merely to state them but to explain them alongside our founding history and background. This enables each employee to interpret the concepts in the context of our current position and translate that understanding into action.

*1 Current: Morimura Bros., Inc.

Accelerating growth using synergies with NTK CERATEC and Niterra Materials

In FY2025, we achieved record-high profits for the fifth consecutive fiscal year, driven by a strong performance in the automotive components business and favorable foreign exchange rates. The measures outlined in MMP 2030 are proceeding largely according to schedule, and I rate our performance in the first fiscal year as satisfactory. For FY2026, the second year, we are steadily advancing our initiatives to achieve the targets of increased revenue and profit. However, of more importance is the third year onwards. It is precisely at this juncture—as the results of initiatives and investments from the first half of the Mid-term Management Plan begin to materialize—that our true worth will be put to the test. First, we will consider the appropriate allocation of resources to achieve the targets set out in MMP 2030, while at the same time working continuously to strengthen human capital and enhance organizational capabilities to support the execution side.

NTK CERATEC and Niterra Materials hold the key to unlocking

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growth during the current Mid-term Management Plan. We look to the SPE business, handled by NTK CERATEC, to drive near-term performance. The market for wafer fab equipment is projected to grow at an annual rate of 7% to 10%, fueled by AI-related investment, and we anticipate expansion of our market share in the medium term. In particular, our electro-static chuck offer a distinct advantage in that they achieve uniform surface temperatures, among other benefits, through our proprietary sheet lamination technology. This characteristic meets the advanced technical requirements for next-generation semiconductor manufacturing. We have already begun the provision of prototypes for next-generation semiconductor manufacturing equipment. For the time being, we will steadily capture revenue growth driven by the expansion of the semiconductor market. Looking further ahead, we aim to achieve growth that outpaces the market by increasing our market share.

To capture the long-term rise in semiconductor demand, NTK CERATEC plans to launch operations at its new plant before the end of FY2026, with production capacity projected to expand to approximately 2.5 times the FY2025 level by around 2030. On the other hand, regarding future capital expenditures, we believe that decisions cannot be made based on the same mindset applied to our existing automotive components business. In the automotive components business, we have proceeded with investments while sharing demand forecasts with customers. Given the rapid pace of change in the semiconductor market, however, we must not rely solely on customer information; we need to make our own assessments by also monitoring trends in downstream markets.

Regarding Niterra Materials, we have reaffirmed, through the PMI*2 process, that it is a company that has built its market presence through technical expertise and that there is a very high level of technical synergies with us, particularly concerning silicon nitride-based materials. We anticipate synergies such as the development of high-performance products by combining these with our technical assets, as well as the direct utilization of the global automotive customers and sales channels we have established in the automotive components business. Niterra Materials' silicon nitride products are expected to see use in EVs, but they are currently facing short-term headwinds due to the slowdown in the EV market. Nevertheless, we anticipate they will contribute to earnings from the latter half of the Mid-term Management Plan onwards, driven by improved profitability from higher capacity utilization and the realization of synergies.

Due to the higher cost of Niterra Materials' silicon nitride balls compared to steel balls, they are currently installed in only a small fraction of electric vehicles. However, demand is expected to rise as EVs increasingly adopt higher voltages and higher power outputs, leading to market expansion over the medium to long term. We anticipate that adoption will begin with high-performance EVs—such as sports cars and luxury models—and then gradually become more widespread. Yet, cost competition with alternative technologies is inevitable. We view silicon nitride balls as offering a distinct advantage as a countermeasure against electrolytic corrosion that is relatively easy to implement; however, continuous cost reductions are essential for their widespread adoption. We will work to enhance our competitiveness through improvements in both materials and manufacturing processes.

*2 PMI stands for post-merger integration; the integration process following an M&A transaction.

Promoting productivity improvements and the selection and concentration of businesses to enhance ROIC

To improve ROIC in an effort to enhance profitability, we are working to maximize cash-generating capabilities by further strengthening the automotive components business and improving unprofitable businesses. Improving efficiency through the use of DX is a key pillar, particularly for the automotive components business. The current production systems in automotive components business face challenges regarding data integration across the entire process, from development through production to shipment. We aim to build an integrated system that links processes from upstream to downstream, enabling the centralized management and utilization of data. As the current situation is limited to partial optimization, we intend to establish a model line during the first half of the Mid-term Management Plan and roll it out more broadly during the second half. We plan to achieve the target of a 1.4-fold increase in productivity (compared to FY2024) over the five-year period of MMP 2030.

Regarding unprofitable businesses, we aim to improve profitability by reducing fixed costs; however, if we determine that a business lacks future growth potential, we have not ruled out options such as withdrawal or business divestiture. We will make the final decisions and move to implementation at an early stage, as necessary, without waiting for the conclusion of the Mid-term Management Plan. Withdrawing from a business is one of the most difficult decisions to make; however, after listening to various opinions, management will ultimately make the decision responsibly and carefully explain the reasons behind it. Through such decisions, we will rapidly reallocate limited management resources to growth areas where higher future returns can be expected.

Our stock price and price-to-earnings ratio (PER) are currently on an upward trend, but it is primarily due to a re-evaluation of the automotive components business. Consequently, this alone does not represent a fundamental enhancement of corporate value. To further increase PER going forward, it is essential that the market recognizes the future potential and expected contributions of the company in growth sectors such as Semiconductors and Environment & Energy. To this end, we plan to drive sustained growth in corporate value by establishing a framework during the period of the Mid-term Management Plan that balances growth investment with capital efficiency, while effectively utilizing cash through measures such as improving ROIC and utilizing financial leverage.



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Strengthening the management foundation underpinning sustained growth

Advancing concrete business and financial strategies and achieving results requires that we strengthen the underlying management foundation. “Strengthening the Management Foundation” is one of our key management priorities, and MMP 2030 outlines specific measures for its implementation.

We recognize “Reforms of Headquarters Functions” as a top-priority issue. In past organizational restructuring under the previous President, we had introduced a company system, worked to raise each company’s awareness of having Dokuritsu-Jiei (an independent spirit), and also considered moving to a more advanced organizational structure centered on the headquarters. To clarify where responsibility lies, we subdivided our headquarters functions and established a structure in which each department is accountable for its own role; however, this also gave rise to silos between departments, revealing a challenge in achieving sufficient cross-functional collaboration.

In light of such challenges, the primary focus of this organizational restructuring was to integrate previously fragmented functions to a certain extent and break down departmental silos, thereby strengthening the alignment between strategy and execution functions. In particular, we consolidated strategic functions, such as HR and finance, into the Global Strategy Division, while centralizing strategy-based execution functions within the Business Operations Division. Through this, we aim to embody the “strong and compact headquarters” envisioned by the former President and create an organization capable of steadily executing strategies in close coordination with our business departments.

Strengthening the management foundation also requires enhancing human capital so that every employee—who drives the company’s growth—can grow through their work and continue to thrive in society.

As I previously mentioned, we have relied heavily on the automotive components business for its business model for a prolonged period. As a result of this, we recognize that, particularly within headquarters functions and indirect departments, there has been a prevailing mindset of merely providing support, and we have not sufficiently cultivated the ability to take a company-wide perspective or to proactively manage headquarters operations. To change this situation, we must establish a mechanism that enables each employee to carry out their role with a professional mindset regarding their job and to continue growing. In advancing this form of human capital management, we will drive reforms in our human resources system and HR management, centering on a “job-based” approach that clarifies the roles, responsibilities, and compensation for both the organization and the individual.

I consider a “professional” to be someone who reliably fulfills their assigned roles and responsibilities and receives compensation in return for those achievements. As a traditional Japanese company, we had long maintained an organizational culture centered on seniority-based promotion and lifetime employment that fostered a “warm,” family-like atmosphere. Amid the changing times, and as the transformation initiated by the previous President progresses and a culture of mutual growth begins to take root, we aim to accelerate this momentum, clarify authority and responsibility regarding our work, and evolve into an organization where every individual fully carries out their mission. When all employees perform as professionals, the company fulfills its social responsibilities and gains a driving force for sustained growth. Furthermore, we will link our human capital initiatives to fundamental organizational transformation and encourage change across the entire organization, centered on Niterra Talent Management, which is based on a job-based approach.

Looking at our environmental initiatives, we have been steadily implementing feasible measures to achieve our target of reducing CO_2 emissions by FY2030 (46% reduction compared to FY2018). On the other hand, I believe the real difficulty lies ahead. To achieve our reduction target for FY2035 (71% reduction compared to FY2018), we must take on challenges that are more difficult than ever before.

As the Group expands its business reach through M&A and other means, strengthening Group governance is also a key priority. We have established a specialized department to monitor Group companies, thereby strengthening our management framework compared to the past. On the other hand, I do not consider our governance over Group companies, including sub-subsidiaries, to be sufficient. We will clarify the extent and level of our involvement, while first establishing a mechanism to properly understand the situation through each Group company.

Taking even the most critical feedback to heart and continuing to engage in dialogue with the market

I recognize the importance of engaging in timely and continuous dialogue with shareholders and investors, centered on the shared goal of enhancing corporate value. Through dialogue, we aim to foster an understanding of our intended direction and strategy, along with our assessment of the challenges we face. At the same time, we are committed to listening to the perspectives and views of our shareholders and investors, taking even the most critical feedback to heart as necessary and incorporating those insights into our management.

The points raised by investors as concerns often overlap with the challenges we have identified. We view information that appears negative as valuable for management, precisely because it allows us to reconfirm that our internal concerns are valid even when viewed from the outside. Many individuals offer comprehensive insights informed by their experience across diverse industries, and the suggestions I gain from these broad perspectives are invaluable to us.

Moving forward, we will continue to advance our business operations with a focus on the core assets we have cultivated. The automotive components business is performing well, and there is still significant room for growth in the semiconductor business. Under our new management structure, we ask for your continued support and guidance as we pursue challenges and growth that go beyond the Group’s traditional path.

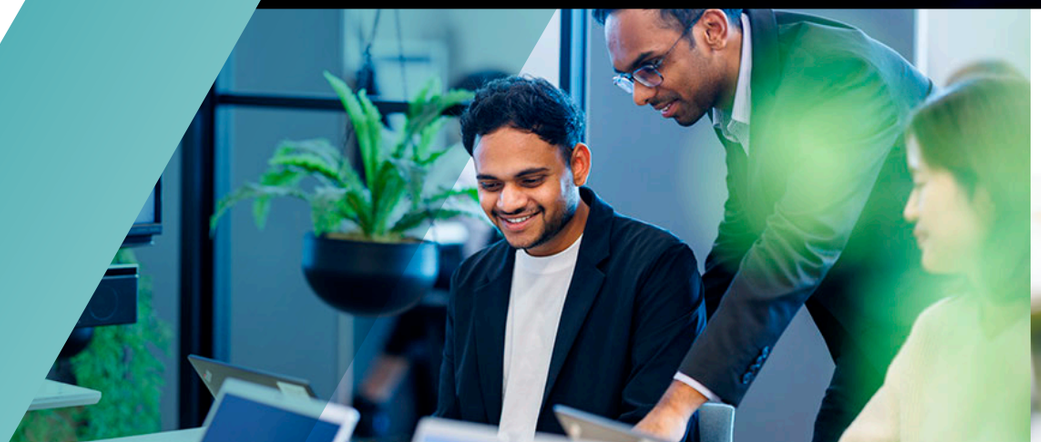
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At a Glance (As of the end of March 2026)

Group revenue

731.2 billion yen

Number of employees

Non-consolidated 3,208

Consolidated 15,698

Main products

Global share in spark plugs
Global share in oxygen sensors

No. 1

* Our estimate as of the end of March 2025

Paid-in capital

47,869 million yen

Operating income ratio

18.9%

Operating locations

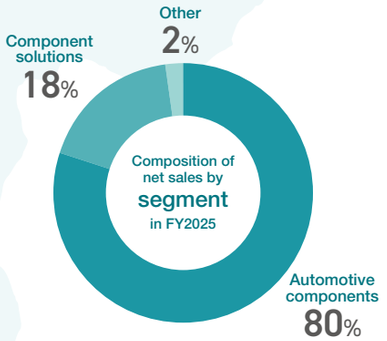
Japan 30 locations

Overseas 58 locations

Return on equity (ROE)

15.7%

Composition of net sales



Global expansion

Number of countries where our products are sold	Overseas sales ratio	Overseas employee ratio
approx. 140	81%	approx. 46%

Return on invested capital (ROIC)

10.3%

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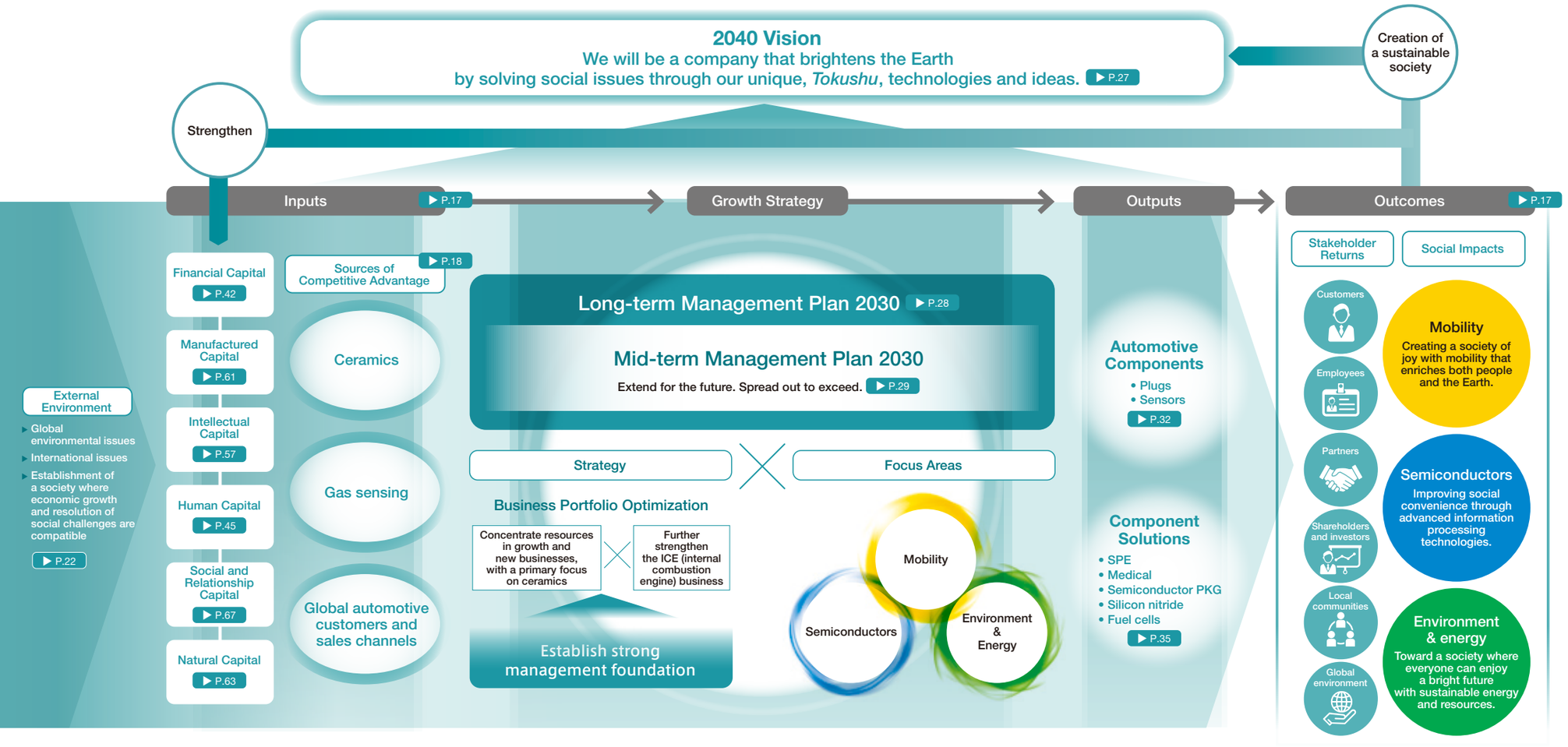
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Value Creation Process

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.



The Niterra Way ▶ P.03

Corporate Philosophy — Commitment / Management Policy / Action Guideline

Sustainability Charter — We contribute to developing a sustainable society, thereby improving our corporate value.

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.

Key Management Priorities (Niterra Materiality) ▶ P.22

Solving social issues	Brightens the Earth through our technologies and ideas
Human capital	Diverse and proactive individuals embody the Niterra Way ▶ P.45
Management foundation	Establish new global management foundation to drive transformation

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Timeline from Morimura Gumi to Niterra

History of the Morimura Group

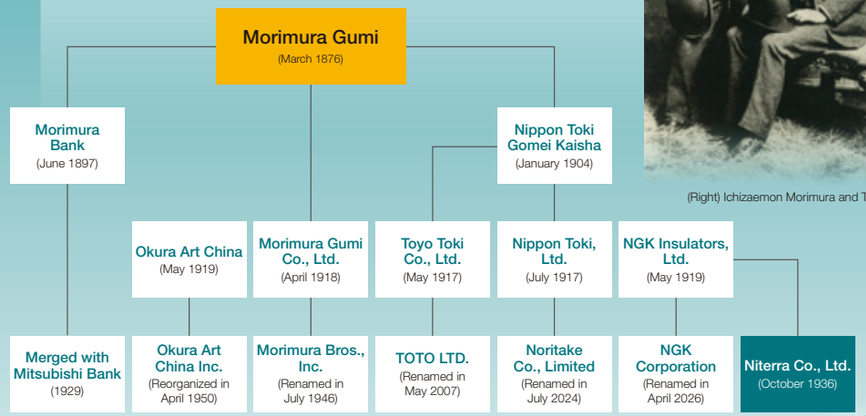
The Morimura Group, a leading corporate group in the Japanese ceramics and porcelain industry, traces its roots back to 1876, when Morimura Gumi*1 was founded by brothers Ichizaemon and Toyo Morimura, pioneers of the Japanese trading industry. The history of the Group dates back to 1904, when the founders 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 Corporation
*5 Now Okura Art China Inc.



(Right) Ichizaemon Morimura and Toyo, 1889

Morimura Group Map of Company History



1876 Morimura Gumi established

1876
Ichizaemon Morimura VI and his brother Toyo founded Morimura Gumi in Tokyo, with Toyo starting an imported variety business in the U.S.

1881
Morimura Brothers established. Identified potential in porcelain exports.

1897
Morimura Bank established (merged with Mitsubishi Bank in 1929).

1904 Nippon Toki Gomei Kaisha established

1904
Nippon Toki Gomei Kaisha established.

1917
Nippon Toki Gomei Kaisha's sanitary ware division spun-off into Toyo Toki Co., Ltd. Nippon Toki converted into a joint stock company.

1919
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.

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History of Niterra

Historical Background

Domestic automobile industry depending on imports

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.

Automobile production growing rapidly

In the 1940s, domestic automobile production rose to 46,000 cars, as automobiles and related parts manufacturing developed into a major industry. After WWII, Japan ushered in a period of high economic growth in the late 1950s, when the country was rapidly becoming motorized.

Impact of high economic growth

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.

Tackling new social challenges

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 lifestyles. 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.

Aiming to create a sustainable society

Uncertainty in the business environment is higher than ever, driven by factors such as the response to climate change, expanding geopolitical risks, and the evolution of AI and digital technologies. While the automotive industry continues to undergo dramatic changes, including a slowdown in the shift toward EVs and the growth of hybrid electric vehicles (HEVs), we will accurately perceive these environmental changes and concentrate our management resources on our focus areas to contribute to solving social issues.

1936
NGK Spark Plug Co., Ltd. founded

Startup period

Growth period

Establishment period

Development period

From present to future

History of Group Value Creation

1937
Production of NGK Spark Plugs started

In 1930, we released NG Spark Plugs, Japan's first domestically produced spark plug, and began producing NGK Spark Plugs in 1937.



NGK Spark Plug

1949
Production of NTK Technical Ceramics started

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.



1959
Overseas business expansion

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.



Cerâmica E Velas De Ignição NGK Do Brasil Ltda

1967
Production of ceramic substrates and IC packages started

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.



IC packages

1982
Production of oxygen sensors for automobiles started

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.



Oxygen sensors for automobiles

1989
Sales of electro-static chuck started

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 electro-static chuck and commenced mass production of the product in the 2000s to expand sales.



Electro-static chuck

2007
Development of Solid Oxide Fuel Cells (SOFCs)

Leveraging development technologies for IC packages and exhaust gas sensors for automobiles, we developed compact solid oxide fuel cells (SOFCs) boasting world-class power generation efficiency. We have begun taking on challenges in the next-generation energy field.



Solid Oxide Fuel Cell (SOFC)

2023
Change of English Company Name to Niterra

The English company name was changed to "Niterra," a combination of the Latin words "niteo" (to shine) and "terra" (Earth). This name expresses our desire and stance to become a company that contributes to a sustainable society and brightens the Earth.

2025
Establishment of Niterra Materials

We acquired all shares of Toshiba Materials (now Niterra Materials), making it a wholly-owned subsidiary. We supply a wide range of high-performance materials and products, such as heat dissipation substrates and ceramic balls, expanding our expertise in ceramics into a broad range of industrial fields.

Competitive advantages resulting in value creation
▶ P.18

Ceramics

Global automotive customers and sales channels

Gas sensing

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Inputs (Six Types of Management Capital)

Financial Capital
▶ P.42

Stable cash flow and robust financial base to support increases in ROE and PER

- Operating cash flow: 109,384 million yen
- Ratings: AA- (R&I), AA- (JCR)
- Equity ratio attributable to owners of the parent: 62.8%
- Interest-bearing debt: 255,356 million yen

Manufactured Capital
▶ P.61

Production systems that provide stable, high-quality, and highly reliable products

- Bases in Japan: 30
- Bases overseas: 58
- Capital investment: 48,997 million yen

Intellectual Capital
▶ P.57

Various applied technologies, expertise and innovative creation with ceramics material technologies and ceramics at the core

- R&D expense: 26,782 million yen
- R&D expense ratio: 3.7%
- Patents owned: 5,221

Human Capital
▶ P.45

Promotion of business portfolio optimization through Niterra Talent Management

- Employees (consolidated): 15,698
- Ratio of employees overseas: Approx. 46%
- Number of positions under the global grading system: 1046
- Ratio of female managers: 5.5%

Social and Relationship Capital
▶ P.67

A global sales structure supplying products to more than 140 countries around the world, collaborative relationships with stakeholders

- Distributors association: Membership consisting of domestic 370 parts dealers. This provides possible business relationships with nearly 80% of more than 70,000 maintenance shops across Japan
- Global sales presence: Approx. 140 countries

Natural Capital
▶ P.63

Electricity, raw materials, water resources, etc., required for business activities

- Electricity: 509,850,000 kWh
- Raw material input: 54,000 tons
- Water input: 2,080,000 m^3

Business Overview
▶ P.20

Outputs
▶ P.32-39

Outcomes (Returns to Stakeholders and Social Impact)

Customers
- Help customers improve product quality by providing high-quality materials and components (help customers increase their competitive stance)
- Improve customer satisfaction

Employees
- Help employees acquire skills (provide growth opportunities)
- Enhance job fulfillment and motivation

Partners
- Improve the sustainability of business activities through transparency and stable transactions (strengthen profit base)
- Continue with good partnerships

Shareholders and Investors
- Stable shareholder returns
- Increase share price and market capitalization

Local Communities
- Hold and sponsor community events
- Pay taxes
- Create employment opportunities

Global Environment
- Reduce CO_2 emissions
- Reduce our environmental footprint across the value chain

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



Semiconductors
Improving social convenience through advanced information processing technologies.



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



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1. Technologies (Ceramics/Gas Sensing)

The Niterra Group has leveraged its core competencies to realize the performance and shapes required by our customers, creating both social and economic value.
We will deploy these technological foundations across three focus areas (Mobility, Semiconductors, and Environment & Energy) to contribute to solving the challenges facing the world.

Imparting “Tokushu” (unique) performance

Structural Materials

Providing resistance to extreme environments, which is key to product performance

We design and manufacture robust ceramics (such as alumina and silicon nitride) capable of withstanding high temperatures, high voltages, and highly corrosive plasma environments.

We have realized higher engine performance and cleaner semiconductor manufacturing processes.

Functional Materials

Creating materials with diverse properties, the key to next-generation energy

We develop and provide materials that perform specific roles, such as conducting electricity or converting pressure into signals.

We support the evolution of next-generation energy devices with materials such as solid electrolytes.

Realizing commercialization and mass production

Processing Technology

Large-scale, ultra-fine, and disparate material bonding, responding to the “complex and advanced”

This is a powder metallurgy process that creates the ideal shape from powder, achieving both “complex shapes” and “advanced functions.”

Additionally, our disparate material bonding technology strongly joins materials with vastly different properties, such as ceramics and metals. It realizes components and products with complex structures.

Improving development speed

Analysis and Evaluation Technology

Providing evidence of performance improvements

We theoretically support the performance of materials and products, and utilize this for development and quality improvement. This contributes to a reduction in the number of prototypes and increases the development speed of next-generation products tailored to needs.

MI/RX

Connecting on-site technology with data science

We highly integrate digital technology with the knowledge of ceramics manufacturing accumulated over many years. It supports the shortening of the period from materials development to mass production and the advancement of the development process.

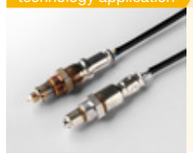
Achieving the performance and shapes that lead to problem-solving, contributing to a sustainable future through products indispensable to society.

Mobility

We broadly support the evolution of mobility, from making internal combustion engines cleaner and more efficient to implementing electrolytic corrosion countermeasures associated with higher voltages in EVs. They contribute to the realization of a reliable mobility society that enriches both people and the Earth through composite technical capabilities that overcome harsh environments.

Example of technology application

Oxygen Sensors



They utilize the properties of zirconia ceramics with oxygen ion conductivity at high temperatures to detect oxygen concentrations in exhaust gas. They enable optimal air-fuel ratio control and realizing clean exhaust gas.

Semiconductors

We integrate materials that withstand extreme environments with micron-level processing technology to provide broad support, from the stable operation of precise semiconductor manufacturing processes to advanced mounting and thermal management for electronic devices. They support the foundation of rapidly evolving generative AI and digital devices, contributing to improved convenience in an advanced information processing society.

Example of technology application

Electro-static chuck



We enable precise manufacturing processes in extreme clean environments using alumina and other materials with high corrosion resistance and large-scale, ultra-flat surface processing technology.

Environment & Energy

We are opening up new areas such as next-generation energy infrastructure and continuing to boldly challenge ourselves to realize a carbon-neutral society. We are powerfully driving the transition to a sustainable future through the creation of high-efficiency energy and the effective use of resources.

Example of technology application

Solid Oxide Fuel Cell (SOFC)



This device contributes to energy savings and CO_2 reduction by maximizing power generation efficiency. By specializing in monogeneration, significant downsizing and weight reduction of the system are made possible.

*This is a product of MORIMURA SOFC TECHNOLOGY.

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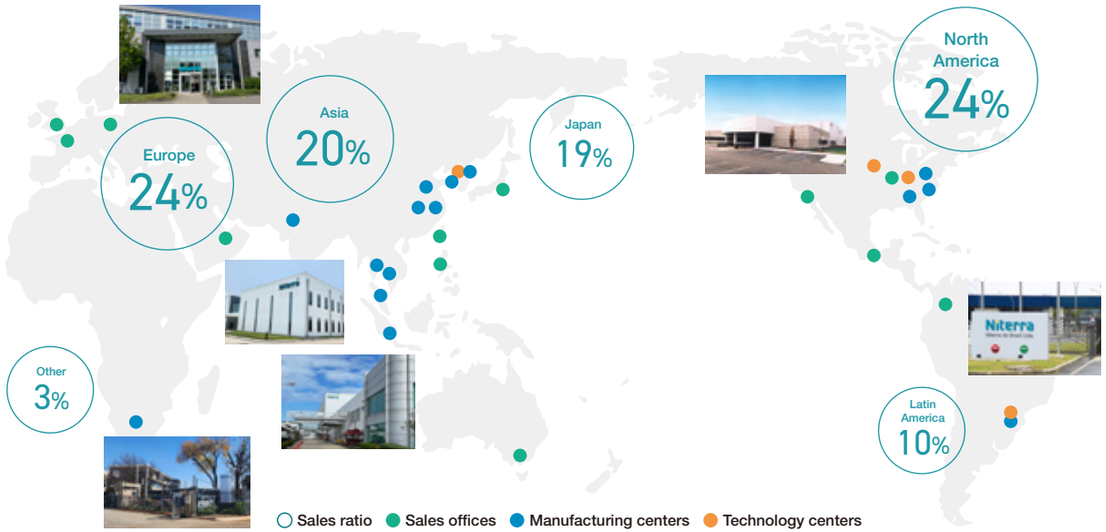
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2. Global automotive customers and sales channels

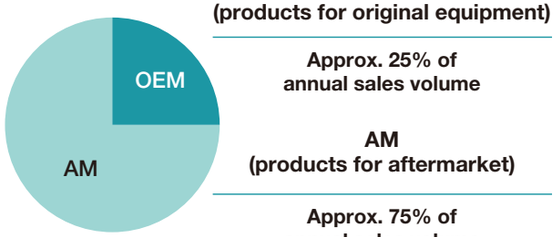
We established a global production and sales system that supplies products to more than 140 countries. Through this system, we provide the same standard and high-quality products from anywhere on the planet in cooperation with Niterra Group companies around the world.
The sales channels we developed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

Sales conducted through 30 offices in Japan, 58 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.



OEM (products for original equipment)

Approx. 25% of annual sales volume

AM (products for aftermarket)

Approx. 75% of annual sales volume

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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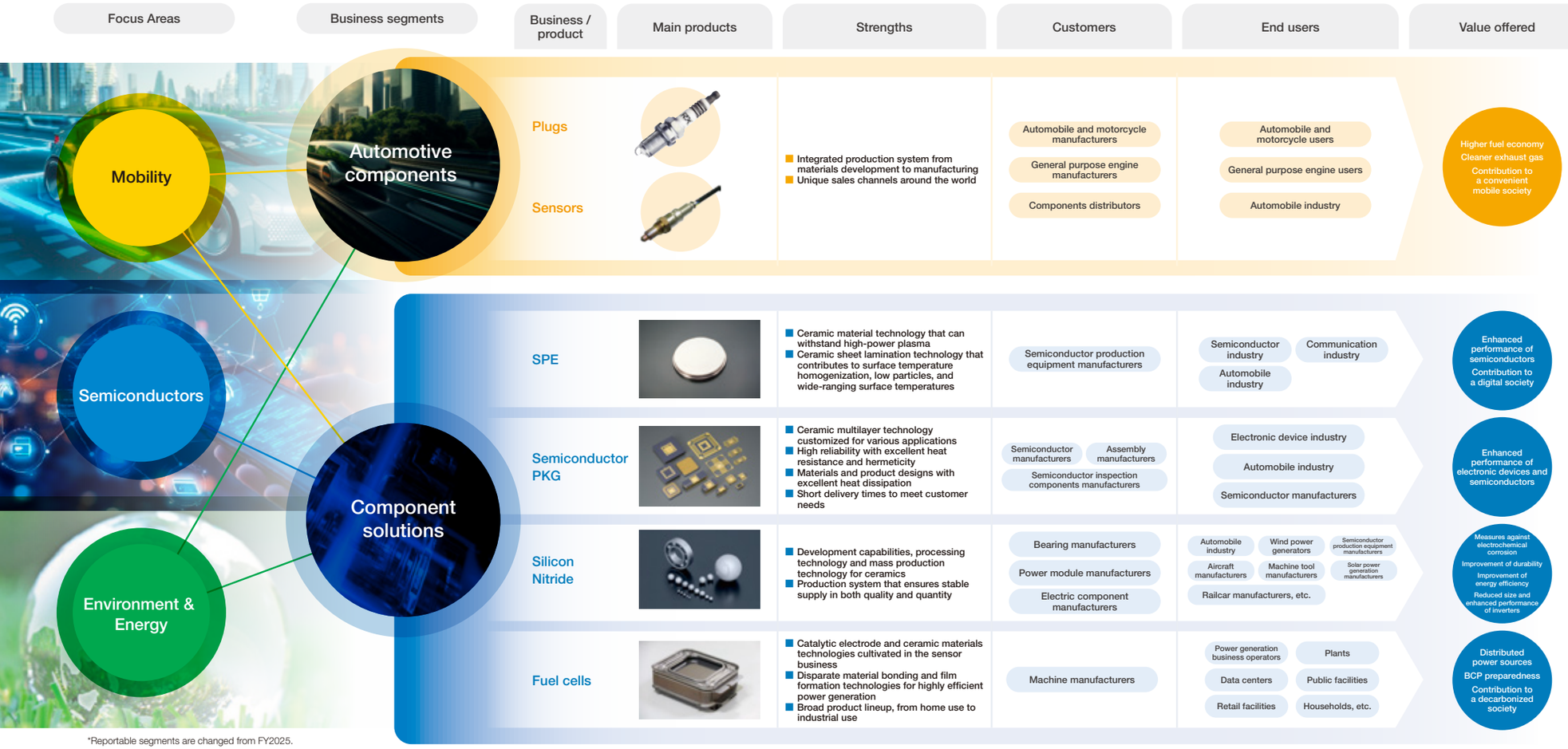
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Business Overview

Our history that spans more than 90 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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Sustainability Promotion System

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

Sustainability Charter

We contribute to developing 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.

Sustainability Basic Policy

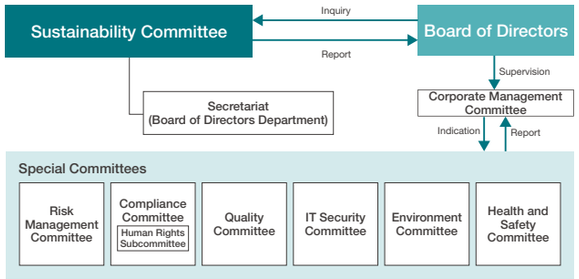
- Risk Management Policy
- Compliance Policy
- Human Rights Policy
- Quality Policy
- Information Security Policy
- Procurement Policy
- Information Disclosure Policy
- Environmental Policy
- Human Capital Policy
- Occupational Health and Safety Policy
- Social Contribution Policy
- Tax Policy

Promotion System

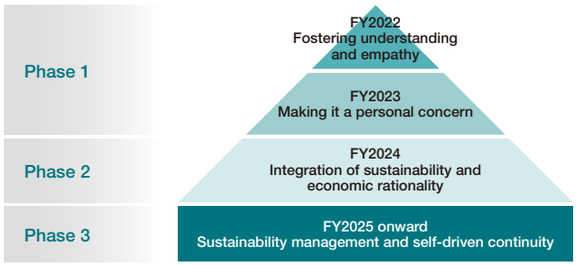
The Group has established the following governance and promotion system to ensure the effectiveness of sustainability management and to supervise the enhancement of corporate value over the medium to long term.

The Sustainability Committee, established as an advisory body to the Board of Directors, is structured to facilitate objective and substantive discussions by prioritizing external perspectives—appointing an Outside Director as chair and including external experts as members—while also having the Representative Directors participate. The committee deliberates primarily on matters concerning long-term sustainability management policy and submits reports to the Board of Directors.

Regarding the business execution function and promotion system, we have established six special committees to carry out concrete activities across various ESG areas. Important decisions made by these special committees are reported to the Board of Directors through the Corporate Management Committee. Through this reporting line, key information, such as matters related to climate change response and risk management, is also shared with and reported to the Board of Directors in a timely and appropriate manner. Furthermore, regarding the highly important theme of human rights, we have established the Human Rights Subcommittee within the Compliance Committee to verify the effectiveness of our human rights due diligence.



Sustainability Committee Mid-term Management Plan



Message from the Chair of the Sustainability Committee



Chiharu Takakura
Member of the Board (Outside Director),
Chair of the 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 challenges through our group business operations.

Mission and Vision of the 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 Sustainability Committee aims to realize our Mission and Vision through recommendations and 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 FY2025, aiming for sustainability management and self-driven continuity, we revisited the discussion on the ideal role of the committee and deepened the dialogue regarding materiality, building upon the previous fiscal year's efforts. Consequently, we obtained Board approval to restructure the system to enable objective and substantive discussions. While leaving short- to medium-term ESG issues to executive leadership, in FY2026 we will add two Outside Directors, external experts, and two Representative Directors to the committee tasked with deeply exploring —from a long-term perspective —three key management priorities; namely, solving social challenges, human capital, and management foundation.

In FY2026, continuing on from the previous fiscal year, we aim to achieve sustainability management and self-driven continuity. Under our new system, we will define the future direction of the Niterra Group and pursue the enhancement of corporate value by addressing key management priorities.

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The Niterra 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. Having launched Mid-Term Management Plan 2030 in FY2025, we newly established Solving Social Issues, Human Capital, and Management Foundation as our Key Management Priorities and set out the major initiatives to address each.

Steps to Define Key Management Priorities

Step 1 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	Opportunity	●	→	→
Efficient use of CO_2 for a decarbonized and carbon-circulating society (adaptation to climate change)		Opportunity		●	→
Expanding 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	Opportunity	●	→	→
Stricter environmental regulations (carbon tax, recycling regulations, chemical regulations, etc.)	Risk	Opportunity	●	→	
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	Opportunity	●	→	→
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	Opportunity	●	→	
Diversification of work styles and values (work-life balance, equal opportunity and equity)	Risk	Opportunity	●	→	
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	Opportunity	●	→	
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 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

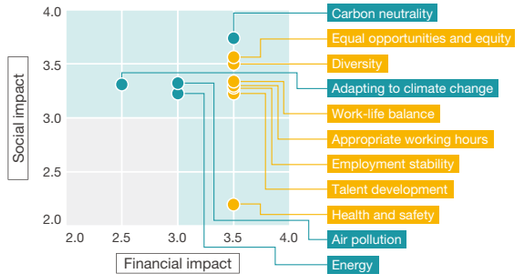
STEP 2 Longlist creation, narrowing down, and scenario development

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.



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 on our Group. Furthermore, based on the risks and opportunities identified in Step 1, we further examined these matters. Following discussions within the 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 were reclassified into three newly established Key Management Priorities.



Social impact: Average scores for severity (scale, scope, difficulty of recovery) and likelihood of occurrence. Each is rated on a five-point scale.
Financial impact: Average score of impact amount and likelihood of occurrence. The impact amount is evaluated on a five-point scale: 1 for amounts between ¥1 billion and ¥2 billion, and 5 for amounts of ¥8 billion or more. The likelihood of occurrence is rated on a five-point scale, with "rarely occurs" as 1 and "already occurred" as 5.

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

Details: Review of Activities for Key Management Priorities ▶ P.24-25

Key Management Priorities		Reasons for identification as a priority issue		Major initiatives	Goals and outputs (FY2029)	Reference page
Solving Social Issues	**Brightens the Earth through our technologies and ideas** • Contribute to solving social issues by integrating diverse technologies • Provide regenerative and circular solutions	Responding to Climate Change	The impact of climate change, including the increased severity of natural disasters, hinders the sustainable development of society. For this reason, the world faces the common challenge of reducing CO_2 and other greenhouse gas emissions that cause climate change, while aiming to achieve a decarbonized society. The Group also recognizes that reducing CO_2 emissions from business activities and supply chains is an important issue. In addition to measures such as energy savings, manufacturing improvements, work style reforms, and energy creation, we will also introduce new technologies to achieve both planned CO_2 emission reductions through our own efforts and economic growth.	Reduction of CO_2 emissions	**Scope 1 and 2:** FY2030: **46%** reduction (compared to FY2018 levels) FY2035: **71.4%** reduction (compared to FY2018 levels) FY2050: Net Zero **Scope 3:** FY2030: **30%** reduction (compared to FY2018 levels)	▶ P.65
		Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues	The Group is committed to taking on the various challenges of the world. We will cocreate and provide new value to help solve these challenges, so that we can contribute to realizing a better society. The challenges facing the world are wide-ranging, including climate change and energy issues. Minimizing the environmental impact of the products and services we use to ensure limited resources are passed on to future generations is also a critical issue for the sustainability of society as a whole. Our group will contribute to the sustainable development of society as a whole by proposing new value to people worldwide, capitalizing to the fullest on the technology—mainly ceramics—and accumulated experience we have cultivated to date.	Dissemination and expansion of environmentally friendly automobile-related products (Internal Combustion Engine (ICE) business)	Sales ratio of precious metal plugs: **50%** or higher	▶ P.24
					Sales ratio of wide range oxygen sensor: **50%** or higher	▶ P.24
				Dissemination and expansion of environmentally friendly automobile-related products (xEV-related business)	Sales expansion of ceramic bearing balls and ceramic heat dissipation substrates	▶ P.24
				Promotion and expansion of sales for stationary Environmental Energy-related products	Expanding sales of SOFCs as high-efficiency distributed power sources with a view to the use of CO_2-free hydrogen, and developing and commercializing SOECs and reversible solid oxide cells (SOCs) aimed at the widespread adoption of hydrogen production equipment	▶ P.24
Human Capital	**Diverse and proactive individuals embody the Niterra Way** • At Niterra, the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group.	Respect for diversity and individuality	Japanese companies face a variety of human resources challenges, including labor shortages due to a declining birthrate and aging population, fierce competition for talent with rivals, and increased turnover rates due to low employee engagement. Therefore, promoting human capital management has become essential. The Group acknowledges that employees are the most important management resources. We believe that respecting the diversity and individuality of our approximately 16,000 employees around the world and creating an environment in which each of them can play an active role will help to resolve these issues, and in turn, lead to the development of the Group. To achieve our business strategy, we will implement global talent management to identify and optimally allocate necessary talent, and further develop their skills and abilities to improve individual performance and enhance organizational strength. We will also work to cultivate highly motivated talent and build a talent pool by implementing measures to promote the Niterra Way. The basis for this is our commitment to diversity, equity & inclusion (DE&I). 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.	Establishing and operating human resource systems aimed at achieving optimal placement for each individual and enabling them to maximize their potential to the fullest	Job fulfillment factors in the engagement survey: Average score of **3.56** or higher	▶ P.53
				Promoting the empowerment of women, foreign nationals, and mid-career employees	Ratio of women, foreign nationals, and mid-career employees in managerial posts: **30%** (Group in Japan) Ratio of women employees in managerial posts: **10%** (Non-consolidated)	▶ P.51
Management Foundation	**Establish new global management foundation to drive transformation** • Transform into a more resilient corporate structure, adapting to changes in the external environment • Facilitate swift decision-making and strategic risk management	Corporate Governance	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.	Increasing the ratio of women and foreign nationals to directors	Ratio of women and foreign nationals as directors: **30%** or higher	▶ P.70
				Increasing the ratio of outside directors	Ratio of outside directors: Over **50%**	▶ P.70
		Risk Management	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.	Management of serious incidents signs and prevention of their occurrence	Implement mitigation activities for priority risks identified through integrated risk management	▶ P.85
		Compliance	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.	Implementation of compliance awareness surveys and continuous education / awareness-raising activities for all employees	• Conducting compliance awareness surveys and disclosing the results • Zero serious compliance violations	▶ P.86
		Respect for Human Rights	We recognize that our business affects a wide range of people from our employees to the employees of our business partners, and residents of local communities. Therefore, we make our best efforts to protect the dignity of these people based on international norms.	Human rights due diligence initiatives	Conducting surveys regularly and disclosing the results	▶ P.54
		Information Security	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.	Maintaining and strengthening incident response organizations and building preventive systems	• Maintaining information security management system • Conducting IT security audits and disclosing the results • Zero cyber security incidents globally	▶ P.88
		Improving Value-Added Productivity	The Group believes that improving productivity is not simply about finishing work faster, but about generating maximum added value from limited management resources (people, assets, cash, and time). Through this, we aim to achieve sustainable growth as a company.	Evolving our business foundation through multifaceted data utilization, including smart factories, to enhance value-added productivity and revolutionize operational efficiency	Improving value-added productivity: **x1.4** improvement (compared to FY2024 levels)	

*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

Overall, the progress of our major initiatives in FY2025 was generally steady as planned. Among these, while initiatives related to the reduction of CO_2 emissions through technical development as part of responding to climate change and initiatives for new ventures among technologies, products, and businesses that contribute to solving social issues are not progressing as initially planned 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	(1) Scope 1 and 2 • FY2030: 46% reduction (compared to FY2018 levels) • FY2035: 71.4% reduction (compared to FY2018 levels) • FY2050: Net Zero (2) Scope 3 • FY2030: 30% reduction (compared to FY2018 levels)
Progress in FY2025	(1) 31.9% reduction compared with FY2018 (2) 8.5% reduction compared with FY2018		
Initiatives in FY2025	(1) Scope 1 and 2 • Formulated a company-specific CO_2 reduction roadmap • Proceeded with considering significant emissions reduction projects involving process changes looking toward FY2035 • Considered a system for conducting LCA during the product development phase (2) Scope 3 • For Category 1, we conducted carbon neutrality surveys, briefings, and support activities targeting our business partners. We also considered calculation methods that can reflect the reduction effects.		
Recognition of issues in FY2026 and beyond	(1) Scope 1, 2: Proposal of measures (especially technology development projects) for FY2035 (2) Scope 3: Establish target reductions in Tier 1 of Scope 1 and 2, and further strengthen collaboration with suppliers as co-creation partners		

Solving Social Issues	Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues		
Major initiatives	Dissemination and expansion of environmentally friendly automobile-related products (Internal Combustion Engine (ICE) business)	Goals and outputs	(1) Sales ratio of precious metal plugs: 50% or higher (2) Sales ratio of wide range oxygen sensor: 50% or higher
Progress in FY2025	(1) 46% (2) 43%		
Initiatives in FY2025	(1) In the Independent Automotive Aftermarket (IAM) services market, we aimed to increase the penetration of precious metal plugs by optimizing the pricing structure to reflect the characteristics of each region. (2) In the Chinese market, where the proportion of wide range oxygen sensors is high, we focused on expanding sales to local manufacturers where our market share was low.		
Recognition of issues in FY2026 and beyond	Development and implementation of sales strategies tailored to the stage of market development		

Solving Social Issues	Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues		
Major initiatives	Dissemination and expansion of environmentally friendly automobile-related products (xEV-related business)	Goals and outputs	Sales expansion of ceramic bearing balls and ceramic heat dissipation substrates
Progress in FY2025	Overseas sales through the Niterra Group's sales network		
Initiatives in FY2025	• Promoted strategic order acquisition activities for domestic and international customers • Added new products to our lineup and strengthened our ability to offer solutions that meet customer needs		
Recognition of issues in FY2026 and beyond	• Expand global market access through the Niterra Group's sales network • Optimize procurement routes and promote the transition to alternative materials to ensure a stable supply of raw materials		

Solving Social Issues	Technologies, Products, and Businesses for Contributing to the Resolution of Social Issues		
Major initiatives	Promotion and expansion of sales for stationary Environment & Energy-related products	Goals and outputs	Expanding sales of SOFCs as high-efficiency distributed power sources with a view to the use of CO_2-free hydrogen, and developing and commercializing SOECs and reversible solid oxide cells (SOCs) aimed at the widespread adoption of hydrogen production equipment
Progress in FY2025	(1) Expansion of sales of SOFCs • Expanding sales for multi-fuel applications and new uses		(2) Development and commercialization of SOEC and rSOC • Completion of prototyping and evaluation of 10kW stacks • Improved durability through cell development
Initiatives in FY2025	(1) Expansion of sales of SOFCs • Promoted increased sales and the acquisition of new customers for multi-fuel-compatibility and for new applications (2) Development and commercialization of SOEC and rSOC • Completed prototype of 10kW stack and confirmed that it produced the desired output • Improved durability using cell development		
Recognition of issues in FY2026 and beyond	Strategic updating of the business plan and development of measures for expanding sales and commercialization		

Human Capital	Respect for diversity and individuality		
Major initiatives	Establishing and operating human resource systems aimed at achieving optimal placement for each individual and enabling them to maximize their potential to the fullest	Goals and outputs	Job fulfillment factors in the engagement survey: Average score of 3.56 or higher
Progress in FY2025	Average score: 3.42		
Initiatives in FY2025	• Worked on revising the domestic human resource system and made preparations for introducing global grading • Built a comprehensive talent strategy (recruitment, training, evaluation, placement, promotion, and workplace culture) centered on the Shared Values of the Niterra Way		
Recognition of issues in FY2026 and beyond	• Full-scale implementation of the revised human resource system (to be implemented from FY2026) • Refine global grading, expand job descriptions (career and skills), and connect to transfer and training programs • Implement data-driven workplace culture improvement activities by strengthening the linkage of various surveys and evaluations		

Human Capital	Respect for diversity and individuality		
Major initiatives	Promoting the empowerment of women, foreign nationals, and mid-career employees	Goals and outputs	(1) Ratio of women, foreign nationals, and mid-career employees in managerial posts: 30% (Group in Japan) (2) Ratio of women employees in managerial posts: 10% (Non-consolidated)
Progress in FY2025	(1) 27.0% (2) 5.5%		
Initiatives in FY2025	• We continued to implement the Raise UP Program (selective training for female manager promotion). • Held DE&I lectures to foster a culture that accepts diversity		
Recognition of issues in FY2026 and beyond	Continuous development and recruitment of female employees who are candidates for management positions and section manager/team leader roles		

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Management Foundation	Corporate Governance		
Major initiatives	(1) Increasing the ratio of women and foreign nationals to directors (2) Increasing the ratio of outside directors	Goals and outputs	(1) Ratio of women and foreign nationals as directors: 30% or higher (2) Ratio of outside directors: Over 50%
Progress in FY2025	(1) 36% (4 out of 11 Members of the Board) (2) 64% (7 out of 11 Members of the Board)		
Initiatives in FY2025	• At the Board of Directors meetings, opinions were freely exchanged and vigorous deliberations were held, regardless of whether the Members of the Board were outside or inside the company. • Offsite meetings for Members of the Board also facilitated free exchange of opinions.		
Recognition of issues in FY2026 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	Implementing risk reduction activities for priority risks identified through integrated risk management
Progress in FY2025	• Advancing measures to address priority risks for FY2025 • Updating the risk map and identifying priority risks for FY2026 • Initiating efforts to implement management risk (strategic risk from a management perspective) management • Selecting global priority risks and reviewing the status of initiatives		
Initiatives in FY2025	• Regarding the status of priority risk countermeasures, promoted responses to issues pointed out by the Risk Management Committee and other relevant bodies • Defined categories of management risks and directions for risk response based on the Mid-term Management Plan, established a department in charge, and conducted interviews and a current situation assessment based on risk scenarios • Continued overseas risk assessments targeting overseas group companies and addressed global priority risks		
Recognition of issues in FY2026 and beyond	• Deepen business risk analysis and improve the accuracy of evaluations • Refine and establish overseas risk assessments and propose risk reduction measures tailored to each location		

Management Foundation	Compliance		
Major initiatives	Implementation of compliance awareness surveys and continuous education / awareness-raising activities for all employees	Goals and outputs	(1) Conducting compliance awareness surveys and disclosing the results (2) Zero serious compliance violations
Progress in FY2025	(1) Compliance awareness survey completed (2) Four serious compliance violations found		
Initiatives in FY2025	• Conducted a compliance awareness survey targeting all employees of the Group in Japan. Currently formulating improvement measures and action plans for departments and Group companies that have received low scores, and are implementing countermeasures. • Conducted compliance training by level for all employees of our domestic Group companies • Issued the Global Compliance Guidebook to all Group companies		
Recognition of issues in FY2026 and beyond	• Improve awareness of internal reporting system in overseas Group companies and implement educational activities using the Global Compliance Guidebook • Further disseminate the internal reporting system and prevent risks through compliance training by level		

Management Foundation	Respect for Human Rights		
Major initiatives	Human rights due diligence initiatives	Goals and outputs	Conducting surveys regularly and disclosing the results
Progress in FY2025	• No significant concerns identified in the human rights due diligence assessment • Disclosure of FY2024 assessment results and initiatives on the website and other channels		
Initiatives in FY2025	• Conducted compliance awareness surveys targeting employees, human rights and labor surveys targeting Group companies, and survey administered through the CSR and Sustainability Procurement Guideline checksheet targeting business partners to confirm the status of initiatives		
Recognition of issues in FY2026 and beyond	• Expand the scope of surveys to improve the comprehensiveness of understanding human rights risks • Improve the effectiveness of human rights due diligence through the introduction of on-site audits, etc.		

Management Foundation	Information Security		
Major initiatives	Maintaining and strengthening incident response organizations and building preventive systems	Goals and outputs	• Maintaining information security management system • Conducting IT security audits and disclosing the results • Zero cyber security incidents globally
Progress in FY2025	• Conducted IT security audits and improved maturity levels. • Advanced the formulation and establishment of a business continuity framework (IT-BCP) for unforeseen events.		
Initiatives in FY2025	• Conducted IT security audits at Group companies both domestically and internationally • Security measures, including ISMS activities, kept the number and severity of incidents at a low level		
Recognition of issues in FY2026 and beyond	Establish IT governance that covers the entire Group and create operational mechanisms that anticipate contingencies		

Management Foundation	Improving Value-Added Productivity		
Major initiatives	Evolving our business foundation through multifaceted data utilization, including smart factories, to enhance value-added productivity and revolutionize operational efficiency	Goals and outputs	Improving value-added productivity: x1.4 improvement (compared to FY2024 levels)
Progress in FY2025	[Direct] Finalization of specifications for the information utilization infrastructure and model line [Indirect] Formulation and target-setting for the medium-term human capital plan (through FY2029)		
Initiatives in FY2025	[Direct] Determined specifications for the integrated platform as an information utilization infrastructure Furthermore, completed verification of equipment specifications for the model line for the smart factory [Indirect] Defined the functional roles and determined the optimal resources based on them		
Recognition of issues in FY2026 and beyond	[Direct] Strengthen collaboration in cross-departmental projects [Indirect] Define functional roles and determine optimal resources within business departments		

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Growth Strategy

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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.

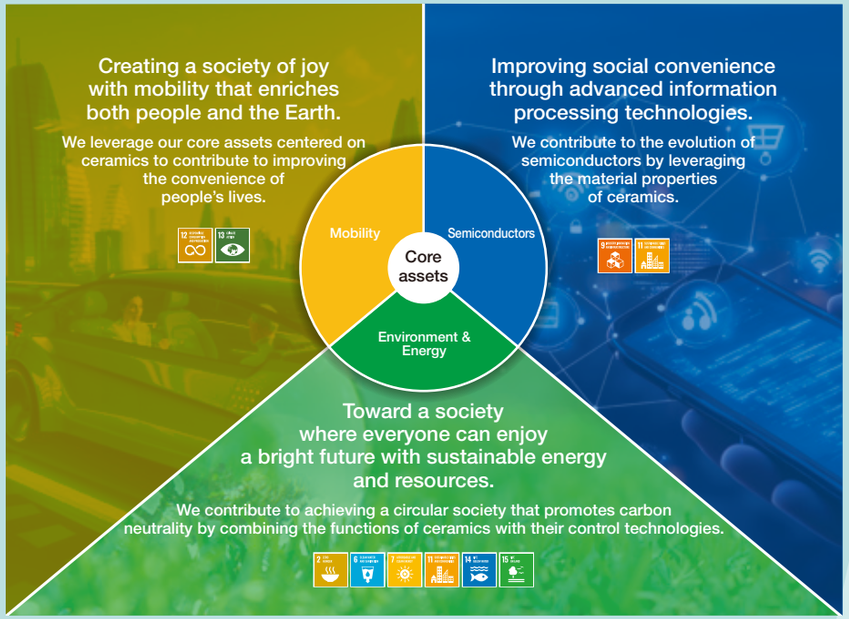
ceramics and Beyond,
eXceeding imagination

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.

* Our core assets are defined as ceramics, gas sensing and global automotive customers and sales channels.
* Medical business: not defined as a primary focus area, but rather as a business initiative that utilizes our core assets.

▶ P.18



2040 Vision
We will be a company that brightens the Earth

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Growth Strategy

Long-term Management Plan 2030

Long-term Management Plan 2030

The Niterra Group will continue with its business portfolio optimization to achieve the targets of the Mid-term Management Plan 2030. Using the profits generated from Automotive Components, the Group will concentrate resources on adjacent areas that are compatible with its core assets and ceramic material technologies, aiming to expand into new business areas.

7th Mid-term Management Plan (Final Fiscal Year) (April 2020–March 2021)

Break to change.
Change to create.

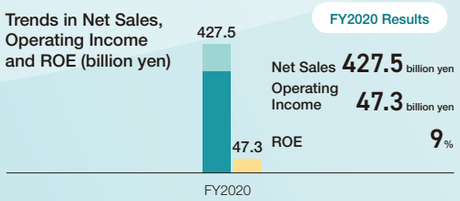
Mid-term Management Plan 2025
(April 2021–March 2025)

Extend for the future.
Spread out to exceed.

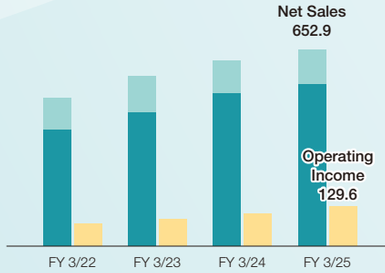
Mid-term Management Plan 2030
(April 2025–March 2030)

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.

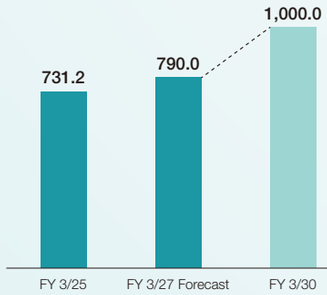
Trends in Net Sales, Operating Income and ROE (billion yen)



FY2020 Results
Net Sales 427.5 billion yen
Operating Income 47.3 billion yen
ROE 9%



FY2024 Results
Net Sales 652.9 billion yen
Operating Income 129.6 billion yen
ROE 14%



FY2029 Targets
Net Sales 1,000.0 billion yen
Operating Income 210.0 billion yen
ROE 16%

April 2020 — April 2021 — April 2025 — March 2030

	Achievements (April 2020–March 2021)	Priorities (April 2021–March 2025)	Achievements (April 2021–March 2025)	Priorities (April 2025–March 2030)
ICE (Internal Combustion Engine) business	▶ Established a dominant position in spark plugs ▶ Achieved the world's top market share in exhaust gas sensors	▶ Transforming the business portfolio due to rapid technological innovation such as EVs ▶ Maximizing cash generation through "ultra-efficiency" such as increasing market share and reducing inventories	▶ Transitioned to high value-added products • Increased sales of repair and commercial sparkplugs • Promoted sales of precious metal sparkplugs, all sensors ▶ Adjusted prices, offsetting rising raw material costs	▶ Adapting the ICE business to Environmental Changes • Optimizing production locations • Enhancing adaptability to fluctuations in demand ▶ Significant improvements in operational efficiency including digitalization
Growth and new businesses	▶ Expanded business in the medical field through the acquisition of CAIRE ▶ Implemented the "seeds" of new businesses, such as establishing a subsidiary for fuel cell business and making venture investments	▶ Presenting a concrete growth vision and shortening the business creation cycle ▶ Achieving growth exceeding the market growth rate in each business and realizing new business pillars	▶ Expanded revenue in SPE business ▶ Strengthened xEV business through acquisition of Niterra Materials ▶ Improved profit structure by liquidating unprofitable businesses	▶ Further expanding sales and improving efficiency of SPE business ▶ Establishing growth and new businesses • Concentrating resources into focus areas and businesses • Management speed and mindset development tailored to each business type
Headquarters indirect functions	▶ Flattened the executive hierarchy and introduced an Employee Corporate Officer System ▶ Enhanced shareholder returns ▶ Established an agile decision-making system through the introduction of Regional Headquarters (RHQ) and internal company systems	▶ Maximizing return on investment through target management using ROIC (return on invested capital) ▶ Supporting business transformation through transformation of the talent portfolio and fostering self-leading and innovative persons	▶ Achieved ROIC and ROE targets ▶ Enhanced shareholder returns ▶ Implemented business portfolio management	▶ Strengthening Management Foundation • 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

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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

Business Portfolio Optimization

Concentrate resources in growth and new businesses, with a primary focus on ceramics	×	Further strengthen the ICE (internal combustion engine) business
We will establish future pillars of our business by concentrating resources in domains where we can maximize our core assets, and by building a track record of success.		We will realize sustainable growth by strengthening our dominant presence in the market and strategically investing the resulting profits that underpin Niterra's corporate foundation.

Establish strong Management Foundation

Human Capital Reform and the Pursuit of Overwhelming Efficiency to Drive Sustainable Growth

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 3/26	FY 3/30	
Net sales (billion yen)	652.9	731.2	1,000.0	
Of which: Component solutions, etc.	114.0	143.7	300.0	
EBITDA (billion yen)*1	175.0	187.2	285.0	
Operating income (billion yen)	129.6	138.1	210.0	*2
Operating income ratio	20%	19%	21%	*2
Profit attributable to owners of the parent (billion yen)	92.6	112.8	145.0	*2
ROIC	11%	10%	12%	*2
ROE	14%	16%	16%	*2
Exchange rate	1.00 USD = 153 JPY	1.00 USD = 151 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.

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Initiatives under the Mid-term Management Plan 2030

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

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 CO_2 emissions), and strengthening non-financial capital by managing human capital, while also striving to reduce our cost of capital.

Meanwhile, 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. 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.

Enhancing Corporate Value (PBR Improvement)

FY2025 1.9x ◀ FY2024 1.3x

PER Improvement

FY2025 14x approx. ◀ FY2024 10x approx.

It is calculated by dividing the closing stock price at the end of each period In the forecasted EPS (market consensus) at that time.

ROE Improvement

FY2025 15.7% ◀ FY2024 14.1%

Strengthening Growth Businesses (Future earnings expectations)

Focus on leveraging core assets, centered on ceramics

Status
- The sales revenue and operating profit in the automotive business achieved record highs.
- The profitability in the SPE business has been improved.
- Silicon nitride-related products for EVs have been expanded by the acquisition of Niterra Materials.

Initiatives for Sustainable Growth (Reduction of cost of capital)

Formulating and executing priority management issues

Status
- Promoting human capital management
  - Assigning human resources appropriately (using NiterraTalent Management)
  - Changing to a performance-linked compensation system.
  - Implementing a stock option system through the Employee Stock Ownership Association.

ROIC Improvement (Profitability)

- Making our ICE business stronger and maximizing cash generation
- Improving unprofitable businesses

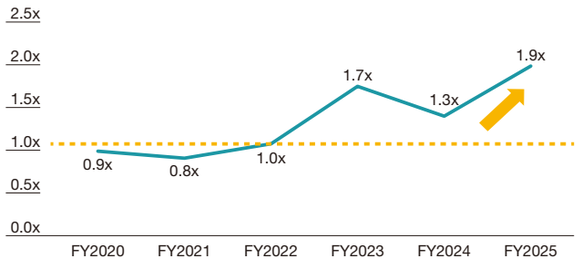
Status
- The ROIC has remained at a high level contributed by excellent results in the automotive business.
- We have started fixed cost reduction in the Medical business.

Financial Leverage

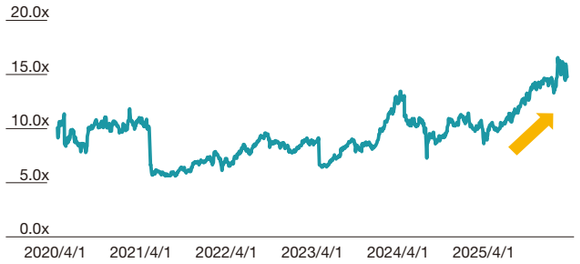
Capital policy

Status
- The 30 billion yen share repurchase resolved in October 2025 is in progress.
- The acquisition of Niterra Materials shares is by borrowing.

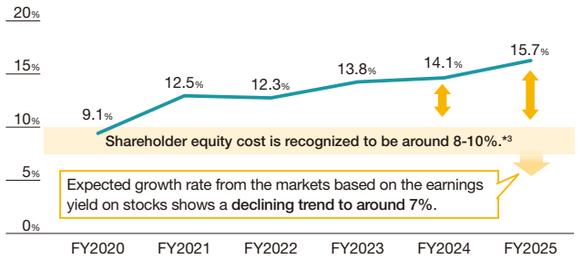
PBR*1



PER*2



ROE

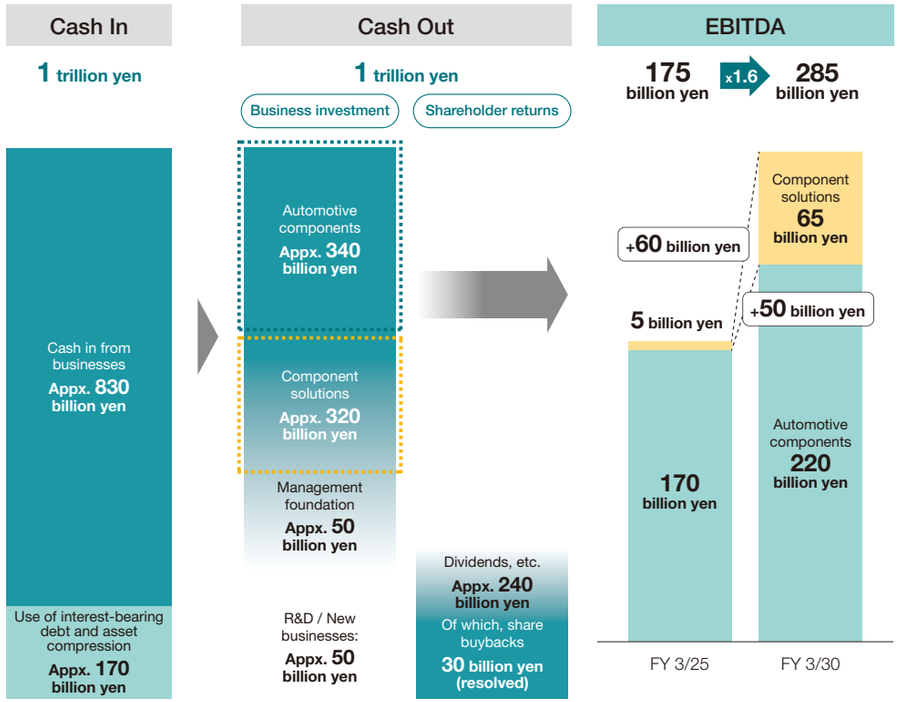


*1 It is calculated by dividing the stock closing price at the end of each fiscal year by the corresponding BPS (Book-Value Per Share, excluding non-controlling interests) at the end of the previous fiscal year.
*2 It is calculated by dividing the stock closing price at each point in time by the forecasted EPS (market consensus) at that point in time.
*3 It is calculated as the estimated range from the market's expected growth rate based on the Capital Asset Pricing Model (CAPM) and the earnings yield on stocks

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Cash allocation and shareholder returns

Our core strategy is to support sustainable growth by concentrating cash allocation on our focus areas of Mobility, Semiconductors, and Environment & Energy, while also enhancing shareholder returns. Regarding shareholder returns, we will base our dividend policy on stable dividends through the introduction of the DOE index, while also considering profit growth. In addition, after comprehensively considering capital allocation, including business investment, investments in human capital, and R&D expense, we will consider buying back our own shares for any amount exceeding our appropriate capital level.



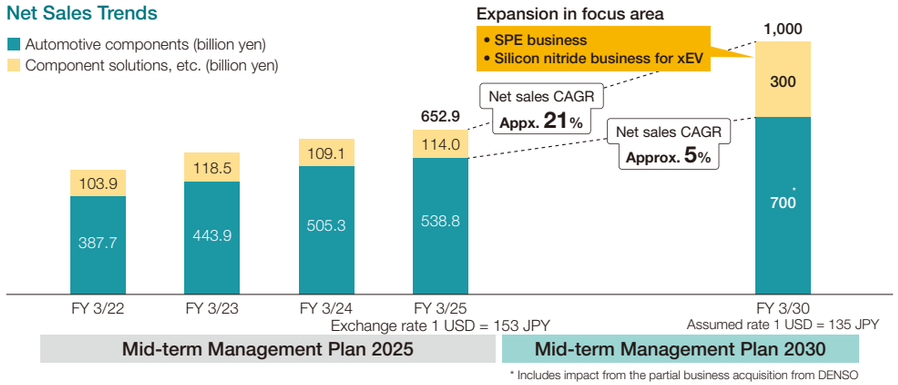
Dividend Aim for stable dividends by combining a stable dividend portion (with a minimum DOE of appx. 4%) and a performance-linked portion (targeting a dividend payout ratio of appx. 10%)

Additional return After comprehensively considering capital allocation for business portfolio reform, human capital investment, R&D for future growth, and investment/contributions for business expansion/streamlining, any capital exceeding the appropriate level will be subject to shareholder returns, including share buybacks.

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.

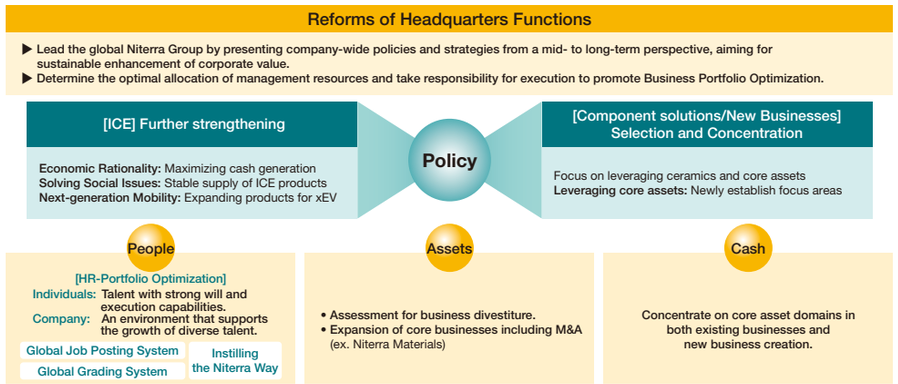
Net Sales Trends



* Includes impact from the partial business acquisition from DENSO

Strengthening the Management Foundation

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



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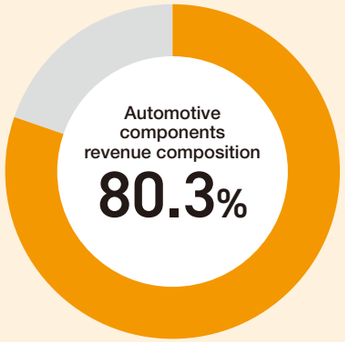
Business Strategy: Automotive Components

* 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.





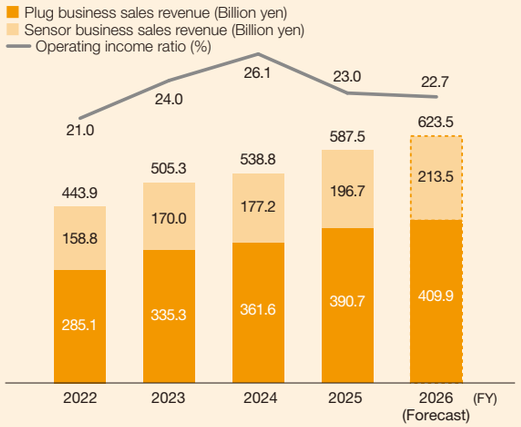
Revenue and operating income ratio



FY2025 results

Revenue ▶ **587.5 billion yen**

Operating income ratio ▶ **23.0%**



* Figures of FY2024 and earlier are based on the reportable segment classifications applicable to each respective fiscal year.

	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 the smart factory transformation of existing production processes	• Extended manufacturing/sales period 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

Relevant Group companies CERAMIC SENSOR, SparkTec WKS, Overseas manufacturing and sales subsidiaries ▶ P.19

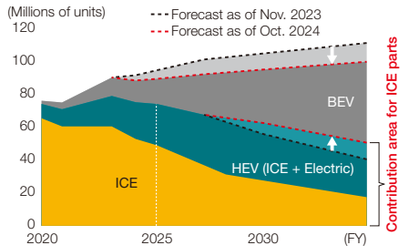
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Main products • Plugs for new vehicle assembly • Plugs for aftermarket • Exhaust gas sensors

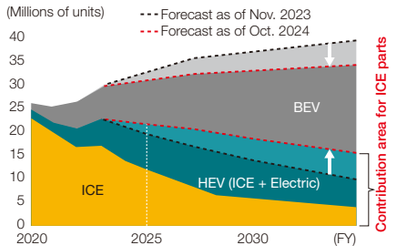
01 External Environment

The global economy is expected to face increased uncertainty regarding the future, including risks of an economic slowdown, due to rising energy prices accompanying the deterioration of the situation in the Middle East and continuous inflationary pressures. In addition, there are concerns such as tariff measures by the U.S. government and a rapid rise in the prices of precious metals, which are raw materials for our main products. On the other hand, in the automobile market, against the backdrop of a global slowdown in electrification, the number of internal combustion engine (ICE) vehicles in operation globally is expected to remain at a high level even by 2030. In China, the world's largest market, there is a reassessment of the flexible use of internal combustion engines, moving away from a sole focus on BEVs toward increased demand for hybrid vehicles. Against this backdrop of continuous demand, we predict that the market size for ICE components will continue to trend stably.

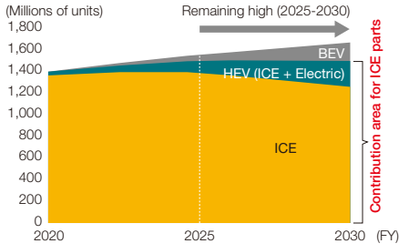
Number of production vehicles (global total)



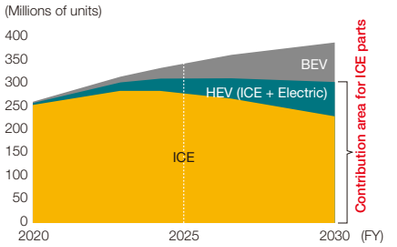
Number of production vehicles (China only)



Number of owned vehicles (global total)



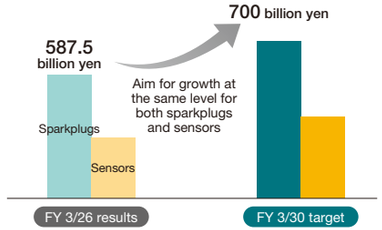
Number of owned vehicles (China only)



02 Our Vision/Key Initiatives

Sales Target

As countries explore pathways toward achieving carbon neutrality, ongoing demand for internal-combustion engines is expected to continue. We will formulate respective strategies for both new vehicle assembly products and aftermarket parts, aiming for steady sales growth. While reliably capturing demand, we will also achieve improved efficiency through smart factory conversion and aim to achieve sales revenue of 700 billion yen for the automotive components business as a whole by FY2029.



*Includes impact from the partial business acquisition from DENSO CORPORATION

Key Initiatives for Different Commercial Flows

<Products for installation in new vehicles>

Plugs We will reliably capture the steady demand for internal combustion engine vehicles resulting from sluggish electrification. In particular, since precious metal types are more widely used for HEV and PHEV applications and contribute to improved fuel efficiency, we will aim to further expand our sales market share.

Sensors The two-wheeler market is expected to continue expanding, particularly in emerging markets such as India. Therefore, focusing on high-value-added products, we will continue to consider necessary investments and aim to expand our market share through increased sales volume and improve profitability by maximizing the utilization of existing facilities.

<Products for aftermarket>

Plugs In addition to an increase in sales volume on a global scale, we will aim for further revenue growth through expanding the sales of high-value-added products with higher unit prices and passing on rising raw material costs and inflation to appropriate sales prices. Furthermore, we will contribute to reducing environmental impact by increasing the proportion of precious metal plugs. In preparation for changes in demand, we will also establish an efficient production and supply system through measures such as consolidating part numbers and reducing inventory by strengthening our supply-demand and production systems.

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03 Review and Outlook

Review

Revenue

Plugs Sales revenue for the plug business was 390.7 billion yen, an increase of 7.7% year-on-year. Although global production of internal combustion engine vehicles decreased slightly, both new vehicle assembly and aftermarket products trended steadily, resulting in increased revenue.

Sensors Sales revenue for the sensor business was 196.7 billion yen, an increase of 9.2% year-on-year. Similar to the plug business, although it was impacted by the decrease in production of internal combustion engine vehicles, revenue increased due to growth in products for new vehicle assembly globally.

Sales results

Global production volume of internal combustion engine vehicles decreased slightly year-on-year, influenced by factors such as the increase in electric vehicle production in China. However, in this business segment, products for new vehicle assembly grew globally, including in the U.S., Europe, China, and Japan. Furthermore, as aftermarket products also trended steadily, the automotive components business as a whole achieved increased revenue and profit, with sales revenue of 587.5 billion yen and operating income of 135.3 billion yen.

Sales amounts and volumes by region (Full year in FY2024 vs. full year in FY2025)

Region	ICE Automotive Production Volume (Niterra estimation)	Sales Amounts (Exclude FOREX)		Sales Volume		
		Plugs	Sensors	Plugs		Sensors for exhaust gas
				OEM	AM	
North America	-9.2%	+12.5%	+4.5%	+2.3%	+2.9%	+2.4%
Europe	-4.9%	+6.2%	-0.5%	+4.2%	+0.2%	-0.7%
China	-0.7% (-6.6%)*1	+3.7%	-7.5%	+1.0%	-1.8%	-3.9%
South East Asia	-3.9%	+2.9%	*2	*3	+3.0%	*2
India	-0.8%	*3	+73.7%	*3	*3	+67.8%
Global total	-4.5%	+8.0%	+8.6%	+3.4%	+2.2%	+0.4%

*1. ICE vehicle production by Japanese, European and American automobile makers, which are Niterra'scustomers in China
*2. In the sensor business, the proportion of sales in Southeast Asia to the global sales is very low.
*3. In the plugs business, proportion of sales in OEM business in Southeast Asia and the Indian market is low.

Future Forecast

For the next fiscal year (ending March 2027), uncertainty in the external environment is expected to increase further due to factors such as the deterioration of the situation in the Middle East, inflation, U.S. tariff policies, and a sharp rise in precious metal prices. However, we will mitigate the impact on business performance by setting appropriate sales prices and other measures. Even in such an environment, stable demand is expected for internal combustion engine vehicles. By reliably capturing this demand and expanding the sales of high-value-added products, we expect the automotive components business to continue its trend of increased revenue and profit, with sales revenue of 623.5 billion yen and operating income of 141.5 billion yen.

Executive Officer's Message

Further refining our strong ICE business to support the next stage of growth for the Niterra Group



Kazunobu Hasegawa

Executive Officer
Mobility Company President
Head of Strategy Business Unit, Mobility Company

In the Mid-term Management Plan 2030 currently being promoted by the Niterra Group, the automotive components business bears an extremely important mission: "Make our strong ICE business even stronger and maximize cash generation." Due to the global slowdown in the shift to EVs and increased demand for hybrid vehicles, stable demand for internal combustion engine (ICE) vehicles is expected to continue for some time. We will reliably capture this demand and promote the expansion of sales market share for high-value-added products, such as precious metal plugs that contribute to reducing environmental impact, for both new vehicle assembly and aftermarket products, thereby contributing to the sustained growth of the entire Group.

To this end, we believe it is vital to seek further improvements in profitability without becoming complacent with our current strong performance. We will aim to further strengthen our earning power and maintain our competitive advantage by promoting smart factory conversion at manufacturing sites based on the "Niterra Data-Driven Factory" concept and thoroughly improving efficiency across the entire supply chain through measures such as consolidating part numbers.

Currently, we are operating in an uncertain environment, facing challenges such as intensifying geopolitical risks and continuous inflationary pressures, as well as surging precious metal prices, which are raw materials for our products, and U.S. tariff measures. However, by promptly optimizing production locations and implementing appropriate price pass-throughs in response to market trends, we have minimized the impact on business performance. As a result, we were able to capture steady demand globally for both new vehicle assembly and aftermarket products, once again demonstrating the earning power of this business segment. Consequently, the first fiscal year of our Mid-term Management Plan 2030 is progressing steadily.

We have long contributed to reducing environmental impact by leveraging our technologies built over many years to improve combustion efficiency and reduce exhaust emissions. Moving forward, toward realizing our vision as "a company that brightens the Earth," we will use the cash generated by this business to strongly support strategic investments in focus areas where our core assets can be utilized, thereby steadily supporting the next stage of growth for the entire Group. We will continue to take on challenges bravely, diligently, and with sincerity, even in a highly uncertain market environment.

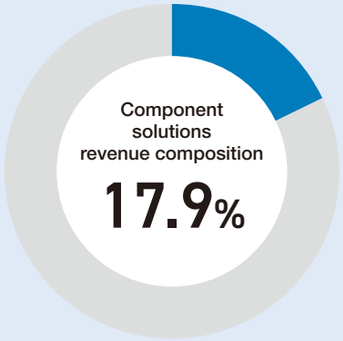
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Business Strategy: Component Solutions



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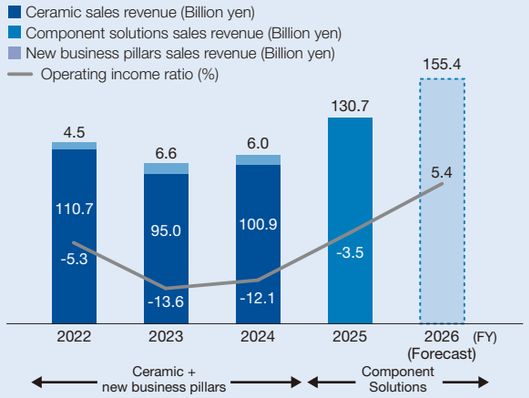
Revenue and operating income ratio



FY2025 results

Revenue ▶ **130.7 billion yen**

Operating income ratio ▶ **-3.5%**



* Figures of FY2024 and earlier are based on the reportable segment classifications applicable to each respective fiscal year.

	S (Strength)	W (Weakness)	O (Opportunity)	T (Threat)	Group companies
SPE	• 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	• Responding to volatility in the semiconductor market	• Expansion of the semiconductor market driven by growing demand for generative AI • Enhanced performance and increased complexity of semiconductors	• Geopolitical risks such as U.S.-China tensions and the situation in the Middle East • The speed of semiconductor technological innovations	**NTK CERATEC**
Semiconductor PKG	• Multi-layer ceramic sheet stacking technology customized for various applications • Product designs with excellent heat dissipation • Short delivery times to meet customer needs	• Price competitiveness • Responding to volatility in the semiconductor market	• Expansion of the semiconductor market driven by growing demand for generative AI • Expansion of related markets for high-frequency and high-speed communications	• Transition from ceramic to organic PKG • Geopolitical risks such as U.S.-China tensions	**NTK CERAMIC**
Silicon nitride	• 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	• Price competitiveness	• Electrification of various power sources toward achieving a decarbonized society • High-voltage systems addressing energy-saving and charging time reduction needs	• Slowdown in EV market growth • Declining market prices due to the rise of Chinese competitors • Chinese rare earth procurement risks	**Niterra Materials**
Fuel cell (SOFC)	• 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	• A latecomer as a stack manufacturer • System manufacturers have a significant influence on the direction of development	• Momentum toward achieving a decarbonized society (government policies, subsidy programs, etc.) • Increased demand for electricity due to the expanding adoption of AI (data center market) • The presence of large untapped markets (existing buildings, multi-unit housing, LP gas, diverse fuels, etc.) • Increased awareness of usefulness in disaster preparedness	• Slowdown due to the political impact of the decarbonization momentum (impact of global circumstances, etc.) • Obsolescence of CO_2 reduction potential in SOFCs due to accelerated decarbonization efforts • Entry of overseas manufacturers into the domestic market	**MORIMURA SOFC TECHNOLOGY**

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SPE

Main products • Electro-static chuck • Pin chucks • Porous chucks, etc.

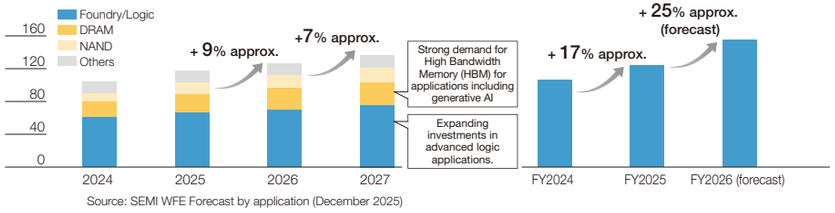
01 External Environment

The external environment surrounding the semiconductor production equipment (SPE) business is expected to experience steady growth over the medium to long term. At present, inventory adjustments in the memory market are progressing, and the supply-demand balance is on an improving trend. Moving forward, in addition to a surge in demand for high bandwidth memory (HBM) for AI servers driven by the rapid spread of generative AI, expanded capital investment for advanced logic semiconductors will drive the market, and the wafer fab equipment (WFE) market is predicted to grow to a record-high scale. To enhance AI capabilities, increasing the capacity and speed of DRAM is essential, and development for advanced semiconductor manufacturing and mass production is expected to accelerate further. Along with this, there is growing demand in manufacturing processes to improve yield and throughput, leading to expanding equipment demand through the introduction of new technologies. On the other hand, concerns exist such as geopolitical risks, including U.S.-China tensions and the situation in the Middle East, as well as the rapid pace of technological innovation. It is necessary to accurately capture these market changes and increasingly complex needs.

03 Review and Outlook

In FY2025, driven by increased shipments following rising semiconductor demand, the SPE business saw improved capacity utilization and trended steadily, resulting in increased profit. In FY2026, we expect to capture robust demand from data centers and generative AI, with growth in both the memory and logic segments, leading to a 25% increase in revenue. Furthermore, by aiming to improve production efficiency through increased capacity utilization, we aim for profit contributions from business scale expansion and further increases in profit.

Wafer Fab Equipment Market Forecast (US$ Billion)



Source: SEMI WFE Forecast by application (December 2025)

Our Revenue

02 Our Vision/Key Initiatives

We aim to differentiate ourselves through unique technologies and continue to contribute to semiconductor technological innovation as a leading company in ceramics for semiconductor production equipment. We aim to achieve 100.0 billion yen in sales revenue for the SPE business by the end of March 2030 (CAGR of approximately 17%). As key initiatives, first, we will promote “differentiation through unique technologies and the expansion of our customer portfolio.” In response to the growing demand for etching equipment in the memory and logic markets, we will apply our ceramic material technology that can withstand high-power plasma and our strength in sheet lamination technology to provide “surface temperature homogenization,” “low particle counts,” and “wide-ranging surface temperatures.” This will enable the prototyping and mass production of products developed for cutting-edge equipment. Second, we will work on “expanding production capacity and building a production system that is resilient to market fluctuations.” To capture robust demand, we will construct a new factory in Tomiya City, Miyagi Prefecture (scheduled to be operational within FY2026) and increase our production capacity by approximately 2.5 times compared to FY2025 by around 2030. At the same time, we will improve labor productivity through measures such as optimizing inventory and improving capacity utilization to build a resilient supply chain.

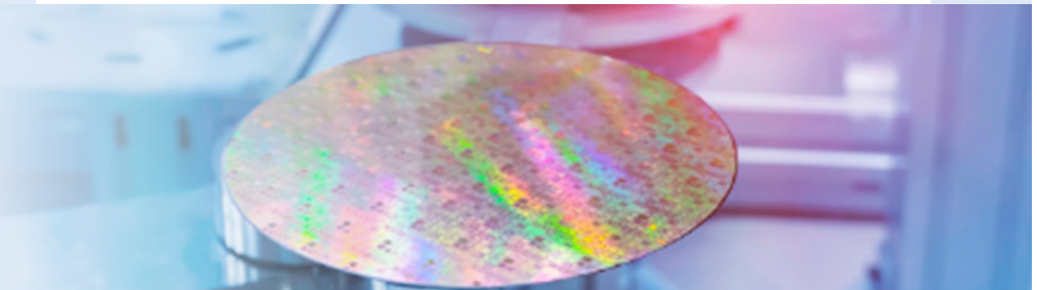


*Image for illustrative purposes only

Logic	DRAM	3D NAND
Growing Demand for Advanced Logic Semiconductors	Growth of High Bandwidth Memory to Meet Demand from AI and Data Centers	The explosive growth of digital data
Demand of SPE Miniaturization of wiring	Miniaturization, increased stacking	Increasing NAND layer count
Our Strengths • Complex heater electrode configuration, • Flexible placement		• High-density ceramic materials • Flexibility in electrode positioning • Spray deposition for insulating film formation







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Silicon Nitride

Main products • Silicon nitride balls • Silicon nitride heat dissipation substrates

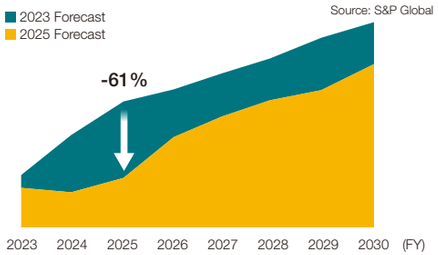
01 External Environment

In electric drive systems for electric vehicles (EVs), as the transition to higher voltages (up to 800 V) for improved energy efficiency and reduced charging times progresses, electrolytic corrosion of bearings has become a challenge. Silicon nitride balls offer excellent insulation and durability, and since they can be easily replaced simply by changing the balls within the bearing, they are attracting attention from European and Chinese automakers as a countermeasure against electrolytic corrosion.

Furthermore, due to increased power density in EV power control units and rising thermal density caused by the miniaturization of semiconductor chips, the requirements for heat dissipation and reliability in heat dissipation and insulation substrates are becoming even more demanding. For future EVs, the adoption of silicon carbide (SiC), a next-generation power semiconductor, is expected to expand; the resulting increase in operating temperatures will serve as a factor driving demand for high-heat-resistant silicon nitride components.

In addition, demand is also increasing in a wide range of fields such as renewable energy, medical, aerospace, and industrial machinery due to their insulation and corrosion resistance properties; consequently, the silicon nitride market is predicted to expand over the medium to long term.

BEV production volume (Japan)

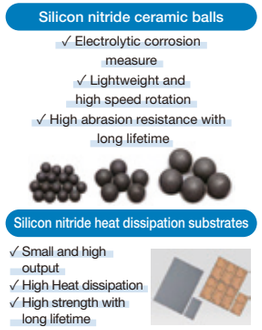


02 Our Vision/Key Initiatives

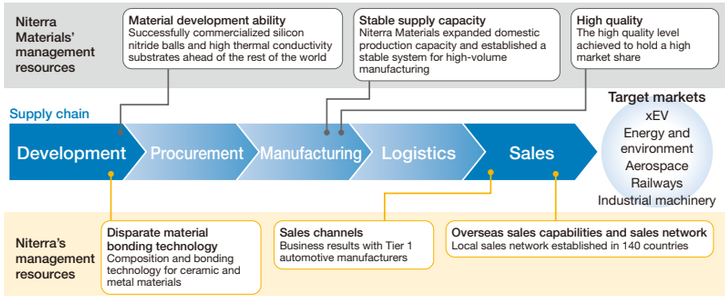
By combining the strengths of the Niterra Group and Niterra Materials, we will achieve transformative change beyond the scope of our past efforts and strive to remain the leading company in ceramic components.

We meet diverse customer needs by supplying high-end silicon nitride balls for applications demanding high reliability, such as aircraft, and offering cost-effective options including low-cost silicon nitride balls and Alumina-Zirconia balls for applications requiring lower costs, such as EVs. Furthermore, we will accelerate the mass production of high-durability substrates and high heat dissipation 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.



Capital synergies between Niterra Materials and Niterra



03 Review and Outlook

In FY2025, due to customer inventory adjustments and changes in plans resulting from sluggish EV demand, the silicon nitride business saw a decrease in profit compared to the previous year. On the other hand, technological and sales synergies through integration into the Niterra Group began, making it a year that laid the foundation for new products and acquiring new customers. In FY2026, we expect to trend toward recovery in both revenue and profit, driven by increased sales of silicon nitride balls due to growing demand from semiconductors and data center fan motors as well as reduced customer inventory, and through new overseas sales expansion for heat dissipation substrates leveraging the Niterra Group's sales network.

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Message from President of Group companies



Responding to Semiconductor Advancement, Expanding the Possibilities of Ceramics

Satoshi Hotta
Corporate Officer
President of NTK CERATEC CO., LTD.

In the Mid-term Management Plan 2030, NTK CERATEC is responsible for the SPE business, which is one of the key businesses driving the growth of the Niterra Group. Against the backdrop of the rapid spread of AI and expanding data center demand, semiconductors are becoming increasingly important as a social and industrial foundation. Ceramics for semiconductor production equipment that support the evolution of semiconductors represent an area expected to see significant growth, and we are expanding our business as a core player in this field.

Our strength lies in advanced ceramic technologies capable of handling wide temperature ranges (high and low temperatures), combined with the R&D and manufacturing capabilities to realize these into products. High-performance components, including electro-static chuck, play a vital role in supporting the world's most advanced semiconductor manufacturing processes and have received high praise from our customers. We will continue to increase added value through technological innovation and aim for growth that exceeds market expansion.

Our investments toward growth are also progressing steadily. We are promoting plans to expand our production capacity by approximately 2.5 times compared to FY2025 by around 2030, including the construction of a new factory in Tomiya City, Miyagi Prefecture, which is scheduled to be operational within FY2026, thereby strengthening our ability to respond to future demand expansion. In addition to capital investment, we are continuously working on improving productivity, strengthening quality assurance systems, and developing human resources to improve sustainable competitiveness.

The current semiconductor market is experiencing a period of record high growth driven by expanding AI-related demand. On the other hand, the business environment remains highly volatile due to demand fluctuations specific to the semiconductor market, geopolitical risks, and supply chain uncertainties. Rather than viewing such changes solely as risks, we view them as new growth opportunities and will proceed with investments in priority areas and optimal allocation of management resources while accurately identifying market trends.

Semiconductors are used in all fields that support social development, such as AI, mobility, communications, and medicine. By supporting the semiconductor manufacturing that serves as their foundation, our products contribute to social digitalization and sustainable development. Moving forward, we will further deepen our collaboration with the Niterra Group, pursue differentiation through unique technologies, and strive to become the most trusted partner in the field of ceramics for semiconductor production equipment. Through this, we will balance the enhancement of corporate value with the creation of social value to achieve sustained growth.



Supporting the Electrification of Mobility through Unique Material Technologies and Group Synergies

Takao Shirai
President of Niterra Materials Co., Ltd.

In the Mid-term Management Plan 2030 currently being promoted by the Niterra Group, Niterra Materials bears the important mission of being a "pillar for next-generation growth." Our major role is to establish new revenue sources for the Group in the rapidly progressing electrification of mobility. To fulfill this role, we will contribute to the sustained growth of the entire Group by ensuring a stable supply of high-value-added products, such as silicon nitride balls for motor bearings and silicon nitride or copper substrates for power control units (PCUs).

To this end, we believe it is vital to create synergies between our two companies. By combining our long-cultivated material design/process technology and stable supply capacity with the Niterra Group's strengths in ceramics technology and global automotive customers and sales channels, we aim to introduce unique products in a timely manner to meet diverse customer needs and secure top global market shares.

Currently, we are operating in an uncertain environment characterized by a temporary slowdown in the EV market, the rise of Chinese competitors, and raw material risks; however, the market is on a growth trend over the medium to long term. Last fiscal year, through dialogue with customers, we captured latent needs and promoted approaches tailored to their requirements. As a result, we received many inquiries from new customers, giving us a strong sense that we have made a good start toward achieving the Mid-term Management Plan 2030.

Under our management philosophy of "contribute to the realization of a better future through our original parts and materials," we have met the needs of each era by providing functional materials and components that integrate our unique technologies. Entering this major turning point with our integration into the Niterra Group, we will henceforth cause transformative change beyond the scope of our past efforts. Even in highly uncertain market environments, we will remain committed to our unique material technologies and continue to take on challenges bravely, diligently, and with sincerity. By supporting the electrification and higher voltage requirements of mobility and supplying products essential for realizing a decarbonized and circular society, we will realize the joy and satisfaction of all stakeholders as a leading company in ceramic components.

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Fuel Cell (Initiatives of MORIMURA SOFC TECHNOLOGY)

Main products • Flat plate type SOFC cell stacks

01 External Environment

As social demand for a decarbonized society strengthens, we expect the widespread use of fuel cells as highly efficient generators and cogeneration systems to significantly reduce CO_2, regulate power sources for renewable electricity, and improve resilience in the event of disasters. In addition to the commercial and industrial sectors traditionally envisioned, such as households, housing complexes, nursing homes, and commercial facilities, there is growing expectation for their introduction into various markets, including factories aiming for carbon recycling, emergency power sources, and the expanding electricity demand from data centers.

02 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 CO_2 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.

03 Review and Outlook

In our activities through FY2025, we have pursued product development by leveraging the advantages of our flat cell stacks—which are smaller, lighter, and more efficient than those of competitors. In addition to the commercial and industrial products already launched in the market, we have also begun demonstrating a 1kW-class mono-generation fuel cell system, and we are advancing our business activities to further strengthen our position as a leading manufacturer of flat plate type cell stacks. Hereafter, we will further improve productivity and strengthen our production system, as well as reinforce and advance collaborations to win more orders.

FOCUS

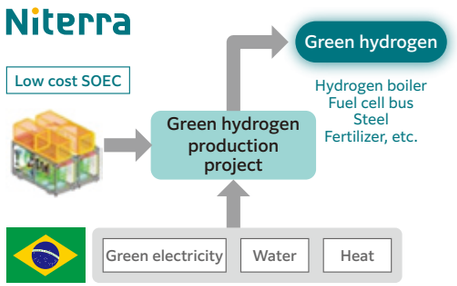
Contributing to a global decarbonized society through SOEC technology

To realize a decarbonized and hydrogen-based society as soon as possible, we are advancing the development of solid oxide electrolysis cells (SOEC) utilizing our ceramic technologies. This technology enables hydrogen production with extremely high conversion efficiency in areas such as the chemical industry, steel industry, and synthetic fuel manufacturing, where hydrogen is used as an industrial raw material and waste heat from processes can also be utilized.

We are currently advancing our SOEC technology from the development phase to the social demonstration and mass production development phases through initiatives in Europe and South America.

In Europe, in 2025, a total of five parties, including Polish research institutes, engineering firms, and chemical manufacturers, signed a memorandum of understanding (MOU) regarding the demonstration development of water electrolysis equipment for green ammonia. The goal is to operate a demonstration unit in early 2026 to verify the feasibility of combining hydrogen production via SOEC with ammonia synthesis through the Haber-Bosch process under actual factory infrastructure environments. As an initial target, we aim to supply green hydrogen to target factories producing hundreds of thousands of tons of ammonia annually, thereby significantly reducing the CO_2 emissions from the process. In South America, in 2026, we were selected for the Ministry of Economy, Trade and Industry's (METI) "Global South Future-Oriented Co-Creation Project" and began demonstrating green hydrogen production in the Federative Republic of Brazil. In Brazil, which possesses abundant renewable energy, we are collaborating with a local hydrogen project developer to conduct verification using a 100 kW module. Specifically, we will verify the environmental impact reduction effects through trial local hydrogen supply chain verification conducted locally, aimed at applications such as fertilizer production via ammonia synthesis and green steelmaking, alongside designing containerized modules that are easy to transport and install and reducing costs through remote monitoring from Japan.

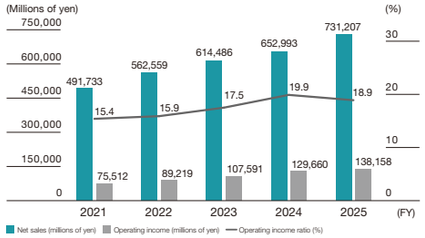
Through these global demonstrations, we aim to establish our advanced Japan-origin SOEC technology as a global standard and become a world-leading SOEC company in the 2030s.



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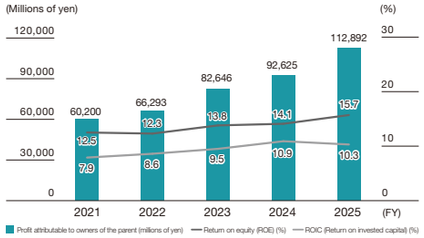
Financial Highlights

Net sales / Operating income / Operating income ratio



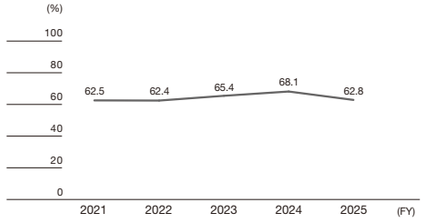
In the Automotive Components business, we secured increased revenue through an increase in sales volume for both new vehicle assembly and aftermarket products, as well as the implementation of price pass-throughs in response to inflation and U.S. tariffs. In the Component Solutions business, sales revenue expanded due to increased generative AI-related demand in the SPE business and the revenue contribution from Niterra Materials, which was consolidated starting this fiscal year.
Regarding profitability, while we were impacted by the surge in prices of precious metals, a major raw material, we mitigated the impact on business performance through price pass-throughs. Furthermore, driven by robust demand, the SPE business grew significantly, resulting in increased profit. As a result, both revenue and operating income reached record highs.

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



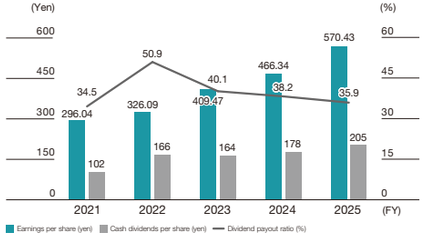
Regarding ROIC, it decreased by 0.6 points compared to the previous fiscal year due to the expansion of invested capital associated with Niterra Materials, which was consolidated starting this fiscal year. On the other hand, regarding ROE, it increased by 1.6 points compared to the previous fiscal year, driven by increased profit from steady sales as well as improvements in foreign exchange gains/losses and the recording of valuation gains on investment securities held.

Equity ratio attributable to owners of the parent



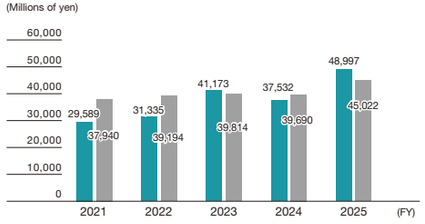
As a result, the equity ratio attributable to owners of the parent decreased by 5.3 points because we implemented share repurchases to fulfill shareholder returns while total assets expanded due to the acquisition of Niterra Materials for portfolio optimization.

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



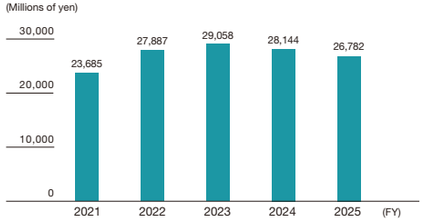
The dividend policy aims to provide stable dividends by combining a fixed portion with a minimum of dividend on equity (DOE) of around 4% with a performance-linked portion with a target dividend payout ratio of around 10%. Portions of capital exceeding appropriate capital levels are subject to shareholder return, including through share repurchases. As a result, the annual dividend for FY2025 was 205 yen.

Capital expenditures / Depreciation



In the Automotive Components business, the company intends to continue to invest in maintaining and updating existing facilities and improving productivity, while investing in increasing production in the Component Solutions business, which is expected to grow over the medium to long term, to accelerate growth.

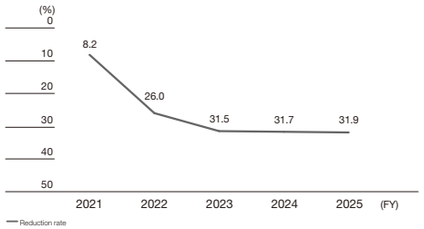
R&D expense



The company has set a policy of allocating approximately 5% of revenue to research and development expenses. In FY2025, although we actively continued development investment for medium- to long-term growth, the R&D expense ratio ended at 3.7% as sales revenue grew strongly at a pace exceeding that of our investments.

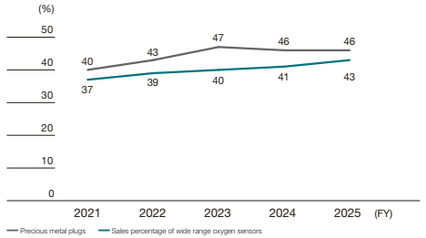
Non-financial Highlights

CO_2 emissions reduction rate



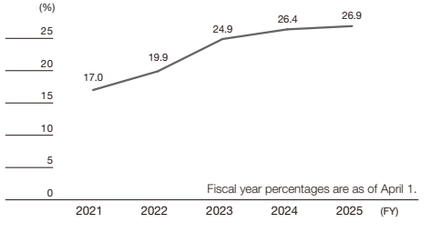
We aim to reduce CO_2 emissions by 46% compared with FY2018 levels by FY2030. We are proceeding with the execution of CO_2 reduction roadmaps by company and the consideration of significant reduction projects involving process changes.

Sales percentage of environmentally friendly products



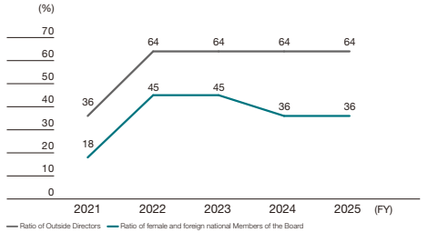
We aim to increase the sales ratio of precious metal plugs and wide range oxygen sensors by over 50%. These products are part of our environmentally friendly Niterra Green Products. Sales ratios are increasing towards this target.

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



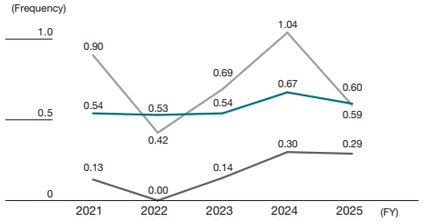
We aim to increase the percentage of women, foreigners, and mid-career hires in managerial positions to 30%, and we continue to conduct awareness-raising initiatives for female candidates for management.

Ratio of Outside Directors / Ratio of female and foreign national Members of the Board



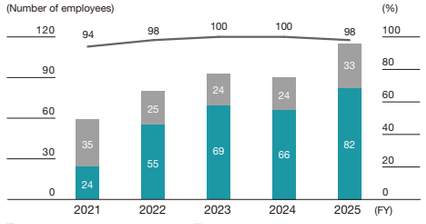
We aim to increase the ratio of Outside Directors to a majority and the ratio of female and foreign national Directors to 30% or more. Since FY2022, both the percentage of Outside Directors and the percentage of female and foreign national Members of the Board have been maintained at high levels.

Occupational injury frequency rate (non-consolidated)



In FY2025, there were four occupational injuries (compared to seven in the previous fiscal year), with an overall frequency rate of 0.59 (compared to 1.04 in the previous fiscal year), showing a decrease in injuries.

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 83% in FY2025. Additionally, their return-to-work rate after childcare leave remains high.

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Capital for Improving Corporate Value

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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

Executive Officer's Message



Increasing capital efficiency and supporting sustained growth through disciplined capital allocation

Kazuyoshi Terashita
Executive Officer
Finance Strategy Dept.,
Global Strategy Div.

Strong start to Mid-term Management Plan 2030 after record-breaking results

For FY2025, the first fiscal year of the Mid-term Management Plan 2030 (hereinafter, MMP 2030), revenue reached 731.2 billion yen and operating income 138.1 billion yen, as we set record highs in all stages of profits. Profit margins improved, mainly in the automotive components business posted results, and return on equity (ROE) improved to 15.7%. I am pleased to report that steady growth helped us come close to our target ROE of 16% for the final fiscal year of our Mid-term Management Plan.

Despite rising costs due to surging prices of precious metal materials and additional tariffs imposed by the United States, the automotive components business secured increased profits through strong sales and price adjustments. While one-off expenses such as impairment losses in the medical business were recorded in the component solutions business, the SPE business, which primarily sells electro-static chuck, recorded profit growth due to higher demand for semiconductors, reducing operating losses. Niterra Materials, which recently joined the Group, is expected to experience steady growth over the medium to long term, although the timing of full-scale growth will be delayed due to the slowdown in the EV market.

For FY2026, we anticipate reaching record-high revenue of 790 billion yen and operating income of 150 billion yen, driven by robust demand in the automotive components business and growing demand for semiconductors. We will continue to adjust prices in response to cost increases, closely monitor the impact of the situation in the Middle East on logistics, minimize the impact by considering alternative routes, and steadily move forward on our projected growth trajectory.

Enhancing profitability and capital efficiency, and accelerating ROIC improvement

Viewing corporate value enhancement as synonymous with improving the price-to-book ratio (PBR), the Group is implementing measures from both the ROE and price-to-earnings ratio (PER) perspectives. To increase ROE, we will improve return on invested capital (ROIC) and ensure the appropriate use of financial leverage. To increase PER, we will raise expectations for sustained growth through growth investments, human capital management, and expanded investor relations activities.

The first pillar for improving ROIC is to further enhance the capital efficiency of the automotive components business and maximize its cash generation capabilities. In our decisions to execute capital investments, we are prioritizing efficiency in our investments, carefully considering their alignment with our business strategy and their return on investment. Even when increasing production, instead of large-scale equipment expansion, we are focusing our investments on bottlenecks in the production process, thereby increasing production capacity and return on investment efficiency while keeping investment costs down.

Additionally, we are shifting the focus of our investment from hardware-centric to digital transformation (DX) in order to create smart factories. In the automotive components business in FY2025, capital expenditures (capex) amounted to 23.5 billion yen against depreciation expenses of 32.3 billion yen, meaning that capex remained within the scope of depreciation. This is not about curbing investment, but rather changing the nature of

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investment, such as using DX to improve the productivity of existing facilities. While the effects may not be apparent in the short term, we will steadily improve productivity and operational efficiencies throughout the Mid-term Management Plan period, transforming our automotive components business into a more robust cash-generating foundation.

The second pillar is improving unprofitable businesses. In FY2025, we focused on reducing unprofitable regions and products, as well as business portfolio optimization, through measures such as consolidating some business sites. Regarding the medical business, our first goal is to achieve profitability in FY2026. On top of this, we will assess whether the business can be transformed into one that continuously generates profits and achieves ROIC exceeding the weighted average cost of capital (WACC). We will also examine the synergies with our core sensing technology and decide on a future direction before the end of FY2026.

Going forward, under our new management structure, we will accelerate business portfolio optimization even more than before, including the possibility of business divestitures, while comprehensively evaluating profitability, growth potential, and compatibility with the Group's core assets.

To improve ROIC, it is important for both the business and finance departments to fulfill their respective roles. As for business departments, in addition to growing operating income, which is the biggest driver of ROIC improvement, we will improve asset efficiency by properly managing invested capital, such as inventories and accounts receivable. Meanwhile, the finance side will manage the entire balance sheet, including liabilities and equity, to ensure both a sound financial foundation and improved capital efficiency.

In particular, with regard to working capital, we are showing each business unit the impact of inventories and accounts receivable on ROIC and encouraging improvements. Due to geopolitical risks and preparations for potential logistics disruptions, we have kept current inventories slightly higher than average temporarily. We will strive to improve efficiency while determining the optimal level that balances stable supply with capital efficiency. Looking at investments to increase production, we will verify the recoverability, including the increase in inventories and accounts receivable. The business and finance departments will communicate using common metrics to improve both profitability and asset efficiency.

Aiming to achieve both financial soundness and capital efficiency and building a financial foundation that supports growth

To improve ROE, it is important to optimize the capital structure by utilizing the right amount of financial leverage while maintaining financial soundness, in addition to improving ROIC. The Group's equity ratio fell from 68% at the end of FY2024 to just under 63% at the end of FY2025, due to larger borrowings resulting from the acquisition of Niterra Materials and share buybacks. Going forward, we will continue to utilize debt financing flexibly to fund growth investments while keeping in mind the equity ratio of around 60% necessary to maintain our current corporate bond rating.

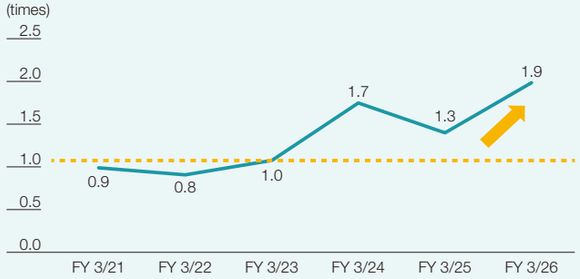
In acquiring Niterra Materials we utilized interest-bearing debt without raising equity capital. I believe we have been able to maintain financial soundness while allocating funds to investments that will lead to improved profitability in the future. Looking ahead, we will continue to monitor interest rate trends and market conditions, securing diverse funding options such as borrowings and corporate bonds to enhance the stability and flexibility of our financing.

Simultaneously, avoiding excessive cash holdings is also a form of financial discipline. We are promoting a capital policy that emphasizes capital efficiency, including implementing a share buyback program totaling 30 billion yen from the end of FY2025 to FY2026. Share buybacks not only improve capital efficiency but also serve to demonstrate our position to the market regarding the current share price level. Moving forward, we will continue to utilize this strategy flexibly, taking into account comprehensively our financial situation, stock price levels, market conditions, and other factors.

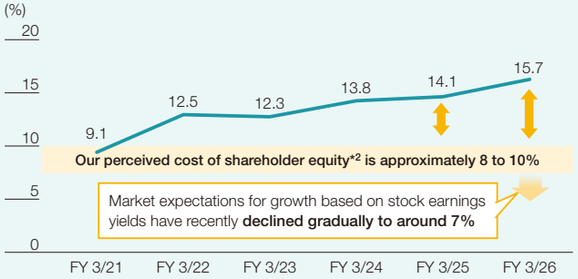
Furthermore, the Group has a structure where profits tend to accumulate easily at overseas subsidiaries, and funds tend to be concentrated or kept at local subsidiaries. To use these funds to unlock growth for the entire Group, we are expanding the global reach of our Cash Management System (CMS), which we have been operating domestically for over a decade. We aim to enhance capital efficiency and risk management—and further reduce the consolidated cash balance—by optimizing the use of funds across the Group. This involves securing the working capital necessary for each overseas subsidiary's operations while managing foreign exchange regulations, tax systems, and currency risks. We will achieve this through mechanisms such as repatriating funds from subsidiaries via dividends and utilizing systems like CMS to address short-term fluctuations and surplus capital.

Regarding exchange rate fluctuation risks, we strive for flexible management while carefully considering the balance between hedging costs and benefits. Currently, we are also working to reduce actual risk by

Change in price-to-book ratio (PBR)*1



Change in return on equity (ROE)



Change in price-to-earnings ratio (PER)*3



*1 Calculated by dividing the closing stock price at the end of each fiscal year by the book value per share (BPS, excluding non-controlling interests) corresponding to the end of the previous fiscal year.
*2 Estimated range based on the expected growth rate from the market based on CAPM and stock earnings yields.
*3 Calculated by dividing the closing stock price at each point in time by the projected EPS (market consensus) at that time.

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optimizing fund transfers and settlement terms within the Group.

As for our capital policy, we have adopted a dividend policy based on stable dividends, combining a DOE of 4% with a dividend payout ratio of 10% of net profits. In essence, this approach is similar to progressive dividends, emphasizing continuous shareholder returns.

Currently, we recognize that the Group's ROE is approximately 16%, which exceeds our cost of capital, which is typically around 8% to 10%. By continuing to return profits to shareholders while prioritizing investments in growth areas and expanding profits, we aim to improve capital efficiency and achieve sustained growth.

Assessing growth potential and return on investment and executing disciplined investments

To increase our P/E ratio, it is important to raise expectations for sustained growth. Based on the cash allocation outlined in MMP 2030, we will allocate the cash generated from our automotive components business to focus domains while carefully assessing their growth potential and investment efficiency.

Business investments in the first fiscal year of the Mid-term Management Plan are progressing largely in line with the plan. In our component solutions business, we have executed approximately half of our 320 billion yen investment plan, including the acquisition of Niterra Materials, and we plan to focus our investments on our SPE business going forward.



We plan to invest 340 billion yen in our automotive components business to promote the expansion of production capacity by making investments in equipment upgrades and productivity improvements.

In our SPE business, we anticipate medium- to long-term growth in demand, primarily in applications related to generative AI and advanced logic semiconductors. While this business requires upfront investment, the semiconductor market experiences extreme demand fluctuations, so we will more carefully assess the certainty of demand before making investment decisions. In plant construction, we plan to prioritize building the structures first, and then gradually introduce production equipment in accordance with demand, making investments only after risks are controlled. When making investment decisions, we consider not only accounting profits but also the cash-based payback period to ensure sufficient return on investment. This is a different decision-making framework than our automotive components business, where we have invested in accordance with our customers' capex plans. Because upfront investments are required that anticipate market growth and customer demand, we place great importance on balancing the accuracy of demand forecasts with investment discipline.

Regarding Niterra Materials, we do not currently plan any large-scale additional investments because the growth of the BEV market has slowed more than anticipated at the time of the acquisition. However the silicon nitride business such as heat dissipation substrates and bearing balls is an area where medium- to long-term growth is expected. We are looking beyond the BEV market to a wide range of applications, and we will keep a close eye on market trends to prepare for future growth opportunities.

Cash allocation is not about automatically spending a predetermined amount of money. We will assess the market environment, business progress, and investment effectiveness, and strategically allocate capital to areas where we can expect returns exceeding the cost of capital.

Transforming human capital enhancements and dialogue with the capital markets into a force for sustained growth

To enhance expectations for sustained growth and reduce the cost of capital, strengthening non-financial capital, including human capital, is essential. As our business portfolio expands from the automotive components business to growth areas, we are optimizing human capital allocation and human resources in line with the strategies of each business. We are working to improve productivity and development efficiency while also building an organization that can flexibly respond to changes in the business environment.

Furthermore, through performance-linked compensation programs and increased subsidies for the employee shareholding association, we are developing mechanisms that enable employees to personally experience the capital market's evaluation of the company and the benefits of enhanced corporate value. By encouraging each employee to view corporate value enhancement as their own concern and share in the benefits of growth, we will strengthen our ability to execute initiatives that support sustained growth.

Engaging with the capital markets is also an important initiative aimed at improving our PER and reducing the cost of capital. I believe that PER is not determined solely by financial indicators, but rather by how clearly we can communicate the Group's growth story to the capital markets and gain their understanding and trust. In addition to visits to investors by top management both in Japan and internationally, we doubled the number of meetings with overseas investors compared to the previous fiscal year. We are also looking more to Asian investors and investors who evaluate corporate value from a medium- to long-term perspective. We increased our IR meetings from 281 in FY2024 to 330 in FY2025.

Through these dialogues, we are seeing an increasing number of investors paying attention not only to our traditional automotive-related reputation but also to the growth potential of our semiconductor-related business. There is a growing understanding of our business portfolio, which possesses both the stable cash flow generated by the automotive components business and the growth potential centered on the SPE business. Going forward, we will continue to share the opinions gained from these dialogues internally, reflect them in our management and information disclosure, and carefully communicate the business strategies and growth paths behind our financial figures. In turn, this will boost confidence in our sustainable corporate value enhancement.

To our stakeholders

In the first fiscal year of our Mid-term Management Plan, we were able to get off to a good start financially speaking. Going forward, we will strive to further enhance capital efficiency while maintaining financial soundness and pursue the optimal balance between growth investments and shareholder returns through disciplined capital allocation integrated with our business strategies. We will redirect our stable cash-generating capabilities to growth businesses and future pillars in an effort to achieve medium- to long-term enhancement of corporate value.

Going forward, we will continue to steadily demonstrate these initiatives and their results and strive to build relationships that foster a deeper understanding of our company through assertive dialogue and that earn us support over the medium to long term. I hope that our stakeholders will continue to look forward to the Group's transformation and growth.

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Vision (The Ideal Situation for Human Capital)

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

Key Features

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

Challenges

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

Corporate Officer's Message

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



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

Positioning of human capital supporting business transformation

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

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

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

Human resource system reforms to promote business portfolio optimization

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

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

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

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

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

Embedding the Niterra Way into daily decisions and actions

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

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

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

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

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

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

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



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

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

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convert their mindset into energy for taking on new challenges.

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

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



Developing management talent to drive global growth

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

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

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

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

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

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

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

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

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Overview of Strategy

Our group recognizes that in order to complete the business portfolio optimization set out in the Mid-term Management Plan 2030, it is essential to transition from traditional stable and company-led career development and a stability-oriented mindset toward an optimization of the talent portfolio, creating an organization where each employee autonomously acquires skills and demonstrates their value. To develop talent who build careers based on their own aspirations and lead business transformation as professionals, we place at the core of our human capital management the goal that “the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group,” thereby aiming to enhance corporate value. To this end, we will strongly advance Niterra Talent Management globally, centered on four key elements: aspiration, professionalism, diversity, and incentives. Specifically, to support the timely and appropriate placement of the right people in the right positions, such as in growth areas, we will deepen discussions through talent meetings and specifically implement these as recruitment, development, and promotion measures. Simultaneously, by clarifying internal job roles and outlining career paths openly, we will achieve talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments. Enabling diverse talent to collaborate across boundaries under the Shared Values of the Niterra Way and increasing each individual’s engagement (job fulfillment) will lead to the creation of innovation on the ground. This will ultimately lead to an increase in corporate value as a company that brightens the Earth, a vision embodied in our English corporate name, “Niterra.”





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.

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Niterra's Approach to Human Capital Management

In the transformation toward becoming a company that brightens the Earth—the vision we aspire to realize—people are undoubtedly our most important management resource. The background for deploying Niterra Talent Management globally is the importance of breaking away from a previous stability-oriented culture and shifting toward an organization where new value is created through the combination of diverse individuals.

In the Mid-term Management Plan 2030, we have set "Diverse and proactive individuals embody the Niterra Way" as a priority issue. To promote transformation into a professional group able to "Possess aspirations, take initiative, and persevere," "Aim to be a professional and enhance their own value," "Collaborate with diverse talent," and "Embody the shared values," we will build strong relationships globally where individual growth motivation is unlocked and employees and the company continue to grow together. Through this, we aim to achieve an engagement score of 3.56 or higher as set in the Mid-term Management Plan and become a company that brightens the Earth.

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.
- Skills, experience, and capabilities do not match the requirements sought for the position.

Human Capital

Key Management Priorities

Diverse and proactive individuals embody the Niterra Way

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

The ideal situation

Individuals and workplaces that brighten the Earth

Talent with strong will and execution capabilities

- Possess aspirations, take initiative, and persevere
- Aim to be a professional and enhance their own value
- Collaborate with diverse talent
- Embody the Shared Values

An environment that supports the growth of diverse talent

- Support career development and personal growth
- Provide opportunities to turn aspirations into reality
- Improving the job fulfillment of diverse talent
- Properly reward the results achieved

Niterra Talent Management

Aspiration	Professionalism	Diversity	Incentives
We respect the volition (will) of the individual, which is the driving force of independent action, and provide support our employees to take on challenges, through which they themselves will create the future.	We will build a framework in which individuals are expected to acquire expertise on their own initiative to increase their market value, and in which evaluations are conducted with a healthy rigor.	We will foster a culture in which an organization composed of members from diverse backgrounds is considered a strength, and leverage it to the maximum to enable the company to respond to rapid changes in the environment.	By providing a compensation system based on roles and achievements and the provision of equitable opportunities, we will maximize the individual's commitment to growth and their motivation to contribute to performance.

Key Initiatives	Specific Activities	Mid-term Management Plan 2030 Vision	Ideal State
Introducing a global grading (domestic/overseas core positions)	Introducing global grading and developing job descriptions for managerial levels	[Company] Optimizing the quality and quantity of talent [Employees] Each individual chooses their own future as a professional	**Realization of a dynamic talent portfolio responsive to business changes** • Achieving clarity of roles and alignment between roles and treatment • Employees proactively growing and challenging themselves for posts based on job descriptions (JD) • Optimal placement in growth businesses and new domains • Optimization of the talent portfolio
Expanding internal job postings	Establishing the operation of internal job postings in Japan		
Shifting talent to growing businesses	Formulating strategic manpower planning that balances strengthening existing businesses with shifting to new domains		
HR tech: Visualizing and utilizing human resource information	Utilizing human capital data through the integration of 360-degree surveys and engagement surveys	[Company] Maximizing the performance of diverse individuals [Employees] Maximizing potential	**Quality improvement by strengthening human capital** • Activating workplaces based on human resource data • People with diverse attributes active at various stages • Producing "managers who develop people" • Planned development and production of next-generation leaders
Diversifying managerial posts	Promoting DE&I and selective training for female talent development (Raise UP)		
Strengthening management capabilities (the ability to develop people)	Accelerating the development of managers who develop people		
Developing next-generation management talent	Implementing selective training (HAGI/NBS)		
Embedding philosophy: Improving the level of practice for Niterra Way / Shared Values	Dialogue sessions toward embedding Shared Values	[Company] Creating a culture and environment that supports human growth [Employees] Working vibrantly based on the Shared Values	**Building the foundation for human capital management: Fostering a healthy organizational culture** • Collaboration and value co-creation across organizational boundaries • Improving sustainable organizational vitality and reducing risk through investment in physical and mental health (well-being) • Increasing attractiveness by realizing flexible work styles
Health and Productivity Management Initiatives	Making comprehensive medical examinations fully free of charge and strengthening investment in preventive medicine		
Promoting work style reforms	Establishing flexible and easy-to-work work systems, including remote work from remote areas or overseas		

Realization of Vision

[Mid-term Management Plan KGI] Motivation factor items in engagement survey

FY2029: **3.56**

(FY2024: 3.37 → FY2025: 3.42)

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Realization of a dynamic talent portfolio responsive to business changes

1 Introducing Global Grading

(Domestic/Overseas Core Positions)

• Introducing global grading to managerial levels and developing job descriptions

To achieve the business portfolio optimization that our group aims for, it is urgent to transform from the traditional seniority-based and company-led career development into a “professional group” where each individual employee autonomously enhances their high market value expertise. As infrastructure to support this optimization of the talent portfolio, we have developed job descriptions targeting domestic managerial levels as well as core positions in our domestic and overseas Group companies. Moving forward, we will sequentially expand the range of eligible global positions.

By introducing job descriptions, it becomes possible to clearly verbalize the roles/responsibilities and required skills for each position and operate them as a global common yardstick. This allows us to move away from person-dependent placement and build a fair and highly transparent global grading system linked to the value of the position (the magnitude of job responsibilities). Furthermore, this is leading to a renewal of our grading system by abolishing skill qualification systems for managerial levels and unifying them into job grades. This clarification of jobs will serve as a robust business platform to maximize the value-added productivity of the entire organization by balancing talent development that respects individual aspirations with the provision of fair opportunities.

Old System

Job group	Skill qualification	Role grade
Managerial position	M1 (Associate Director)	Rank 1
		Rank 2
		Rank 3
		Rank 4
	M2 (Senior Manager)	Rank 5
		Rank 6
		Rank 7

New System

Job group	Skill qualification	Role grade
Managerial position	G0	Company President / Business Unit Head
	G1	Group Company President / General Manager
	G2	
	G3	
	G4	
	G5	Section Manager or lower
	G6	
	G7	
	G8	

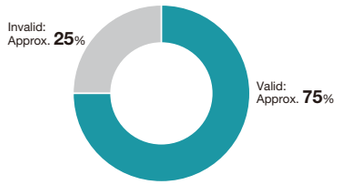
* “M positions” refers to managerial positions.

2 Expanding Internal Job Postings

• Establishing the operation of internal job postings in Japan

To encourage spontaneous volunteering based on each individual’s aspiration (“Will”), we have introduced an internal job posting system. We position this as a key initiative not only to promote employee career autonomy and improve engagement but also to accelerate business portfolio optimization through optimal placement of talent in the right positions. In Japan, this system is already deeply embedded within the organization and is being reliably operated as a mechanism that supports proactive challenges. Using the current system as a foundation, we will promote “post visualization” through the development of job descriptions to further scale up on a company-wide basis. Moving forward, we will further expand the disclosure of target positions in Japan, evolving the infrastructure for fair and transparent challenge opportunities into something even more robust. Furthermore, during the period of the Mid-term Management Plan 2030, we aim to expand this scope to include key positions throughout the entire Group, including core positions overseas, and evolve the system into global job postings, which ensures the optimal placement of the right person in the right position. Specifically, we will establish a system that makes the job duties, as outlined in job descriptions, available internally, thereby enabling employees to voluntarily request transfers. Through this, we will establish an environment where employees can pursue their aspirations and autonomously chart their career paths, which in turn will powerfully drive the placement of the right people in the right positions globally.

FY2025 Internal Job Posting Results



3 Shifting Talent to Growing Businesses

• Formulating strategic manpower planning that balances strengthening current businesses with shifting to new business domains

The biggest theme in the Mid-term Management Plan 2030 is the further strengthening of the automotive components business and the optimization of the business portfolio through the creation of new business domains centered on ceramics. In order to complete this structural transformation with a sense of speed, we previously faced the challenge that management strategy and manpower planning were not strongly linked. Therefore, in FY2025, we newly formulated a strategic manpower plan backcasted from our ideal situation and are currently in the phase of its reliable execution.

To accelerate the talent shift based on this manpower plan, as mentioned above, we will expand internal job postings that respect individual aspirations (“Will”), which are already being reliably operated in Japan, and aim to achieve optimal placement of talent in the right positions, including in growth areas, by expanding employee career options and providing fair opportunities through their evolution into global job posting. Furthermore, we will combine this with the strategic external recruitment of specialized talent to build an optimal talent portfolio across the entire company.

Additionally, to verify whether these various human capital strategy measures are leading to increased corporate value, we have newly introduced value-added productivity as an indicator for improvement. We have set a quantitative target to achieve 1.4 times the value compared to FY2024 for both manufacturing and indirect departments by FY2029. By thoroughly eliminating waste through job clarification and the promotion of DX in operations, we will build a system that produces maximum results with minimum resources. Having employees engage in their work with high job fulfillment (engagement) based on their own aspirations will improve productivity and lead to sustained increases in corporate value.

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Quality improvement by strengthening human capital

1 HR Tech: Visualizing and Utilizing Human Resource Information

• Utilizing human capital data through the integration of 360-degree surveys and engagement surveys

To grasp the state of the organization and individuals objectively and quantitatively, and to link these insights to activities that increase engagement, we are promoting the advanced utilization of human capital data through HR tech. To enhance the sense of fulfillment for every individual employee, we have introduced a new engagement survey system and are proceeding with data integration with 360-degree surveys.

Through this data integration, we have quantified and qualitatively clarified the connection between the daily actions (human behavior) of organizational leaders and the engagement (organizational state) of workplace members, visualizing the relationship in which both parties influence each other. Based on these measurement results, we provide feedback to each organizational leader regarding their expected behaviors. Furthermore, we are enriching our training and tool contents to encourage self-reflection and behavioral change. In addition, based on engagement survey results, we conduct workshops where individual employees participate to create a better workplace.

Beyond the above, we will continue to expand the use of human resource data as a foundation for future human resource management, including its utilization for optimal placement.

2 Diversifying Managerial Posts

• Promoting DE&I and selective training for female talent development (Raise UP)

To powerfully drive the business portfolio optimization that our group aims for, it is indispensable to diversify the managers responsible for organizational decision-making. To capture the precise needs of the rapidly transforming external environment and global markets, we must move away from traditional single-minded thinking and maximize the strength of the organization by leveraging deep diversity of experience and thought.

We have already achieved our goal of reaching a 25% ratio of women, foreign nationals, and mid-career hires in managerial positions by 2030. Furthermore, as mid-to long-term milestones, we have set high targets of a diversity ratio of 30% or more for all managers and a female manager ratio of 10% or more in our non-consolidated business by FY2029, and we are strengthening our initiatives.

In particular, regarding the production of female managers, we have continuously implemented the Raise UP program, a training program for the selective promotion of women, since 2019; to date, 41 attendees took the course, and 31 women have become managers and are leading transformation in their respective workplaces. Moving forward, while evolving this selective promotion training, we also plan measures to support success after appointment to management, going beyond just training. Due to these development initiatives and proactive recruitment of mid-career professionals, the ratio of female managers has steadily improved to 5.5% as of the end of April 2026, which is also leading to the correction of the gender pay gap. Additionally, to respond to rapid globalization and incorporate world-standard technologies, we are also strengthening the recruitment of foreign national employees, such as those from overseas universities and international students. In FY2025, four new foreign national employees joined our IT department and are actively contributing by leveraging their expertise. We will continue to thoroughly foster an organizational culture (Inclusive Niterra) where different knowledge and values fuse horizontally, thereby increasing the certainty of innovation creation.

3 Strengthening Management Capabilities (The Ability to Develop People)

• Accelerating the development of managers who develop people

What supports the business portfolio optimization and innovation creation promoted by our group at the field level is the strong will and execution capability of every individual employee. To harness the full potential of individuals with diverse backgrounds and foster an organizational culture that celebrates challenges, it is essential to strengthen the ability to develop people among managers. To ensure this transformation proceeds, we have abolished the traditional skill qualification system for the managers and unified it into job grades (job system). Furthermore, rather than just temporary educational measures, we are creating a mechanism that triggers transformation through daily actions. We have refreshed our evaluation criteria so that they do not simply pursue results alone; instead, by incorporating action processes rooted in the Niterra Way's Shared Value as an evaluation element, we are encouraging a shift toward management where managers themselves stay close to and appropriately support their members' challenges and self-transformation during their daily activities. Additionally, to realize Inclusive Niterra, which turns diversity into strength, we repeatedly conduct diversity training for managers. Through this, we are thoroughly creating workplaces with high psychological safety where unconscious bias is eliminated and anyone can express their opinions as themselves. By driving both the "embedding of philosophy in the field" and "improvement of the workplace environment" as two wheels of a single vehicle through the transformation of managers, we will link this to increased engagement (job fulfillment) and the maximization of value-added productivity for the entire organization.



With an unwavering principle in my heart, passing on learning and resolve to the next generation

A.H.

Supply Chain Planning Sect.
Logistics Dept.
Business Operations Div.

I remember receiving a direct message from management on the first day of Raise UP and initially feeling, "Could someone like me really respond to such strong expectations from the company?" However, through practical learning as a leader in the program and 1-on-1 sessions with management, I was encouraged with the words, "It is not about 'someone like you,' but rather 'because it is you' that certain things can be done." By understanding my own driving force through self-reflection and dialogue with others regarding why I am challenging myself to become a manager, I was able to establish an unwavering principle and the resolve to step into change myself. Now that I have become a manager, I try to pass on what I learned and the experiences of struggling during Raise UP to the next generation. I still have many worries as I strive to ensure that everyone can see how diverse talents are thriving in their respective roles, but I want to continue enjoying the challenge of bringing about change.

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4 Developing Next-generation Management Talent

• Implementing selective training (HAGI/NBS)

It is indispensable to build a leader talent pool that stably and systematically produces next-generation management talent capable of demonstrating resilient leadership and driving transformation even in an uncertain business environment.

To expand this pool in terms of both quality and quantity, we have implemented the global selection program HAGI (Human Assets Global Initiative) and the domestic selection program NBS (Nittoku Business School). In HAGI, which aims to develop future management candidates, talent is selected from division-head levels both domestically and internationally regardless of nationality. Top management personally leads the process, supporting the exploration of their core principle as an executive and the acquisition of practical management skills. To date, we have produced 46 management talents, with 41% of graduates holding key positions at the Corporate Officer level or higher, which directly contributes to strengthening Group management. In NBS, which targets the leader layer prior to HAGI, we polish logical thinking skills and the “mind, skills, and body” (Shin-Gi-Tai) required of a leader, serving as a pipeline for promotion to senior management and candidates for HAGI. Previously, because each program was designed and operated individually, there were challenges in optimizing selection across the board and building seamless development steps. We have now revised this into a continuous end-to-end development measure that connects NBS to HAGI, particularly by shifting the target group of NBS to younger employees to ensure thorough early-stage development. Through this, we will make the quality and quantity of the next-generation management talent pool overwhelmingly robust, pursuing the establishment of global governance and sustained increases in corporate value.



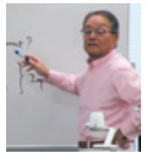
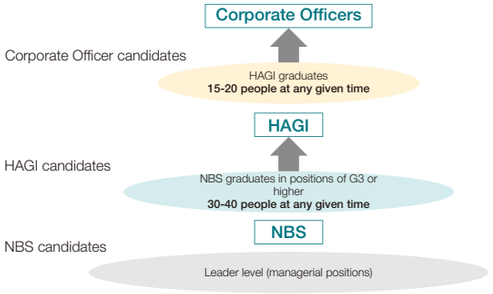
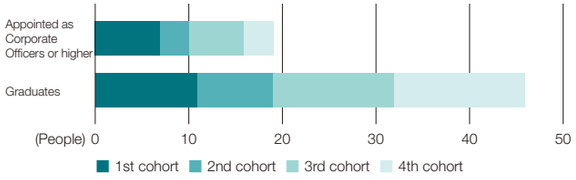




Illustration of development steps



Number of HAGI graduates and those appointed as Corporate Officers or higher





Cultivating leaders who polish their core principles and aspirations as executives and drive Niterra’s transformation

H.S.
Human Resources Strategy Dept., Global Strategy Div.

Under the strong will and commitment of top management, HAGI has built its history as a place to thoroughly train next-generation executives. What is the curriculum that nurtures executives who can think shrewdly and fundamentally in a rapidly changing business environment? We have held numerous discussions and continue to update it while facing our current recognition of challenges.

In the 5th cohort, we focused on a process that fundamentally shakes one’s own assumptions and existing frameworks to pose essential questions. Through sessions experiencing social challenges on the ground and discussions regarding dilemmas without correct answers, we cultivate a “resolve as an executive” that possesses both a sense of the field and a broad perspective.

Using the foundation built in NBS, we will sharpen the core principles and aspirations to lead global management through HAGI. We are confident that leaders who powerfully drive Niterra’s transformation will be born from this integrated training system.

Building the foundation for human capital management: Fostering a healthy organizational culture

1 Embedding Philosophy: Improving the Level of Practice for the Niterra Way / Shared Values

• Dialogue sessions toward embedding Shared Values

For the business portfolio optimization promoted by our group, an organizational foundation where diverse talent with different nationalities and career backgrounds can align their goals and integrate their knowledge is indispensable. The greatest foundation to connect these diverse individuals is the Shared Values of our philosophy system known as the Niterra Way. The Niterra Way consists of our Corporate Philosophy, Corporate Code of Conduct, and 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)), etc., and it represents our mission and the manner of action to achieve it. Among these, the Shared Values are the very aspirations at the time of our founding, spun from the historical facts established by our predecessors. Because we believe it is important to return to our roots and make decisions and act based on these Shared Values when challenging unknown territories, particularly during a period of transformation, we are currently promoting measures to embed the Niterra Way. We are layering appropriate embedding measures for each phase—recognition, understanding, resonance, practice, and integration—aiming for a state where all employees resonate with the Shared Values and can use them as guidelines for judgment and action. The core measure is the dialogue sessions regarding the Niterra Way / Shared Values. In FY2025, we first held dialogue sessions among management to discuss and share interpretations in their own words regarding the connection between management strategy and philosophy, as well as how to apply them to their work. Moving forward, we will gradually expand this circle of dialogue to each workplace to build a culture where Shared Values can be discussed on a daily basis.

Furthermore, to ensure these values do not remain mere spiritual concepts but lead to concrete behavioral changes, we have incorporated Shared Values into the decision-making criteria for each HR measure, such as recruitment, development, and evaluation.

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2 Health and Productivity Management Initiatives

• Making comprehensive medical examinations fully free of charge and strengthening investment in preventive medicine

The Niterra Group regards the health of employees as our most important management resource and, under our declaration on health and productivity management, we are strengthening active investments toward improving mental and physical health. As a specific measure, beyond merely maintaining the current 100% medical checkup rate, we have launched an advanced investment in preventive medicine starting in FY2026 through full coverage of comprehensive medical checkup costs. In addition, we are implementing thorough specific health guidance through collaborative health initiatives in cooperation with our health insurance union, providing strong support for gynecological examinations, enforcing complete smoking bans at all domestic sites, offering smoking cessation support by operating in-house clinics, and performing preventive care for mental health issues based on stress checks. This company-led health investment framework has been recognized, leading to our selection as a Health & Productivity Management Brand 2026 and an Outstanding Organization of KENKO Investment for Health 2026 (White 500). We will continue to build a resilient organizational foundation where employees can feel secure and maximize their potential, leading to sustainable improvements in corporate value.

3 Promoting Work Style Reforms

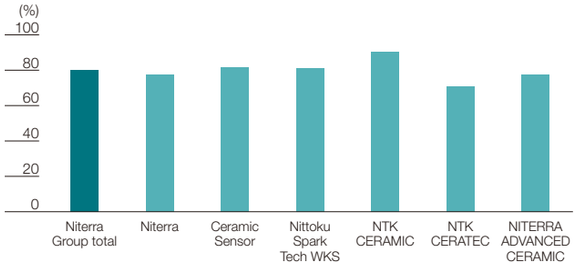
• Establishing flexible and easy-to-work work systems, including remote work from remote areas or overseas areas

To build an environment where diverse talent can thrive, it is essential to move away from uniform working styles and establish a flexible environment tailored to various lifestyles. Under our Work Style Reform Declaration, we promote the design of flexible systems that are not constrained by time or location, simultaneously pursuing the maximization of individual performance and the improvement of engagement.

Regarding improving flexibility of time, we have established the expansion of flextime systems and increased options for shorter working hours (with choices for 1-hour or 2-hour reductions), achieving productivity improvements through work-life balance. Regarding improving flexibility of place, we have institutionalized ways of working that are not restricted by place of residence, such as the introduction of remote area work systems within Japan and overseas remote work systems.

As for annual paid leave, employees have been able to take leave in hourly units since FY2022, and we maintain a high annual paid leave uptake rate of around 80% among all Group union members. This strongly supports the balancing of careers with life events such as childcare and nursing care, prevents the turnover of talented individuals (serving as a retention measure), and creates significant competitive advantages in acquiring and retaining excellent professional talent both inside and outside the company.

Annual paid leave uptake rate (union members)



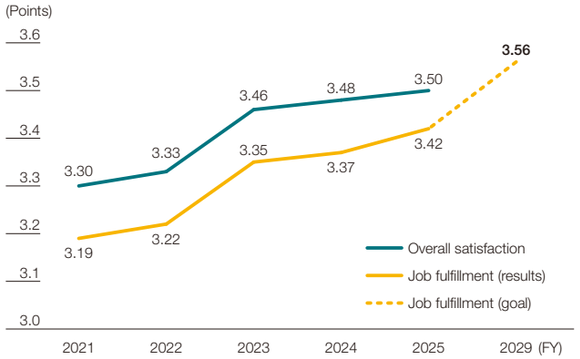
Uptake rate relative to days granted from October 2024 to September 2025

Toward realizing the ideal situation for human capital

We will reliably execute a series of Niterra Talent Management measures across our entire global operations. In particular, to address the company-wide challenge of “embedding of philosophy in the field” highlighted in recent surveys, we will accelerate behavioral changes among all employees by driving two simultaneous engines: daily dialogue activities and the implementation of the new human resource system, thereby fairly evaluating the challenge process based on our philosophy. Through the reliable execution of various Niterra Talent Management measures, we will thoroughly pursue the improvement of our most important compass (KGI): employee engagement (“job fulfillment score”). Until now, compared to “ease of working” (a hygiene factor), there has been a challenge in that our job fulfillment scores were lower than those of other companies. Therefore, rather than merely providing ease of working, we will raise motivation factors such as job fulfillment and loyalty to the company. To increase our scores to be competitive with other companies, we have set a target for the company-wide average score of 3.56 or higher for job fulfillment items by the final fiscal year of the Mid-term Management Plan 2030 (FY2029), and we have been steadily improving the score from the FY2024 result (3.37) to the FY2025 result (3.42).

When the improvement of engagement rooted in each employee’s aspirations bears fruit, individual independent challenges will lead directly to an overwhelming increase in organizational value-added productivity (1.4 times compared to FY2024), which will then be converted into reliable improvements in corporate value. By building a resilient relationship where employees and the Company can continue to grow together, we will achieve the resolution of social challenges and the optimization of our business portfolio, solidifying our 2040 Vision: To be “a company that brightens the Earth.”

Shifts in employee engagement



Current status and goals for the job fulfillment items (on a 5-point scale)

FY2025	Result: 3.42
FY2029	Goal: 3.56

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Human Rights Policy

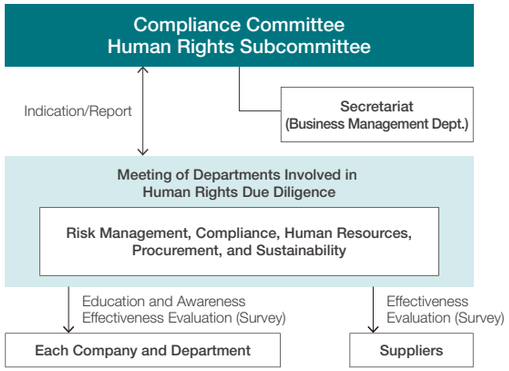
We are working to resolve various social issues to realize sustainable societies. We recognize that as a prerequisite for this, it is important to respect the human rights of people who are affected by our business activities, and that it is essential to continuously fulfill such responsibilities in truly contributing to the realization of sustainable societies.

To this end, we respect human rights 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.

Promotion System

Based on our Human Rights Policy, the Niterra Group's various departments and special committees promote responses to human rights issues within their respective domains.

To address the globally accelerating focus on business and human rights, we have held repeated discussions since FY2022 among relevant departments (including risk management, compliance, HR, procurement, and sustainability) to ensure the continuous implementation and improvement of the effectiveness of human rights due diligence. Starting in FY2026, we have established an effective promotion framework under the supervision of the Board of Directors. The Human Rights Subcommittee, established under the Compliance Committee, conducts continuous monitoring and deliberates on/evaluates challenges regarding human rights due diligence; important matters are then reported to and submitted to the Board of Directors via the Corporate Management Committee.



Human Rights Due Diligence

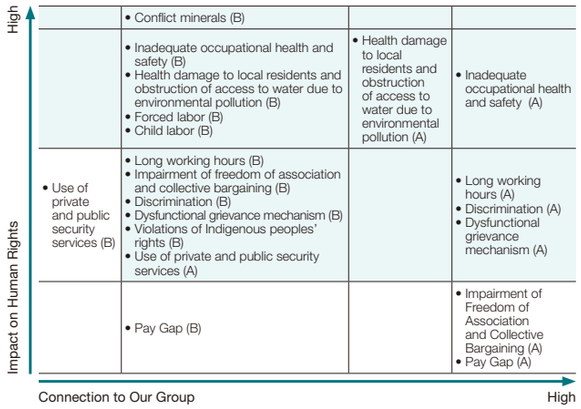
We make efforts to identify, assess, prevent, and mitigate human rights risks related to our business activities.

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.

Human rights risk map

A: Our group B: Supply chain



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 and key initiatives

Our group

Human rights risks in priority areas	Initiatives
Inadequate occupational health and safety	To eliminate lost-time injuries, we are continuously implementing safety measures such as hardware improvements to equipment and thorough risk assessments.
Health damage to local residents and obstruction of access to water due to environmental pollution	To prevent environmental accidents and pollution, we have established voluntary standards based on legal regulatory values and agreements with local governments for air quality, water quality, noise, and vibration at each site, and conduct regular measurements and maintenance.
Long working hours	To prevent long working hours, we have established work rules (such as setting fixed departure days, the general prohibition of late-night work or overtime exceeding 5 hours per day, and ensuring a 10-hour interval between shifts) and are implementing measures such as reducing working hours through labor-management agreements and visualizing discrepancies between PC logs and time stamps.
Discrimination	In the Compliance Guidebook issued to employees and the email newsletter Compliance News Letter, we provide specific examples of what is considered discrimination to raise awareness.
Dysfunctional grievance mechanism	To improve the awareness and effectiveness of the internal reporting system in overseas Group companies, we are promoting it through the Global Compliance Guidebook.
Use of private or public security services	Since security conditions vary by business site and plant, we implement security measures tailored to each specific situation.

Supply chain

Human rights risks in priority areas	Initiatives
• Conflict minerals • Inadequate occupational health and safety • Health damage to local residents and obstruction of access to water due to environmental pollution • Forced labor • Child labor • Long working hours • Discrimination • Dysfunctional grievance mechanism • Violation of Indigenous peoples' rights	We have distributed the CSR and Sustainability Procurement Guidelines to our direct suppliers. Furthermore, we verify the status through regular surveys and provide corrective support through dialogue when improvements are necessary.

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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. As this practice could lead to discrimination, we have discontinued the test in light of international human rights standards. 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 conduct annual surveys targeting the company and group companies and continue to maintain a process for prompt correction and disclosure of any identified cases.

Education and Awareness Activities

In human rights training for Group employees based in Japan, we conduct video screenings and comprehension tests regarding the need to respect human rights, our group's Human Rights Policy, human rights due diligence, and remedies. Additionally, we provide awareness training on gender equality and LGBTQ+ issues through various training sessions and email newsletters.

Surveys of our group and the supply chain

Our group	Compliance awareness survey	• Conducted in Japan once every two years • In FY2024, the focus was placed on follow-up to the FY2023 survey results. • In FY2025, a survey was conducted, and improvement measures based on the evaluation results were continued.
	Human rights and labor survey	• Conducted every year. • In FY2024, the survey was conducted with enhanced questions related to the rights of the child. • In FY2025, a survey was conducted in 32 group companies, and after detailed reviews of those where potential concerns were identified, no significant human rights risks requiring immediate corrective action were confirmed.
Supply chain	Survey administered through the CSR and Sustainability Procurement Guideline checksheet	• Conducted once every two years. • In FY2024, the focus was placed on follow-up to the FY2023 survey results. • In FY2025, a survey was conducted after reviewing the questionnaire, and the scope was also expanded to include suppliers of group companies. Following additional verifications with suppliers whose responses raised concerns, no significant human rights risks requiring immediate corrective action were confirmed.

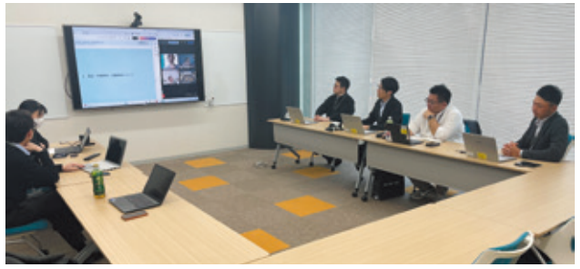
Key initiatives in FY2025

Human Rights Issue	Initiatives	Specific Action
Working conditions and equal opportunities	Revision of the notice of working conditions	We reviewed the content to make working conditions easier to understand prior to employment, adding supplementary information regarding the flextime system and the timing for tendering resignation. We also provided instructions on how to view the referenced internal regulations.
Comfortable workplace environment	Evacuation drills at company dormitories	To ensure employee safety, we made preparations to conduct evacuation drills at company dormitories and housing. These drills are currently being rolled out sequentially.
Responsible procurement of resources and raw materials	Raising awareness of conflict minerals	To increase awareness regarding conflict minerals, we conducted awareness-raising initiatives for the relevant group companies.

Dialogue with Stakeholders

We regularly hold labor-management meetings with the labor union, which represents our employees, to discuss working hours and other matters and maintain ongoing dialogue with departments involved in human rights due diligence. As for our suppliers, we accept consultations through consultation counters and other channels, conducting discussions and taking necessary corrective actions regarding the cases received. For our customers, we disclose the status of our group's initiatives regarding human rights and labor by responding to external audits and surveys conducted by the RSCI and RBA. For residents living near our plants, we exchange views with their representatives, including discussions on whether there are any issues that could threaten their living environment. Additionally, in FY2025, we held a dialogue between an attorney specializing in human rights and the Executive Officer in charge.

▶ Web site MIRAI no ME



Dialogue with labor unions on the topic of human rights

Complaint Handling Mechanism

At our group's sites in Japan, based on the Whistleblower Protection Act, we have established both internal and external contact points for our internal reporting system, the Corporate Ethics Helpline. This contact point supports reports in Japanese and English, is available on holidays and at night, and allows for anonymous reporting; it is available to our suppliers and Group employees. Starting in FY2026, as a measure against job-hunting harassment, we have begun operations allowing job seekers to also utilize our external contact point.

▶ P.86

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Occupational Health and Safety Policy

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

Basic Philosophy

The Niterra Group has many employees in various locations around the world. We believe that it is our responsibility to make continuous efforts to protect the physical and mental health and safety of each and every employee. We contribute to society by providing our employees with a working environment conducive to mental and physical well-being so that employees can continue to work happily and comfortably.

Vision

- Developing "people" who can act safely
  Develop people who are aware of workplace risks and rules and who can act safely on their own.
- Providing safe "work" conditions
  Promote risk reduction and management to provide safe work conditions for workers.
- Creating a safe "working environment"
  Improve and maintain the working environment through work environment measurements and 5S activities.
- "Health" of employees and their families
  Ensure that employees work in a comfortable working environment, and raise health awareness of employees and their families to help them maintain and improve their physical and mental health.

Direction

Zero work-related injuries and illnesses! And Continuation!

https://www.sustainability.niterragroup.com/en/themes/177/

Promotion System

In order to eliminate occupational injuries 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 FY2025, the Central Health and Safety Committee convened twice to report on and discuss activities including responding to occupational injuries, the global health and safety framework, health management initiatives, and safety measures for equipment.

Initiatives for Preventing Occupational Injuries

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 FY2025, we conducted a comprehension test on risk assessment and risk management for all employees.

Disaster occurrence status

In FY2025, 63 injuries occurred within the Group; the breakdown consisted of 31 lost-time injuries and 32 non-lost-time injuries. For companies where major incidents occurred, workplace safety initiatives 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 Reals" Principle—which focuses on actual places, actual things, and actual situations—investigation of similar equipment and operations to develop countermeasures, and reviews of our frameworks.

The frequency rate of all occupational injuries for FY2025 was 0.59 for Niterra Co., Ltd. (1.04 in the previous fiscal year) and 2.58 for domestic Group companies (2.83 in the previous fiscal year). Both Niterra on a non-consolidated basis and domestic Group companies showed improvement compared to the previous fiscal year. However, we view the status of occupational injuries, including those involving Group companies, as an important issue that requires continued improvement. For FY2026, we are working to establish Group-wide management standards, including criteria for "soft" measures addressing residual risks. We will continue to make ongoing improvements to the Group's safety and health management and strive to eliminate workplace injuries moving forward.

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 has consistently remained at 100%. 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 our in-house smoking cessation clinic.

Furthermore, 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.

https://www.sustainability.niterragroup.com/en/themes/201/

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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
- Establishing a competitive advantage in technology through intellectual property rights and contributing to the enhancement of corporate value

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

Corporate Officer's Message



Creating "the correct answer" in an uncertain era
R&D that responds to customer needs and proactive intellectual property strategies

Shingo Ito
Corporate Officer
General Manager Management of Technology Div.
Head of Scientific Research Laboratory
General Manager Business Implementation Div.

Organizational restructuring to respond quickly to customer needs and cultivate mid-to-long-term technology seeds

Generally, research and development faces barriers known as the Devil's River*1 and the Valley of Death*2. In the past, our company also faced a challenge where research departments focused too heavily on research itself and failed to fully capture real market pain points, resulting in the diligent creation of things that were not needed in the first place. Furthermore, in recent years, changes have been so drastic that it is not uncommon for customer challenges themselves to change during the development process. We reorganized our organization in April 2025 to break through this situation and work closely with our customers to address their challenges at all times. We have established a two-pronged system consisting of the Business Implementation Division, which captures market voices and handles speedy social implementation through an integrated system including production and quality assurance, and the Management of Technology Division, which conducts thorough basic research with a view toward 10 to 15 years in the future. This has created a mechanism that allows us to respond quickly to immediate needs while nurturing mid-to-long-term technology seeds.

Accelerating development in three focus areas centered on unique ceramic technology

To compete against increasingly complex social challenges, it is essential to clarify our core competencies and concentrate resources in areas where our strengths can be leveraged. We do not pursue things that other companies can do faster or cheaper; instead, we focus on areas where we can create added value by leveraging ceramic technology capable of delivering performance in harsh environments and precise gas sensing technology. For example, a strength of ours is the technology to precisely control the boundaries between ceramic grains (grain boundaries) at the atomic and nano levels. By combining this with analysis, evaluation, and simulations using computational science, we create a competitive advantage that other companies cannot easily follow. Leveraging our strengths in ceramic technology cultivated in the automotive components business, we are currently promoting development in three focus areas (mobility, semiconductors, and environment & energy) by targeting areas where our seeds match customer needs while also incorporating external expertise.

AI utilization of proprietary data and proactive intellectual property to build strong entry barriers

To accelerate development speed, we are also advancing the utilization of AI. The source of competitiveness here is the proprietary data fed into AI. We are accumulating this in a closed environment, including failure data that was previously discarded, to prepare it as a weapon for differentiation from other companies. Furthermore, an intellectual property strategy is vital to ensure that created technologies are converted into reliable business value. We utilize IP landscape to identify customer challenges and construct patent networks based on higher-level concepts backcasted from those challenges. By predicting competitors' moves and securing key technical points, we build strong entry barriers. While walking alongside our customers to provide value quickly, we place importance on a strategy that builds firm entry barriers in terms of intellectual property to link these efforts to revenue.

Talent who do not stop to search for the optimal solution but turn the chosen path into the "correct answer"

While we embrace evolving AI, we believe at this point human "translation" is essential to determine which technology should be used and how to solve the complex challenges customers face. In this day and age, it is difficult to make a perfect prediction in advance and find a perfect answer. However, even if the chosen path falls short of perfection, launching it into the world quickly could allow it to become the new standard. Alternatively, by following up with subsequent initiatives or expanding into other countries, it might ultimately achieve a value that represents the ideal. We need talent who do not stop to search for optimal solutions but instead persistently carry out their chosen answer and transform it into the correct one. By combining the power of people possessing such enthusiasm and execution capability with our long-cultivated technological strength, we will continue to bring positive transformation to society and within the company toward realizing our vision as a "company that brightens the Earth."

*1. The barrier between basic research/technological development and product development/commercialization.
*2. The barrier between product development and business implementation/mass production.

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Initiatives to Strengthen Intellectual Capital

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

Through the organizational restructuring in April 2025, we will enhance both the functions of applied/development research (Business Implementation Division) to accelerate the speed of commercialization and basic research aiming for the creation of new technologies from a long-term perspective, thereby pursuing more efficient and strategic innovation. To support this two-pronged system, regarding human capital, we will delve into expertise and foster co-creation with 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

With the goal of reducing environmental impact throughout the entire product lifecycle, we are working to recycle and increase the added value of used ceramics. 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 regenerative and circular society where minimal resources are thoroughly utilized.

2. Pursuing quantum technology to support future social infrastructure

We aim to create innovative innovations that solve social challenges by combining our long-cultivated strengths in ceramic technology with next-generation quantum technology. Currently, we are exploring the establishment of quantum sensing technology that exceeds conventional limits and the feasibility of new key devices that will support next-generation computing and communication infrastructure in collaboration with outside partners. Through this basic research, we will establish our new core competencies for a future 10 to 20 years from now and contribute to the sustainable development of society.



J.K.

Management of Technology Div. Scientific Research Laboratory

Undertaking next-generation material innovation by combining cultivated technology and new knowledge

I am engaged in the research and development of next-generation battery materials called solid electrolytes. To meet the expectations for new energy storage technologies that support social infrastructure, I engage in daily discussions with experts both inside and outside the company and strive for material innovation using experiments and computational science. Research activity is a process of facing questions for which there are no immediate answers and accumulating small discoveries. My goal is to innovate the materials themselves by combining the ceramic technology the company has built up to date with the knowledge acquired through my own research. I will then refine this technology into something indispensable to society and contribute to the realization of a sustainable energy society.

Action Guidelines for Intellectual Property Activities

Action Guidelines

- Further enhance corporate value by conducting intellectual property activities aligned with the product life cycle (PLC) to promote business creation and growth.
- 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 constructing patent networks in accordance with the IP strategy.

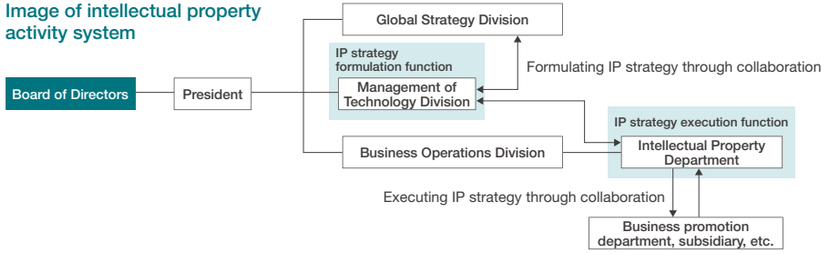
• Strengthening governance systems

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 system

We will establish a new IP strategy formulation capability within the management of technology departments to bolster the formulation and promotion of IP strategies integrated with our overall business strategy while collaborating with the Global Strategy Division, which is the department responsible for formulating management strategies.

Image of intellectual property activity system



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Intellectual Property Activities by Operating Segment

Automotive components

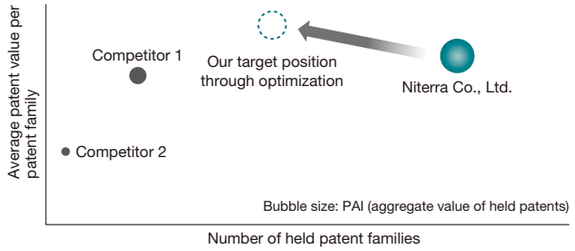
In our automotive components business, which is the pillar of our earnings, we will promote IP mix activities that protect our technologies and expertise in multiple aspects.

Regarding patents specifically, we will secure a competitive advantage over competitors using the patent asset index (PAI) as an indicator, in accordance with activities during the PLC maturity stage. In specific terms, we aim to continue contributing to maximizing profitability by reinforcing patent networks to build a competitive advantage and optimizing our patent portfolio by conducting inventories of unnecessary patents.

Example of activities

- Defense with a superior patent portfolio
- Reinforcement of patent networks to secure competitive advantage
- Inventory of patents related to obsolete or unnecessary technologies
- Brand protection by detecting and eliminating counterfeit products
- Defense through know-how secrecy

Patent asset index (PAI) for spark plugs (as of April 2026)



Our PAI value related to spark plugs maintains superiority over competitors.
We will also promote strategic reinforcement of our patent network while conducting a patent inventory within a range that maintains scores and the number of patent families above those of our competitors.

* 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 with valid legal status (pending applications and patents that have been granted).



Y.N.
Management of Technology Div.

Pursuing proactive and defensive IP strategies with a view toward utilization beyond patents

I am working on formulating the Niterra Group's IP policy and developing optimized IP strategies for each business based on this policy. Specifically, rather than simply turning an invention into a patent, I consider daily how to construct a patent network tailored to the business and how it should be utilized thereafter. I believe that appropriate IP activities are indispensable not only for immediate technologies but also for realizing the Mid-term Management Plan 2030, ensuring the company's sustained growth, and ultimately continuing to contribute to society through technology. Through my work, I will use the power of intellectual property to support new value creation for our group and the realization of a prosperous society.

Component solutions

In the component solutions business, we identify the PLC stage by business and our IP (technological) position relative to competitors to set goals leading up to the end of the Mid-term Management Plan in March 2030; simultaneously, we are promoting the formulation and execution of specific activity plans to achieve these goals.

Additionally, we contribute to multifaceted market research for business promotion through the use of the IP landscape, and we work 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)

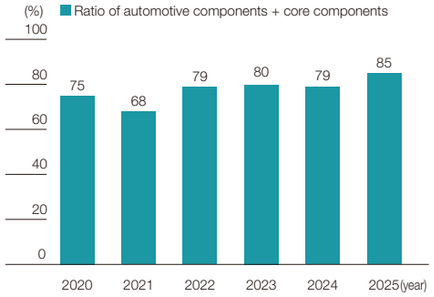
Step 2: Consider what the future should look like in connection with the development strategy

Step 3: Formulate and implement a strategy for realizing the vision of the future (setting IP activity policies and goals, planning activities, etc.)

Step 4: Look back at implementation details

We aim to realize the ideal situation of the component solutions business by repeatedly carrying out the steps above with a sense of speed.

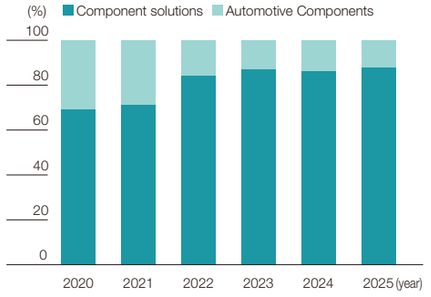
Percentage of new inventors in the component solutions business relative to total new inventors



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%.

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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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.

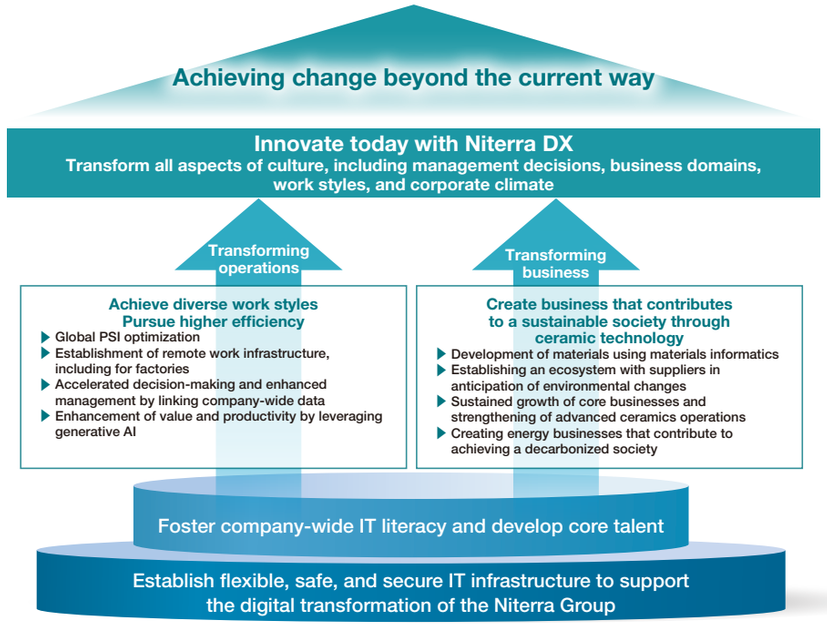
(4) Transformation of business
We will create businesses that contribute to achieving a sustainable society based on Niterra Group ceramic technologies cultivated to date.

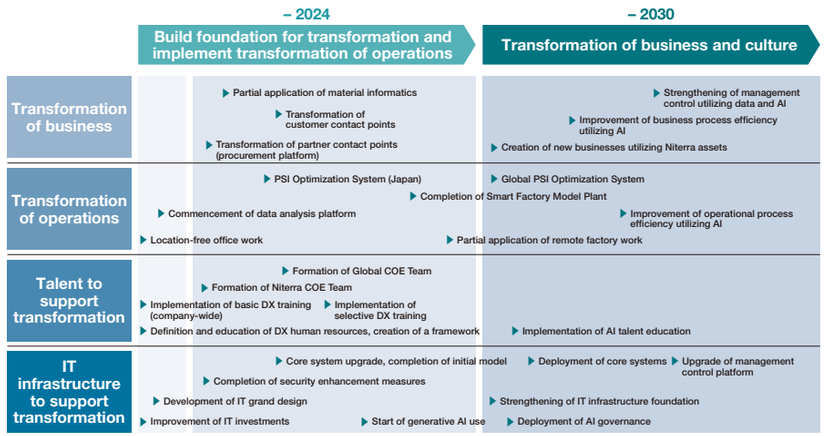
Road to Transformation

Through Niterra DX, we aim to achieve business and cultural transformation by incorporating generative AI under an appropriate governance system, after establishing a solid foundation.

We designated the period up to 2024 as the "build the foundation for transformation and implement transformation of operations" phase, during which we focused on building a foundation through the development of IT infrastructure and data platforms, as well as DX talent development.

In the subsequent "business and cultural transformation" phase, we will promote company-wide transformation by evolving these efforts into operational efficiency via AI and the creation of new businesses.





FOCUS

AI strategy and AI governance

We view AI technology not merely as a means of improving operational efficiency but as an opportunity for AI transformation (AIX) to fundamentally review existing operational processes.

Rather than simply applying advanced technology to existing tasks, we are focusing on the wisdom found at our manufacturing sites, which are the front lines of manufacturing, and the intrinsic value of operations in indirect departments. Working as one company, we are pursuing radical efficiency and improvements in labor productivity to encourage a transformation in how our employees work.

In implementing these tools into actual operations, we also place great importance on protecting our core technical assets and confidential information. We will establish an environment where all employees can use AI safely, including advanced access controls based on the importance of information and a system for pre-evaluating the safety of AI-generated programs.

By mitigating risks associated with overreliance on the latest technology and ensuring a gradual, steady integration into actual operations, we will lead this toward reliable productivity improvements and an increase in mid- to long-term corporate value.

Progress and challenges of initiatives for productivity improvement

The development of our operational foundation is progressing steadily, with the commencement of the data analysis platform and the introduction of a domestic PSI optimization system by 2024.

At our manufacturing sites, model smart factories have begun operations, and the foundation for productivity improvement is being established. Moving forward, the challenge will be to further advance these initiatives and expand their scope. Specifically, we need to expand the PSI optimization system globally and fully promote operational process efficiency utilizing AI. Furthermore, it will be essential to develop AI talent and deploy an AI governance framework to support these efforts.

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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 global quality assurance system and develop standardized processes suitable for each area to meet 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 establishing 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)

Executive Officer's Message

Evolving manufactured capital that supports business portfolio optimization to serve as a driving force for realizing the Mid-term Management Plan 2030



Yoshitaka Suzuki
Executive Officer
Business Strategy Dept., Global Strategy Div.
CAIRE Inc.

Supporting the improvement of profitability and capital efficiency toward the realization of the Mid-term Management Plan 2030

In the Mid-term Management Plan 2030 (MMP 2030), we plan to accelerate business portfolio optimization by further strengthening our automotive components business, which is one of our strengths, and allocating the cash generated there to the component solutions business and other new businesses. Within this framework, manufactured capital is a vital foundation supporting our business and an element closely linked to our performance. For example, promoting smart factories leads to productivity improvements and cost reductions. Additionally, our production site strategy and supply chain optimization contribute not only to cost reduction but also to the optimization of inventory, leading to an improvement in ROIC through enhanced capital efficiency. Strengthening manufactured capital may at first glance seem like an initiative unrelated to profitability. However, we believe that the source of competitiveness in the manufacturing industry lies in the production floor, and its evolution is a key factor in supporting improvements in profitability and capital efficiency.

Evolution of production systems according to expanding business characteristics and promotion of mid- to long-term production site strategy

Regarding manufactured capital, we believe it is necessary to optimize procurement, quality, and logistics according to the characteristics of each business while strengthening governance across the entire value chain in view of business portfolio optimization. We are transforming from a business centered on automotive components to a portfolio with diverse business domains, and evolving into a system capable of responding to this change is indispensable. However, particularly in the component solutions business, the diversity of product groups made it difficult to distinguish between areas that should be integrated and those requiring responses tailored to different characteristics. Additionally, in new businesses, product development tended to take precedence, often leaving logistics and supply chain design as secondary considerations. Consequently, we reviewed our organizational structure in April 2026, reorganizing and integrating four departments, namely the Business Infrastructure Strategy Department, the Management Department, the SCM Strategy Department, and the Safety & Health Department, into the Business Strategy Department within the Global Strategy Division. This has established a framework where key themes such as procurement, supply chains, and safety and health can be promoted integrally from a strategic perspective.

In recent years, M&A has added new businesses and production sites, expanding our options; therefore, we must determine the ideal mid- to long-term state of our production sites from a Group-wide optimization perspective. We will specifically advance preparations aligned with the investment speed of new businesses, pursuing risk management and profitability improvements tailored to each business characteristic. Looking beyond five years to ten, twenty, and even further into the future of our business portfolio, we will distinguish between what should be integrated and what should be decentralized to optimize our production site strategy.

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Smart factories: Key to the evolution of production systems

To optimize our production systems in line with business portfolio optimization and achieve a 1.4x increase in productivity efficiency, the realization of smart factories is an indispensable theme. We recognize that challenges remain regarding data linkage between processes and end-to-end automation and autonomy; we intend to map out the solution for these technical issues in the first half of the MMP period and proceed with full-scale deployment in the second half.

First, in FY2026, we will steadily develop our data platforms as a foundation for realizing smart factories. By organizing and integrating the different processes and data structures of each business, we will reliably build a data utilization environment that enhances productivity and risk response capabilities.

On the other hand, realizing fully autonomous production lines that do not rely on human labor is by no means an easy path. Advanced technical challenges exist in areas such as the implementation of in-line quality checks, the inspection processes that must identify subtle color irregularities and textures characteristic of ceramics, and the transport process, where size, shape, and delicacy vary extremely by product. Essentially, the challenge lies in how to translate human intuition into technology. However, we view this as a vital challenge to open new frontiers in manufacturing. By flexibly incorporating advanced technologies such as AI and persistently repeating on-site verification and challenges even when faced with difficult obstacles, we will move forward with determination toward realizing next-generation autonomous manufacturing that is both efficient and sustainable.



Strengthening sustainable supply chains and risk response capabilities

The standards required by overseas customers, particularly in Europe, regarding social demands such as the promotion of carbon neutrality and respect for human rights are increasing year by year. Being able to respond steadily to these demands can be said to be part of the competitiveness that allows us to continue being chosen as a business partner. Prospering together with our customers and suppliers ultimately leads to the return of value to our shareholders, investors, and society. The prerequisite for this is sustainability compliance.

Furthermore, utilizing DX in manufacturing capital is essential to enhancing risk response capabilities across the entire supply chain. In a world situation of increasing uncertainty, it is difficult to accurately predict when and where risks related to procurement and logistics will materialize. Therefore, in addition to preventive measures such as multi-sourcing, the most important factor is how quickly we can implement countermeasures once a risk materializes. Moving forward, we will expand the data platform development for smart factories into the procurement and logistics domains, linking data on procured items and logistics routes. By accelerating the understanding of the scope of impact and causes when problems occur, we will improve the speed of management decisions and risk responses.

An unwavering commitment to quality and safety even as business domains expand

On the other hand, even as our business domains expand and the surrounding environment changes, our commitment to quality and our approach to health and safety are foundational areas that must remain steadfast as a manufacturer. Although required quality standards vary by final product, our dedication to quality and our commitment to thorough health and safety, or maintaining the ideal state for a manufacturer, remain unchanged.

First, regarding quality, we will strictly adhere to a quality-first (zero-defect) principle to ensure that no defects are produced in any process. The spirit embodied in the words of our founder, Ezoe Magoemon, “Even if only one product in a thousand is defective, the customer who buys it has a 100% defect rate,” will never waver, regardless of changes in eras or business domains. We reaffirm that quality control must be the top priority, especially when promoting optimization that includes production processes.

Regarding health and safety, it is not only a social requirement but also an important theme that aligns with Shisei-Shinjitsu, one of our Shared Values, in terms of facing employees with sincerity while engaging in manufacturing. Serious occupational injuries are management risks that must never occur, as they not only rob employees of their lives but can also instantly damage our very business foundation. Therefore, with legal compliance as a prerequisite, we will eliminate major risks and ensure that thorough risk management is fully functional. Creating this ideal state of manufactured capital and maintaining an honest approach to production provides the foundation for employees to work with peace of mind and for us to deliver high-quality products to our customers. We believe that this business foundation must be protected no matter what happens.

Evolving manufactured capital for the realization of the Mid-term Management Plan 2030 and sustained growth

In advancing our manufactured capital strategy, we emphasize the approach of managing the immediate surroundings while looking toward the distant future. While ensuring that current operations run smoothly, we believe it is important to prepare the foundations and decision-making axes that support investment in growth areas and business expansion in view of future changes in our business portfolio, thereby strengthening governance across the entire value chain.

The development of smart factories and data platforms, along with the strengthening of the supply chain, will serve as a common foundation supporting diverse future business developments beyond immediate productivity improvements. For this reason, it is crucial to proactively establish necessary rules and foundations in anticipation of the future, rather than responding only after challenges materialize.

On the other hand, no matter how much our business structure changes, our commitment to quality and health and safety must never change. While placing these at the core of our manufactured capital, we will protect what must be protected and change what must be changed. By strengthening our manufactured capital with this clear sense of balance, we will make it a driving force for the realization of the Mid-term Management Plan 2030 and sustained growth.

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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

- CO_2 circulation, CO_2 capture and utilization, and development of solutions for a hydrogen-based society
- Promoting CO_2 reduction by means of internal carbon pricing, internal carbon taxes, and internal environmental funds

Challenges

- Balancing business growth and reduction of CO_2 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

- Based on the recognition that environmental issues, including climate change and biodiversity conservation, are deeply interrelated, we take an integrated approach to these issues through all of our business activities, making particular efforts to reduce CO_2 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.

<Appendix> Niterra Group Biodiversity Action Guidelines https://www.sustainability.niterragroup.com/en/themes/535/

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 FY2025, the Central Environmental Committee convened twice to report and discuss progress on Eco Vision 2030, the promotion of Group governance, environmental incident information, and the progress and future plans for the climate change initiatives response roadmap.

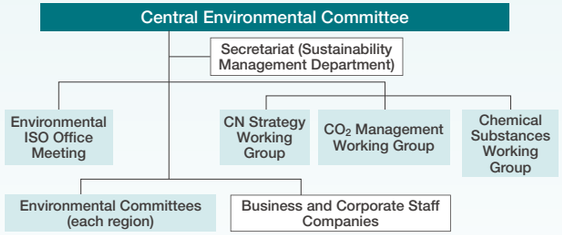
Each internal company manages its own targets on items relevant to business activities and conducts activities integrated with business to achieve Eco Vision 2030 in the future. Meanwhile, we formulate action plans and work to comply with regulations in each region, raise environmental awareness, and 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 nine 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. Niterra Materials, which joined our group in FY2025, has also obtained multi-site certification.

96% of Group employees have obtained ISO 14001 certification.

*Number of companies and employee ratio as of the end of FY2025



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Eco Vision 2030

Global environmental conservation is fundamental to a sustainable society, and is a key business challenge to be addressed head-on for all stakeholders. On the premise of aiming for carbon neutrality in 2050, we have established "Eco Vision 2030," which shows the vision (or goal) of what we want to be by 2030 and the vision of what we will pursue until 2040. For Eco Vision 2030, the impacts that our businesses and products would have on society and our company were analyzed, and 13 issues that would have a large impact were selected. Among them, the four issues that were considered to have a greater impact—"Responding to Climate Change", "Expanding Environmentally Friendly Products", "Conserving Water Resources", and "Waste Management"—were positioned as the four important issues, and numerical goals were set for them. Each measure is progressing steadily; in particular, because CO_2 reductions in Responding to Climate Change progressed ahead of the original plan, we updated the FY2030 targets for Scope 1 and 2 to more ambitious values in April 2026 to aim even higher. Through the practice of Eco Vision 2030, our group will work together to contribute to the realization of global carbon neutrality and zero emissions.

	Eco Vision 2030 issues	Our vision for 2040	The milestone to be achieved in 2030	Progress up to FY2025
Four Important Issues	Responding to Climate Change	Implementing activities toward realization of a decarbonized society. *Achieving carbon neutrality by 2050	CO_2 emissions reduction compared to FY2018: 46% for Scope 1 and 2, and 30% for Scope 3.	CO_2 emissions reduction compared to FY2018: 33.2% for Scope 1 and 2 8.5% for Scope 3
	Expanding Environmentally Friendly Products	All products contribute to the improvement of the global environment and contribute to making sustainable society come true	Expand Niterra Green Products	· Certified 13 products as Niterra Green Products · Initiated design framework to enhance product environmental contribution (applying LCA from early development)
	Conserving Water Resources	Implementing sustainable business operations in response to global water risks	Water consumption intensity: Keep below FY2018 level	· Water consumption intensity compared to FY2018: 2.6% reduction
	Waste Management	Contribute to a global recycle-oriented society by promoting zero emission	Achieve over 95% effective utilization rate Reduce at least 1% of waste intensity compared to FY2018 Promote 3R (reduce, reuse, recycle) activities	· Effective utilization rate: 96.0% · Waste intensity compared to FY2018: 24.4% reduction
Other Issues	Integration with Management	Continued efforts to address global environmental issues as a business strategy	Address global environmental issues as a business strategy	· Integrated global environmental issues (CO_2 reduction, environment/energy business) into 2030 Mid-Term Management Plan to align with corporate management.
	Globalization of EMS	The entire group is able to share environmental information, and a monitoring and supervision system has been established for all Group companies.	Enhance systems for overseas affiliates to share environmental information and monitor and supervise their activities.	· Strengthened governance under Group Environmental Regulations and built incident reporting lines via environmental conferences and audits with overseas subsidiaries.
	Analysis of Climate-related Risks and Opportunities	Sustainable business growth by analyzing the impact of climate change on our business and incorporate them into our business strategies.	Analyze climate change risks and opportunities and incorporate them into our business strategies.	· Assessed financial impact of climate change based on TCFD recommendations.
	Through environmental compliance (Compliance with environmental laws and eradication of environmental accidents)	We have become a socially trusted company by continuing to achieve zero violations of environmental laws and regulations and zero environmental accidents.	Achieve zero violations of environmental laws and regulations and zero environmental accidents.	· Reinforced prevention and recurrence-prevention mechanisms by deploying incident countermeasures company-wide and checking site-specific risks.
	Greater Environmental Awareness	All employees have a high level of environmental awareness and contribute to making a sustainable society come true.	All employees take environmental education programs and actively engage in environmental conservation activities.	· Conducted Eco Vision training for all employee levels (executives, managers, general staff).
	Management of Chemical Substances	Contributing to the conservation of biodiversity through the continuous management of appropriate chemical substances.	Appropriately manage chemical substances to reduce environmental impact.	· Reduced atmospheric VOC emissions by installing exhaust gas treatment systems.
	Promoting Green Procurement	Implementing environmentally friendly procurement activity to making sustainable society come true.	Achieve 100% introduction of green procurement system	· Strictened chemical substance management and promoted supplier decarbonization by advancing green procurement and revising guidelines.
	Expanding Green Logistics	Our green logistics system develop globally.	Reduce CO_2 emissions by promoting green logistics and optimizing logistics efficiency.	· Improved Scope 3 Category 4 CO_2 calculation accuracy by refining activity data (transport volume × distance) at key overseas sites. · Reduced Scope 3 Category 4 CO_2 emissions by 33% vs. FY2018 by optimizing transport methods.
	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.	· Advanced nature-related disclosures based on TNFD recommendations.

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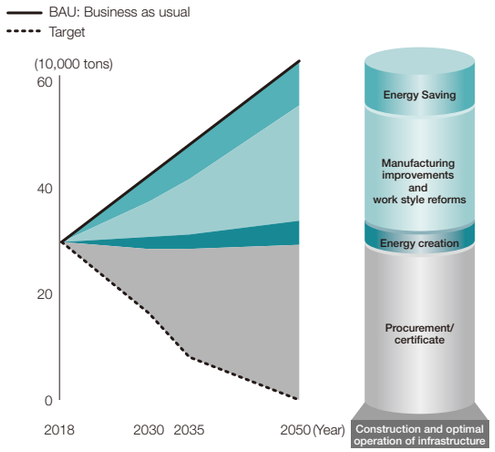
Responding to Climate Change

Our group has established CO_2 emissions reduction targets in our Eco Vision 2030, based on the premise of achieving carbon neutrality by 2050: “FY2030: 46% reduction compared to FY2018 levels” (Scope 1 and 2, revised upward in April 2026) and “FY2035: 71.4% reduction compared to FY2018 levels” (equivalent to the SBT 1.5°C target level of at least 4.2% annual reduction). We are also promoting CO_2 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, CO_2 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 CO_2 emissions and also economic growth.

CO_2 emissions (Scope 1 and 2) in FY2025 were 203,000 tons, a reduction of 31.9% compared with FY2018. We implemented initiatives such as switching to energy-saving equipment, reducing the number of machines by improving productivity, reviewing air conditioning operations for clean rooms, and lowering factory air pressure.

CO_2 emissions forecast



Plan		Examples of measures
Plan A	Energy Saving	**Reduction of standby energy** for production equipment and ancillary equipment (holidays and weekdays) Installation of energy-efficient production equipment (that meets Japan’s Top Runner Program requirements) and **optimization of operation conditions** Optimization of air conditioning supply and exhaust interlock operation and **optimization of conditions** **Renewal and modification** of ancillary and production equipment **Effective use of heat** Reduction of heat dissipation and periodic inspections for energy loss (air leaks, etc.)
Plan B	Improvement of monozukuri and work style	**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.)** **Energy transition** Review of manufacturing methods; consolidation and elimination of processes Utilization of new decarbonization technologies and in-house technologies
Plan C	Energy creation	Introduction of renewable energy equipment (solar power, etc.) and storage batteries; introduction of SOFC and cogeneration
Plan D	Procurement/ certificate	Promotion of electric power procurement (use of electric power with low emission factor); purchase of renewable electricity (including off-site PPA) and environmental certificates (including Niterra Electric Power Company)
System	Construction and optimal operation of infrastructure	Construction of an energy platform and introduction of EMS * Coordination with production planning * Energy management, **continuous improvement, and promotion of optimal control** * Reduction of waste by promoting prevention and predictive diagnosis, and reduction of spare equipment

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.

Through these efforts, we have achieved significant results, with water consumption intensity in FY2024 reduced by 27.7% compared with FY2018. In FY2025, total water consumption for the Group increased to 2.07 million m^3 due to factors such as the replenishment of cooling water for kilns at Niterra Materials, which joined our group. Consequently, water consumption intensity was 5.3 m^3/million yen (a 2.6% reduction compared with FY2018), but we have maintained the target level. We will continue to gradually refine the examination of water usage at each site and work toward further improving water use efficiency.

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 FY2025 was 96.0%, an improvement over FY2024. Our waste intensity was 0.057 tons per million yen, a decrease of 24.4% compared with FY2018. Total disposal volume was 22,470 tons. Due to Niterra Materials joining our group, both disposal volume and disposal volume intensity increased compared with FY2024. On the other hand, the effective utilization rate at Niterra Materials is high, and with further progress in the effective use of resources overseas, the overall effective utilization rate improved and reached the Eco Vision target.

FOCUS

Goals and initiatives for reducing VOC atmospheric emissions

In the Niterra Group, we aim to reduce volatile organic compound (VOC) atmospheric emissions by 50% by FY2030 (compared with FY2021) in order to suppress the emission of VOCs, one of the causes of air pollution.

To achieve this, we are systematically introducing exhaust gas treatment equipment with a removal rate of 90% or more, prioritizing sites with high emissions; in FY2025, one new piece of equipment began operation.

* 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/

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Information Disclosure Based on TCFD and TNFD Recommendations

By taking a multifaceted view of the impact our group's business activities have on the environment, we will integrally accelerate initiatives toward realizing a decarbonized society and conserving biodiversity under our Environmental Policy. To share the progress of these initiatives with transparency and deepen dialogue with our stakeholders, we are continuously expanding information disclosure based on international frameworks.

Regarding climate-related issues, we announced our support for the TCFD recommendations in May 2021 and have expanded disclosure by viewing climate change as a significant management risk and opportunity. Regarding nature-related issues, following our participation in the TNFD Forum in December 2022, we registered as a TNFD Early Adopter in January 2024 and declared that we would provide early disclosure in accordance with the TNFD recommendations. To minimize the negative impact of our business activities on natural capital and ensure the sustainability of the ecosystem services we depend on, we are conducting the analysis while strengthening our initiatives and information disclosure based on the LEAP approach.

	TCFD	TNFD
Governance	• We have established the Central Environmental Committee under the Environmental Advisor (President), with a system where important matters are reported to and supervised by the Board of Directors via the Corporate Management Committee. • Policies regarding climate change and other issues, as well as progress on priority management tasks, are deliberated and reviewed by the Sustainability Committee, an advisory body to the Board of Directors, after which the Board of Directors makes final decisions and provides supervision. • Human rights initiatives are promoted by the Compliance Committee (Human Rights Subcommittee).	
Strategy (risks & opportunities)	• Scenario Analysis: We identified climate-related risks and opportunities across the entire supply chain and evaluated business impacts by assuming "risks related to the transition to a low-carbon economy" occurring on the path to a 2°C scenario and "risks related to physical changes caused by climate change" that would occur in a 4°C scenario. • Business Risks, Opportunities, and Responses: As a result of examining the business environment and responses under 2°C and 4°C scenarios, no critical impacts regarding physical risks were found. Regarding our business, while the ICE business, which accounts for 80% of net sales, is being forced to transform, new needs and markets are expected in areas such as hydrogen to realize a decarbonized society. Therefore, we have designated "Environment & Energy" as one of our focus domains and are promoting the optimization of our business portfolio toward 2040.	• Evaluation of dependencies and impacts: We conducted evaluations covering the entire value chain (upstream, direct operations, and downstream) using ENCORE, a global assessment tool for nature-related issues. • Identification of risks: Based on evaluation results, we identified key risks by organizing the degree of impact and probability using qualitative scenarios, specifically Scenario I (a world where transition progresses and ecosystems recover) and Scenario III (a world where transition stagnates and ecosystems deteriorate). • Identification of priority sites and future actions: We identified areas where "areas of concern" with natural environmental risks overlap with "important regions" of high business importance as six top-priority sites globally (Satsuma Plant, Brazil, three companies in Thailand, and Indonesia). Moving forward, we will progressively conduct further detailed evaluations in stages to increase the resolution of risks and opportunities and implement highly effective countermeasures.
Risk management	• Identification and evaluation of risks and opportunities: We monitor regulatory trends and individually evaluate the impact on each business regarding environmental and ESG-related risks and opportunities, including climate change and biodiversity conservation, and respond accordingly. Company-wide risks are analyzed and evaluated by the Risk Management Committee in terms of impact, probability of occurrence, and status of countermeasures. • Management of priority risks and expansion of scope: Risks requiring focused response are designated as "priority risks," and the committee confirms the status of their reduction. In addition to the environment and human rights, we will also consider biodiversity-related risks moving forward. • Reflection of opportunities in strategy: Key opportunities are confirmed by the Sustainability Committee and reflected in the management strategy or Key Management Priorities. • Coordination with human rights considerations: Recognizing that biodiversity conservation is directly linked to the human rights of local communities and indigenous peoples, The Human Rights Subcommittee continuously monitors the implementation status of human rights due diligence and deliberates on and evaluates related issues.	
Metrics and targets	Target: CO_2 emissions (compared with FY2018) Scope 1 and 2: 46% reduction by FY2030, 71.4% reduction by FY2035 Scope 3: 30% reduction by FY2030 FY2025 results: Scope 1 and 2: 31.9% reduction Scope 3: 8.5% reduction	After proceeding with detailed evaluations of nature-related risks and opportunities (in-depth research based on the LEAP approach) at the identified top-priority sites (Satsuma, Brazil, three companies in Thailand, and Indonesia), we will further consider how to establish metrics and targets to more precisely manage our group's significant nature-related dependencies, impacts, risks, and opportunities.

* For Information Disclosure Based on TCFD Recommendations, please visit our website:
https://www.sustainability.niterragroup.com/en/themes/531/

* For Information Disclosure Based on TNFD Recommendations, please visit our website:
https://www.sustainability.niterragroup.com/en/themes/546/



In-depth risk assessments at Satsuma Plant

Rich biodiversity protected through appropriate environmental management

Y.K.
Sustainability Management Dept., Business Operations Div.

As we proceeded with preparations for nature-related information disclosure, we recognized the need to identify and organize nature-related issues for each individual business location. In FY2025, as part of advancing the LEAP approach, we conducted a detailed risk assessment at the Satsuma Plant (in Kagoshima Prefecture), one of our highest-priority locations.

The plant manufactures spark plugs, one of the Group's main products, in a location blessed with abundant natural surroundings. In this survey, a rich avifauna comprising 36 species was confirmed in the vicinity of Anagawa, a river near the plant where wastewater is discharged, including the crested kingfisher (an environmental indicator species) and the osprey (a near-threatened species). The presence of diverse bird species at the top of the food chain serves as evidence that the region's biodiversity is being richly maintained, demonstrating that the plant's responsible wastewater management is successfully minimizing the impact on the surrounding environment. In addition, the presence of rare species such as Ainsliaea fragrans and Rubus sumatranus has been confirmed on the site. We surmise that the habitat was preserved through herbicide-free green space management practices.

In addition, we conducted a risk evaluation, including an evaluation of water resource utilization and flood risks, and determined that the current level of risk is low. Through these surveys, we were able to compile information on proactive environmental conservation initiatives and their results.



Ainsliaea fragrans
(Photo: Satsuma Plant)

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Social and Relationship Capital



Vision

- Engaging in ongoing dialogue with shareholders and investors to foster mutual understanding, we strive for sustained 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 sustained 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 collaborations that arise from this and by maximizing mutual benefits.



Stakeholders	Initiatives	FY2025 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 and then responding in detail.	• Held the ordinary general meeting of shareholders in June and conducted a business briefing afterward to create opportunities to hold dialogues with shareholders • Financial results briefings held in May and November • ESG briefing held in February
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.	• Product and technology explanations at exhibitions • Communication at event venues such as races • World's leading market share in spark plugs and oxygen sensors *FY2024 results • Global sales presence: Approx. 140 countries • Authorized distributors: 370 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.	• Procurement policy briefing session held in May • Conducted periodic evaluations and recognized outstanding suppliers • Followed up on the survey conducted using checklists (approximately 920 companies surveyed, 71% response rate) • 12 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.	• 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 189 participants for environmental plant tours • Community clean-up activities with a total of 214 participants • A total of 20 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.	• Regularly published on the web-based company newsletter • Labor-management council meetings held as needed • Received 125 consultations and reports through the internal reporting system • Conducted an employee engagement survey



Continuing to Lead the Market with a Strong Local Team

E.N.

Niterra do Brasil Ltda.
General Manager, OEM Sales

My view of Niterra's journey in Brazil shows our commitment to combining top technology with real value for customers. Our leadership in spark plugs goes beyond technical excellence; it is based on a strong local factory that provides fast, strategic support for the national market's needs.

Our status as an original parts supplier (OEM) creates a level of trust that we bring with hard work to the Aftermarket. Our main advantage is our people—a specialized sales and technical team that works closely with distributors, shops, and mechanics. This active presence makes the NGK brand a vital partner for the success of everyone who keeps the Brazilian automotive industry moving forward every single day.

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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.
- We aim to build a stable procurement system to prepare for changes in the external environment, such as geopolitical risks, natural disasters, and pandemics
- 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.

<Appendix>
Niterra Group Responsible Mineral Procurement Guidelines
https://www.sustainability.niterragroup.com/en/themes/525/

Promotion System

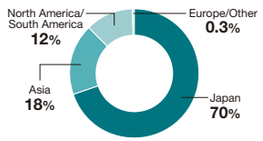
The Niterra Group is committed to working with our diverse suppliers in order to meet society's expectations throughout our entire supply chain. We are also committed to promoting responsible procurement with consideration for issues such as human rights and the environment. To that end, our Procurement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

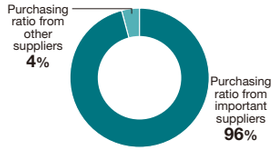
The Procurement Department takes the lead in thoroughly managing our suppliers who make up the supply chain. In doing so, we place significant emphasis not only on quality, technology, price, and delivery times but also on sustainability perspectives such as environmental, social, and governance (ESG) 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.

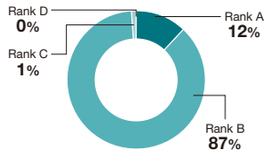
Procurement amount composition ratio by country/region



Purchasing ratio from important suppliers



Significant suppliers ratio by level
(FY2025 annual evaluation results)



Promotion of Sustainability Procurement

To foster sustainability measures across the supply chain, we issued our CSR and Sustainability Procurement Guidelines and have been distributing copies to suppliers.

In FY2025, 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 FY2025, we expanded the scope of the survey to approximately 920 regular suppliers, receiving responses from 71% of suppliers (the equivalent of 86% 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 CO_2 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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Section 04

Corporate Governance

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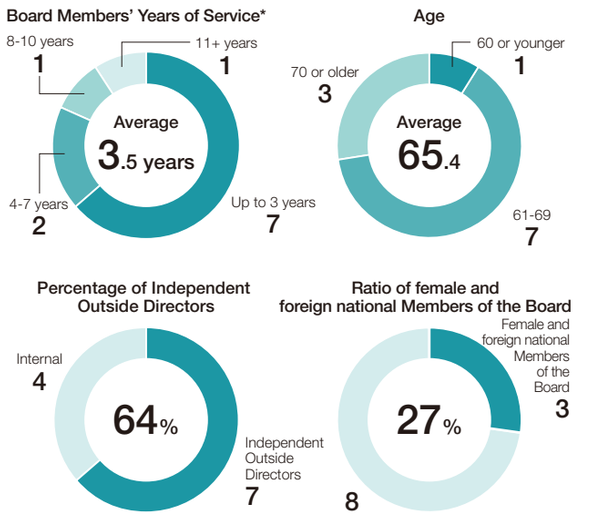
Basic Philosophy on Corporate Governance

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

Corporate Governance System

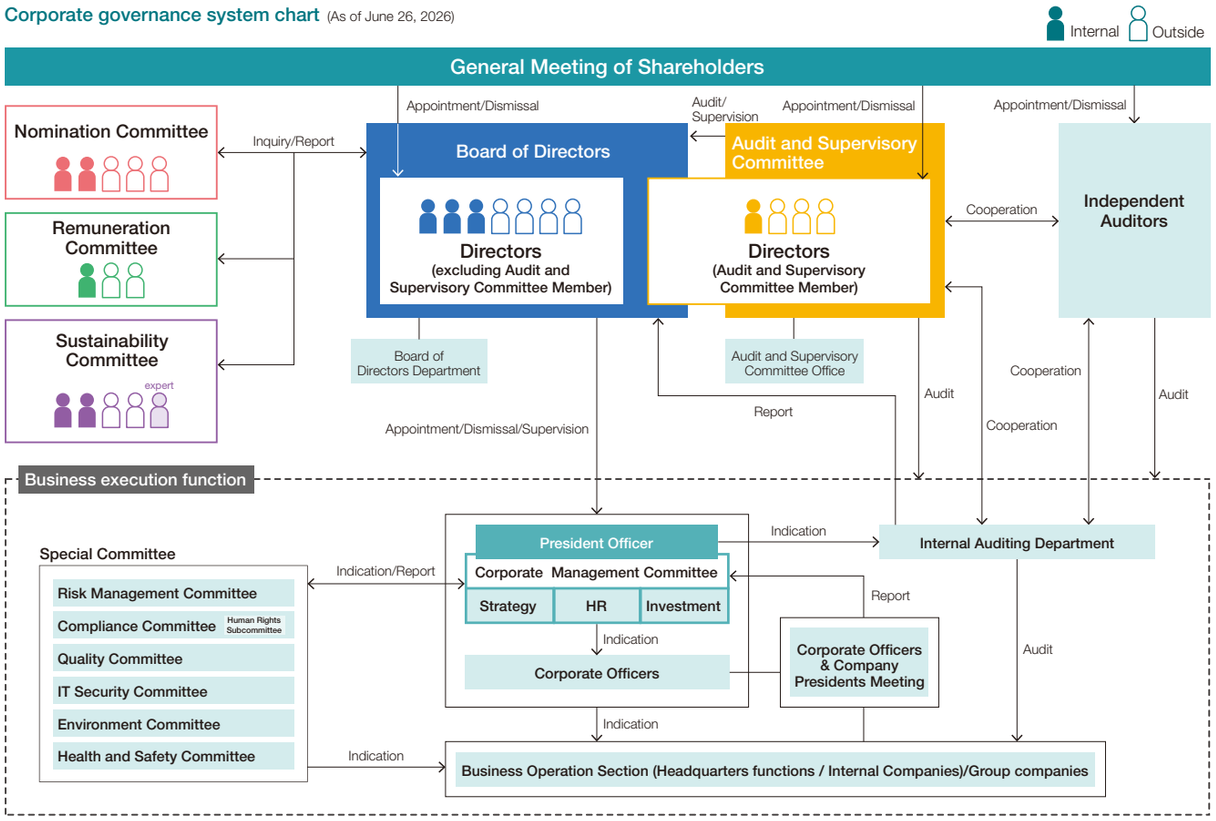
The company has selected a company with an Audit and Supervisory Committee for the purpose of further enhancing discussions on management policies and strategies at the Board of Directors, strengthening the supervisory function, and further speeding up management decision-making and execution of business.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

Corporate governance highlights (As of June 26, 2026)



*Years served as auditors are included for Members of the Board that served as auditors before their appointment.

Corporate governance system chart (As of June 26, 2026)



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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 sustained growth and increase its corporate value on a medium- to long-term basis, thereby increasing its profitability, capital efficiency and others:

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

The company's Board of Directors believes that it is important for the Board to comprise diverse talent with different backgrounds, including specialized knowledge and experience, in order to achieve sustained 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. Members of the Board candidates are not excluded from consideration on the basis of their race, ethnicity, nationality, country of birth, cultural background, etc.

Skill Matrix of Members of the Board

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 Members of the Board 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 and will be decided by the Board of Directors following deliberation by the Nomination Committee, which is an advisory committee to the Board of Directors.

Skill matrix of Members of the Board

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
Takeshi Kawai	Representative Director, Chairman of the Board		○					○	○
Keiji Suzuki	Representative Director, President		○					○	○
Koji Suzuki	Member of the Board, Executive Officer		○		○		○		
Chiharu Takakura	Member of the Board (Outside Director)	●				○	○		
Takayoshi Mimura	Member of the Board (Outside Director)	●	○				○		○
Hisanori Makaya	Member of the Board (Outside Director)	●	○				○		○
Miho Hanafusa	Member of the Board (Outside Director)	●				○		○	
Kenji Isobe	Member of the Board, Standing Audit and Supervisory Committee Member			○	○	○			
Fumiko Nagatomi	Member of the Board (Outside Director), Audit and Supervisory Committee Member	●			○				
Hideyo Uchiyama	Member of the Board (Outside Director), Audit and Supervisory Committee Member	●	○	○	○				
Kohei Kodama	Member of the Board (Outside Director), Audit and Supervisory Committee Member	●			○		○		○

Skill item	Reason for selection
Corporate management	As the automobile industry enters a period of great change, the Group is aiming for an optimal business portfolio structure. As such, corporate management skills are required in order for the Board of Directors to oversee strong decision-making by management and decide on management policies that balance enhancing corporate value with solving social issues from a medium- and long-term perspective.
Finance/ Accounting	As we promote medium- and long-term profit growth and strengthened shareholder returns, finance and accounting skills are required in order for the Board of Directors to oversee the sound implementation of the financial reporting system and the formulation and implementation of financial strategies for realizing growth investments that are balanced with financial soundness and investments that will strengthen the management infrastructure.
Governance/ Legal/Risk management	As we aim to further enhance governance, skills in the areas of governance, legal, and risk management are required in order for the Board of Directors to oversee the establishment and implementation of governance and risk management systems that promote compliance and adequately respond to risks that hinder business operations.
Human capital	As we aim to develop human resources that embody the "Niterra Way," human capital skills are required in order for the Board of Directors to oversee the formulation and implementation of human resources strategies focused on promoting human capital investment efforts, including development of human resources, optimization of human capital placement, and organizational and system reforms.
Global business	As we expand our businesses in the global market and utilize global production and sales systems to enter new business areas, global business skills are required in order for the Board of Directors to oversee businesses from a multifaceted perspective with an understanding of strategies and risks in the global market.
Technology/R&D	As we aim to expand businesses centered on ceramics technology and acquire new core assets, technological development and R&D are important business activities. As such, technology and R&D skills are required in order for the Board of Directors to oversee the identification of technology and R&D focus areas and the allocation of management resources to achieve them.
Business development/ M&A	As we aim for growth and new business creation through business development utilizing our core assets and the achievement of synergy with other companies through M&A, etc., business development and M&A skills are required in order for the Board of Directors to oversee the appropriate allocation of management resources, business continuity decisions, and M&A aligned with the medium- and long-term strategies.

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Activity Status of the Board of Directors

In FY2025, in addition to regular matters such as resolutions stipulated by laws and regulations or articles of incorporation, the Board of Directors deliberated on matters such as the appointment of the next President, the formulation and progress of the Mid-term Management Plan, revisions to the remuneration system for Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) and Corporate Officers, important M&A deals, PMI status of acquired subsidiaries, business and growth strategies for individual businesses, revisions to the human resource system, activities of the Risk Management Committee and Compliance Committee, acquisition of treasury shares, dialogue with shareholders and investors, and the effectiveness of the Board of Directors.

Main topics, number of topics, and time ratio at the Board of Directors meetings in FY2025

Category	Number of Agenda Items	Time Allocation	Main Agenda Items
Management Policy & Strategy	21	38%	Medium-term management plan and its progress, M&A deals, PMI monitoring, business/growth strategies for individual businesses, revisions to the human resource system, and sustainability initiatives
Governance	43	34%	Executive appointments, selection of the next President, revisions to the executive compensation system, board effectiveness evaluation, reports on Audit and Supervisory Committee audits/internal audits, activity status of the Compliance Committee and Risk Management Committee, and dialogue with shareholders and investors
Financial Results & Finance	19	22%	Approval of financial results and dividends, acquisition of treasury shares, and status of strategic shareholdings
Individual Business Execution	4	5%	Resolutions and reports on individual business execution matters
Other	4	1%	Other statutory resolution items, etc.

Support by the Board of Directors Department

In 2024, we established a Board of Directors Department as a dedicated organization to support the operation of the Board of Directors. The purpose is to enhance the content of deliberations at the Board of Directors meetings, strengthen supervisory functions, and improve support and information provision to Outside Directors who constitute the majority of the Board of Directors. The Board of Directors Department supports the smooth operation and enhanced effectiveness of the Board of Directors by organizing and selecting board meeting topics, planning annual schedules, coordinating with related departments, and conducting pre-meeting briefings and orientation for Outside Directors at the time of their appointment, as well as managing the effectiveness evaluation of the Board of Directors. In addition, the Board of Directors Department also serves as the secretariat for the Nomination Committee, Remuneration Committee, and Sustainability Committee, supporting the operation of each committee.

Corporate Governance Measures Over Time

- **2012**
  - Decreased the upper limit of the number of Members of the Board from 25 to 13
  - Introduced the Corporate Officer system
- **2013**
  - Appointed an Outside Director
- **2014**
  - Increased the number of Outside Directors to two
- **2015**
  - Issued the Corporate Governance Report
  - Formulated the criteria for the appointment of independent officers
  - Began assessing the effectiveness of the Board of Directors
- **2016**
  - Increased the number of Outside Directors to three
- **2017**
  - Established the Nomination and Remuneration Committees
  - Introduced the performance-linked stock remuneration system
- **2019**
  - Introduced the Employee Corporate Officer System
  - Eliminated and consolidated the hierarchy of Corporate Officers
- **2020**
  - Increased the ratio of Outside Directors to one-third
- **2021**
  - Added non-financial indicators to the performance-linked stock remuneration system indicators
- **2022**
  - Transitioned to a company with an Audit and Supervisory Committee
  - Increased the ratio of Outside Directors to a majority number
- **2024**
  - Established of the Board of Directors Department
- **2025**
  - Added shareholder value indicators to the performance-linked stock remuneration system indicators
- **2026**
  - Changed the structure of the Nomination and Remuneration Committees and appointed an Outside Director as Chair of the Remuneration Committee

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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 FY2025, we conducted a questionnaire survey and individual interviews with Members of the Board to evaluate the composition and operation of the Board of Directors, the deliberation of management and other strategies, and oversight of business execution. The results of the survey and interviews were used to evaluate the effectiveness of the Board of Directors.

Furthermore, the content of the effectiveness evaluation is designed with the advice of Outside Directors, and the distribution of surveys, the collection/compilation of responses, and individual interviews are outsourced to an external organization.

Method of evaluation

Evaluation was conducted by the Board of Directors based on a survey of Members of the Board.

Survey items

- Composition and operation of the Board of Directors
- Deliberation on management strategies, etc.
- Internal control and risk management
- Supervision of business execution, nomination and remuneration of management
- Dialogue with shareholders and investors

↓

Individual interviews with Members of the Board

↓

Evaluation conducted by the Board of Directors based on survey and interview results

↓

Confirmation of issues

↓

Study of issue action policy and implementation of action

Effectiveness evaluation conducted in FY2024

Issues identified

- Enhancing the efficiency of meetings to further promote discussions at the Board of Directors' meetings
- Strengthening monitoring by the Board of Directors and conducting more in-depth discussions on business strategy

Action policy

- To promote further discussion, in addition to conducting off-site meetings, we will provide sufficient information to Outside Directors and clarify issues prior to the Board of Directors' meetings through pre-meeting briefings as appropriate. Furthermore, depending on the case, we will set aside time for advance discussion among Outside Directors only and introduce a framework for discussion at the Board of Directors' meetings, taking into account the opinions and advice from Outside Directors in advance.
- We will strengthen business portfolio management by setting hurdle rates for each business segment, and based on this framework, we will regularly report on the monitoring status focusing on businesses subject to withdrawal and revenue structural reforms. In addition, we will conduct more in-depth discussions on business strategies of acquired businesses and companies at the Board of Directors' meetings throughout the year, including regularly reporting on the PMI status, and will introduce a framework to better understand and supervise business conditions.

Results of initiatives in FY2024

- We clarified important items and monitoring matters through sharing the annual deliberation schedule of the Board of Directors and established a mechanism to promote discussions at the Board of Directors meetings for Outside Directors by providing sufficient information and organizing points of contention prior to the meetings through pre-meeting briefings.
- In addition to the existing quarterly execution reports provided by the Executive Directors, reports on important projects and businesses that require close attention were incorporated into the annual plan for Board of Directors meeting topics, introducing a mechanism to grasp the progress of each business in detail at the appropriate time and engage in agile and in-depth discussions.

Effectiveness evaluation conducted in FY2025

Overview of evaluation results

As a result of the effectiveness evaluation, we confirmed that the effectiveness of the Board of Directors is sufficiently ensured and that effective measures are being taken in the following areas in particular:

- The Board of Directors consists of members who ensure the knowledge, skills, experience, and diversity necessary to fulfill its roles and functions, and it conducts lively discussions under a culture of mutual respect and open communication. Furthermore, to focus on the deliberation of important proposals such as mid-to-long-term management strategies, decision-making authority regarding individual business execution has been appropriately and sufficiently delegated to the executive side.
- The Board of Directors encourages the management team to take appropriate risks toward the realization of the value creation story (meaning taking reasonable risks and acting intentionally to strengthen earning power and new revenue opportunities despite uncertainties).
- The Board of Directors confirms that objective, timely, and transparent procedures and evaluation criteria have been appropriately established for the appointment and dismissal of the President and others, and it confirms that discussions are held to ensure that incentive remuneration for the management team aligns with management strategies or plans and creates appropriate incentives.
- The Board of Directors implements appropriate improvement measures regarding key issues identified through evaluation of the effectiveness of the Board of Directors and strives to enhance its effectiveness.

Issues identified

- Conduct discussions on long-term management strategy, capital policy, and investment in human capital from a more overarching perspective

Action policy

Enhancing discussions aimed at promoting growth investment

- Led by the Sustainability Committee, we will accelerate discussions on medium- to long-term growth strategies and solving social issues.
- We will continue discussions regarding M&A strategies to fortify our business foundation with a view to optimizing our business portfolio.

Strengthening the monitoring function of the Board of Directors

- We will incorporate agenda items requiring a medium- to long-term perspective, such as business portfolio management and Group governance, into the annual plan for Board of Directors' agenda items.
- We will facilitate business understanding and enhance information provision for Outside Directors by conducting orientations and plant tours and by continuously improving summary sheets and the structure of materials.

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Nomination Committee

Roles

To ensure reasonableness and transparency with regard to Members of the Board and Corporate Officer nominations, the Nomination Committee, consulted by the Board of Directors, deliberates on the appointment of Members of the Board, which will be proposed at the general meeting of shareholders, as well as on the appointment and dismissal of Representative Directors and Corporate Officers and a succession plan, and then delivers its opinions to the Board of Directors.

Membership		Ratio of Outside Directors	Number of meetings held
Chair Representative Director, Chairman of the Board	Takeshi Kawai	60%	Meetings held in FY2025 6
Representative Director, President	Keiji Suzuki		
Member of the Board (Outside Director)	Takayoshi Mimura, Hisanori Makaya, Miho Hanafusa		
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Fumiko Nagatomi (Observer)		

Activities in FY2025

In FY2025, based on requests from the Board of Directors, the committee mainly deliberated and reported on the composition of the Board of Directors in light of the skill matrix, the content of proposals for the election of Members of the Board to be submitted to the general meeting of shareholders, the appointment of Representative Directors and Corporate Officers, the succession plan, the appointment of the next President, and the appointment of Corporate Officers.

Following the conclusion of the ordinary general meeting of shareholders held on June 26, 2026, the structure of the Nomination Committee was changed; while maintaining a composition where Independent Outside Directors continue to make up the majority of members, the number of members was reduced from the previous structure in order to conduct more efficient and in-depth deliberations.

Nomination Procedures

To ensure reasonableness and transparency regarding the nomination of Members of the Board, and to conduct efficient and substantial discussions, the company has established a Nomination Committee as an advisory committee to the Board of Directors, with Independent Outside Directors constituting the majority of its members. Candidates for Members of the Board (excluding Member of the Board, Audit and Supervisory Committee Members) are proposed to the general meeting of shareholders after deliberation by the Nomination Committee and resolution by the Board of Directors.

Succession Plan

1. Formulation and operation of succession plan

In order to achieve sustainable growth for the Group and medium- to long-term improvements in corporate value, the Company commits the time and resources necessary to formulate and operate a succession plan that will enable the promotion of the optimal candidate to the role of President, who will have the qualifications to take responsibility for the future of the management of the Group.

Efforts to formulate and operate the succession plan of the Company are led by the chairperson of the Board and the president, but in order to ensure objectivity and transparency they submit regular reports on the status of formulation and operation to the Nomination Committee, a majority of the members of which are independent outside directors, and receive advice from independent outside directors.

2. Selection and development of potential successors

The Company selects several successor candidates in accordance with relevant selection criteria, and implements a training program for them that includes challenging assignments. The Nomination Committee receives reports, deliberates, and provides advice on such matters as the selection criteria for potential successors, the status of selection of such candidates, and the content and operational status of development plans. In addition, by having outside directors who are members of the Nomination Committee attend parts of the training program as observers, the Company creates opportunities for them to directly check operational status.

The Nomination Committee considers and makes decisions on the continuation or replacement of potential successors every year, after taking into account the training program situation.

3. Final selection of candidates and selection of next President

During the fiscal year under review, the Company initiated the process for selecting the next president, in accordance with the succession plan. The Nomination Committee has deliberated and conducted multifaceted evaluations of the ability of the successor candidates selected and developed thus far to leverage their management ability to respond to changes in the business environment going forward, their leadership, character, and other qualities. When evaluating candidates, individual interviews were held with outside directors who are members of the Nomination Committee, and discussions were implemented only with outside directors, with discussions of the results by the Nomination Committee as a whole used as the basis for consideration.

The result was that Mr. Keiji Suzuki was selected as the final candidate from among all candidates, and in accordance with the findings of the Nomination Committee, the Board of Directors resolved to select him as the next president at a meeting held on February 24, 2026. During the selection process, Mr. Suzuki was rated highly for having the required track record and qualifications as a manager, together with the combination of his technical background and his abundant experience in dealing with customers, with high marks also given for his skill in communicating effectively at a global level, and his execution abilities.

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Remuneration for Officers

Basic policy

Remuneration for Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members, and Outside Directors) and Corporate Officers is paid based on the policy of providing them with additional motivation to contribute to improving the company's business performance on a medium- to long-term basis and growing the corporate value, while ensuring they have a shared interest with shareholders by holding company shares themselves. The remuneration consists of fixed remuneration paid in the form of cash; a bonus, which is linked with the company's single-year business performance, etc.; and performance-linked stock remuneration paid in accordance with each person's position and level of achievement against the performance targets set in the medium-term management plan and others. Remuneration of Members of the Board, 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 Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) and Corporate Officers, as well as the appropriateness of the amount of remuneration planned to be paid to each Member of the Board (excluding Members of the Board, 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 Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members, and Outside Directors) and Corporate Officers. In FY2025, the committee met four times.

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



Policy on the payment of bonuses

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 Corporate Officers who do not also serve as Members of the Board, 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 Members of the Board (excluding Members of the Board, 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 Members of the Board and the value of the company's stock, and to have them share interests with shareholders, so as to incentivize them to contribute to the improvement of the company's medium- to long-term performance and to increasing corporate value. Under the system, the Board Incentive Plan (BIP) is adopted, where points are given to Members of the Board 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 Corporate Officers who do not also serve as Members of the Board, 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 Members of the Board 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	–	• 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 Corporate Officers who do not also serve as Members of the Board, in addition to the above, the degree of achievement of performance targets set for their division	• **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 Corporate Officers who do not also serve as Members of the Board, 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	Members of the Board, Corporate Officers	Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members), Corporate Officers	Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members), Corporate Officers

Total amount of remuneration, etc. paid by category, total payment amount by remuneration type, and the number of recipients (for FY2025)

Category	Total amount of remuneration paid (millions of yen)	Total payment amount by remuneration type (millions of yen)			Number of recipients (persons)
		Fixed remuneration	Bonus	Performance-linked stock remuneration	
Members of the Board (excluding Audit and Supervisory Committee Members) (of which, Outside Directors)	490 (64)	258 (64)	164 (—)	67 (—)	8 (4)
Members of the Board, Audit and Supervisory Committee Members (of which, Outside Directors)	86 (46)	86 (46)	—	—	4 (3)

(Notes) 1. The total amount of bonuses and performance-linked stock remuneration are both the amounts expensed during FY2025.
2. The above includes remuneration for one Member of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) who retired at the conclusion of the 125th ordinary general meeting of shareholders.

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Remuneration Committee

Roles

To ensure reasonableness and transparency with regard to deciding Member of the Board and Corporate Officer remuneration, the Remuneration Committee, based on the Board of Directors' request for opinions, deliberates on matters related to remuneration policies for Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) and Corporate Officers, as well as the appropriateness of the proposed remuneration of each Member of the Board and Corporate Officer, and delivers its opinions to the Board of Directors.

Membership		Ratio of Outside Directors	Number of meetings held
Chair Member of the Board (Outside Director)	Hisanori Makaya	67%	Meetings held in FY2025 4
Representative Director, Chairman of the Board	Takeshi Kawai		
Member of the Board (Outside Director)	Chiharu Takakura		
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Hideyo Uchiyama (Observer)		

Activities in FY2025

In FY2025, the Remuneration Committee deliberated and reported mainly on evaluations of corporate and individual performance, the resulting individual remuneration for each Member of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) and Corporate Officers (excluding employment-type Corporate Officers), revisions to the remuneration system for Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members) and Corporate Officers, based on requests from the Board of Directors. Following the conclusion of the ordinary general meeting of shareholders held on June 26, 2026, the structure of the Remuneration Committee was changed; while maintaining a composition where Independent Outside Directors continue to make up the majority of members, the number of members was reduced from the previous structure in order to conduct more efficient and in-depth deliberations.

Sustainability Committee

Membership		Ratio of Outside Directors	Number of meetings held
Chair Member of the Board (Outside Director)	Chiharu Takakura	67%	Meetings held in FY2025 9
Representative Director, Chairman of the Board	Takeshi Kawai		
Representative Director, President	Keiji Suzuki		
Member of the Board (Outside Director)	Chiharu Takakura, Miho Hanafusa		
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Kohei Kodama		
External Expert	Chikako Miyata (Advisor in Charge of SDGs, ANA HOLDINGS INC.)		

For details, please refer to "Sustainability Promotion System" on ▶ P.21 .

Stocks Held for Reasons Other than Pure Investment Purposes

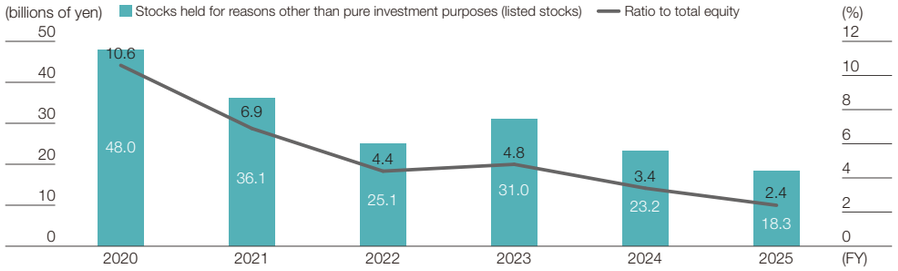
Policy on the stocks held for reasons other than pure investment purposes

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 FY2025 amounted to 18.3 billion yen (market value basis), accounting for 2.4% 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 Members of the Board, 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



* Amounts are the total amount on the balance sheet as of the end of each fiscal year

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

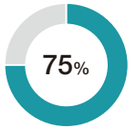
2020	2021	2022	2023	2024	2025
20	16	10	9	8	8

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Audit and Supervisory Committee

Roles

The Audit and Supervisory Committee audits and supervises the execution of duties of Members of the Board (excluding Members of the Board, Audit and Supervisory Committee Members; hereinafter "Members of the Board"). It also confirms the appropriateness and suitability of the process of nominations and remuneration of Members of the Board by attending Nomination Committee and Remuneration Committee meetings and expressing opinions on these matters.

Membership		Ratio of Outside Directors	Number of meetings held
Chair Member of the Board, Standing Audit and Supervisory Committee Member	Kenji Isobe		Meetings held in FY2025 **12**
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Fumiko Nagatomi		
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Hideyo Uchiyama		
Member of the Board (Outside Director) Audit and Supervisory Committee Member	Kohei Kodama		

Activities in FY2025

In FY2025, the Audit and Supervisory Committee deliberated on agenda items such as the formulation of audit policies and plans, preparation of audit reports, reappointment of independent auditors, and opinion determination regarding audit fees for independent auditors and election/remuneration of Members of the Board. In addition to attending Board of Directors meetings, attending Nomination and Remuneration Committees meetings as observers, conducting interviews with Members of the Board, Corporate Officers, and heads of major departments, visiting business sites and Group companies, 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 Standing 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.

Key audit items

Confirmation of the effectiveness of the Board of Directors	Supervision of business execution, and enhancing discussions on management policies and strategies Decision-making by the Board of Directors, etc. Enhancement of advisory committees
Confirmation of the effectiveness of Group governance	Oversight of M&A and business operations Oversight of governance from the parent company
Confirmation of the reliability of financial reporting and the effectiveness of internal controls	Ensuring the appropriateness of accounting audits Appropriate activity status of internal controls
Confirmation of the appropriateness of information disclosure	Timely and appropriate disclosure of financial and non-financial information

Evaluation of the Effectiveness of the Audit and Supervisory Committee

In the Audit and Supervisory Committee, in addition to reviewing audit activities at the end of each fiscal year, we began conducting comprehensive evaluations, including organizational structure and operations, through self-assessment since the previous fiscal year to further enhance the effectiveness of audits, and implemented these with expanded items.

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 Member of the Board duties and initiatives to be improved in the future.

Survey items

- Composition of the Audit and Supervisory Committee: division of duties, specialized skills, and secretariat system
- Operations of the Audit and Supervisory Committee: number of meetings held, agenda items, key audit items, and provision of information to external Audit and Supervisory Committee members
- Cooperation with Outside Directors: provision of information to Outside Directors who are not Audit and Supervisory Committee Members
- Cooperation among the three-way audits: cooperation with independent auditors and cooperation with the Internal Auditing Department
- Audit activities: Interviews, business site audits, and 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:

(1) The Audit and Supervisory Committee comprises members who ensure a balance of necessary knowledge and appropriate experience and ability in areas such as finance/accounting, governance/legal/compliance, and global business to fulfill its roles and functions.

(2) In the Audit and Supervisory Committee, particularly through interviews, we have had opportunities for wide-ranging dialogue with Representative Directors and other Executive Directors, Corporate Officers, and division heads, enabling us to gain a comprehensive understanding of executive perspectives and internal conditions, which has been useful in conducting audits and expressing opinions at Board of Directors meetings and others.

(3) In its cooperation with the Independent auditor, the Audit and Supervisory Committee regularly receives reports, during which main points regarding accounting issues are organized to deepen discussions and opinions on audit points are provided, thereby mutually enhancing the effectiveness of audits.

- Improvements were made as follows regarding items identified as issues in the FY2024 effectiveness evaluation.

(1) Key audit items

For all key audit items, progress reports on audits were provided during the fiscal year, additional actions to be taken were discussed and executed, and feedback was provided to the executive side as necessary.

(2) Business site audits

When formulating audit plans, audit sites were selected in connection with key audit items, and site audits were expanded. Furthermore, after conducting the audits, we confirmed the status of improvements on-site as necessary.

- 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) Communication with Outside Directors who are not Audit and Supervisory Committee Members

Although individual interviews and informal gatherings with Outside Directors who are not Audit and Supervisory Committee Members are conducted, we will aim to expand opportunities for information sharing and communication in order to further leverage opinions and advice from Outside Directors in their independent capacity.

(2) Business site audits

Based on the evaluation results of FY2024, we are improving by expanding visits to Group companies both within Japan and overseas; in addition to interviews with business site managers, we will aim for a better understanding of the status of execution by collecting information widely from other employees.

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Outside Directors' Roundtable Discussion

It is precisely because of the favorable conditions now that a sound sense of urgency and the ability to execute management strategies that foster the next pillars of growth will be put to the test.

To achieve our Mid-term Management Plan, we are called upon now, precisely because of the current favorable business environment, to pursue management with a long-term perspective, create new pillars of revenue, and develop the management talent capable of driving transformation. Four Outside Directors sat down to discuss the current state of the Company's governance and future challenges.



Miwako Doi
Member of the Board (Outside Director)*

Chiharu Takakura
Member of the Board (Outside Director)

Takayoshi Mimura
Member of the Board (Outside Director)

Hisanori Makaya
Member of the Board (Outside Director)

*This roundtable discussion was held in June 2026. Miwako Doi stepped down upon the expiration of her term of office on June 26, 2026.
*What they are holding is "Niteon," our original character.

Shifting Governance from "Form" to "Substance"

Moving to the Next Stage of Deepening Discussions from a Long-term Perspective

Doi: The company's overall governance is steadily improving. While achieving strong business achievements amid a challenging external environment, the company has been steadily strengthening the supervisory function of the Board of Directors. Marking another step forward is that the company engaged in in-depth discussions—including with Outside Directors—during the formulation of Mid-term Management Plan 2030. In contrast, Group governance, including overseas Group companies, requires further strengthening. Efforts to cultivate revenue pillars outside of the automotive-related business are also still a work in progress. The company must not allow a favorable business environment to diminish the sense of urgency or slow the pace of transformation. I believe that creating new businesses and developing them into pillars of revenue, with a view toward 2030, 2040, and beyond, represents the company's greatest management challenge.

Takakura: Five years have passed since I became an Outside Director of the company, and I feel that there has been considerable enrichment and improvement in the discussions at meetings of the Board of Directors and various committees. I believe the efforts of the Chairman and the Board of Directors Secretariat have played a role in this. In addition to the annual effectiveness evaluation, a mechanism has become firmly established to review issues after each meeting and use those insights to improve future meetings, resulting in a significant acceleration of the pace of improvement. There are primarily two points that should be explored further. One is the exchange of opinions from the perspective of the business portfolio. It is important to make decisions on individual projects while constantly keeping in mind the positioning of each business within the overall strategy. The other is the exchange of opinions from a long-term perspective. Further discussion is necessary from a long-term perspective, keeping the future vision of the Niterra Group in mind.

Mimura: In terms of issues, I share the same opinion as Ms. Doi and Ms. Takakura. When I became an Outside Director of the company three years ago, I had the impression that the focus regarding governance was initially on establishing the formal structure; however, the quality of discussions at the Board of Directors has certainly improved over the past three years. An environment has been established at Board of Directors meetings that encourages frank discussion, and governance functions are moving in a positive direction. I also commend the company for its adoption of a new approach to evaluating the effectiveness of the Board of Directors, initiated by a proposal from the Board of Directors Secretariat. I look forward to seeing the company continue to actively drive reform by re-examining internal norms and practices and incorporating external perspectives.

Makaya: Since many opinions have been expressed that I can relate to, I would like to take this opportunity to point out a challenge. Of particular importance is the strengthening of Group governance, including overseas Group companies and companies acquired through M&A. At the Board of Directors meetings, Outside Directors—myself included—have been continuously making recommendations, and while improvements are beginning to take hold, further efforts are required. Regarding Niterra Materials (formerly Toshiba Materials), which joined the Group in June 2025, the Board of Directors is closely monitoring how to drive growth by exercising effective governance while respecting the culture and business characteristics Niterra Materials has cultivated over time. The key is to enhance the ability to properly manage the Group as a whole.

A Longer-perspective on Board of Directors Discussions

Expanding Them with a Focus on Company-wide Strategy

Makaya: Efforts and improvements to have more fruitful discussions at Board of Directors meetings are steadily progressing. For example, the pre-briefing sessions held prior to Board of Directors meetings are now conducted more efficiently. On the other hand, there are differences in perspectives between Outside Directors and executive leadership regarding the agenda. While we often focus on medium- to long-term direction and strategic importance, executive leadership tends to place greater emphasis on the validity and details of individual projects. I would like the company to

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present the proposals after clarifying the positioning of each initiative within the company-wide strategy.

Mimura: I certainly sense a difference in perspective between the two. Executive leadership provides detailed explanations regarding the "trees," such as the specifics of the proposals and future actions. Yet, their explanation of the "forest," the kind of future they aim to achieve, remains insufficient. The company needs to demonstrate the connection to the overall corporate strategy, and one can sense the efforts made by the Board of Directors Secretariat to elevate the quality of discussions in this regard. Recently, the status of discussions at Corporate Management Committee meetings has been shared prior to Board of Directors meetings, making it possible to understand the deliberation process by executive leadership leading up to the submission of important resolutions. This has also helped dispel the impression that agenda items are being submitted for deliberation abruptly. Regarding the subsequent monitoring of resolved matters, such as the management of Group companies following acquisitions, I believe that further efforts are required, even though corrective measures are currently being implemented.

Takakura: At times, I feel that the explanations provided by executive leadership lack perspective regarding how a project is positioned within the company-wide business portfolio, in light of the external environment, and what kind of future vision is envisioned through its execution. To enhance the quality of discussions at Board of Directors meetings, efforts must also be made to improve the quality of deliberations by executive leadership. Approaching discussions with this perspective should also prove beneficial for cultivating the next generation of business leaders.



Doi: The Board of Directors must also delve deeper into the discussions of individual projects. This is something I have consistently felt throughout my six years as an Outside Director. Particularly in M&A and new business ventures, it is crucial to clearly define not only the best-case scenario but also the worst-case scenario and the conditions for withdrawal in advance. Moreover, it is essential to have a firm grasp of the company's strengths and to give deep thought to how it can hone those strengths and translate them into business success. In discussions regarding M&A, the objective needs to be clearly defined—whether the aim is to acquire or strengthen technological capabilities, secure talent, or gain market share.

Enhancing the Effectiveness of Nomination and Remuneration Processes

Developing Talent to Lead the Management Team Toward Transformation

Takakura: The operations of the Nomination and Remuneration Committee have improved year by year. Regarding candidates for executive leadership and Corporate Officers subject to evaluation, measures have been implemented in the form of presentations and dialogues to enable Outside Directors to gain an understanding of the individuals and the nature of their work from various angles. On the other hand, further discussion is required regarding the criteria for narrowing down candidates, as well as the rationale behind establishing evaluation standards and remuneration terms.

Doi: As for succession, I appreciate the increased opportunities, such as lunch meetings with candidates and presentations at meetings of the Board of Directors, for candidates to articulate their views from a management perspective and for Outside Directors to hear them. On the other hand, there is still room for improvement in how the progress of discussions regarding nominations and remuneration within executive leadership is shared. To further enhance transparency, it is important to share these matters thoroughly with the Nomination and Remuneration Committee.

Mimura: For the Nomination and Remuneration Committee, it is important that Outside Directors participate in discussions not only at the stage of presenting the final proposal but also at the early stages of considering the system and candidates. In the most recent succession process for the President, opportunities for dialogue were established even before the pool of candidates was narrowed down, allowing for a multifaceted understanding of their managerial capabilities and personal character. I highly appreciate the fact that a fair and thorough process was followed during the final selection, with committee members, including Outside Directors, expressing their respective views. Going forward, the key will be expanding the pool of management talent with a clear vision of where the company is headed and how it will evolve. It is necessary not only to evaluate the candidates remaining in the final selection stage but also to oversee whether talent development and candidate selection are being conducted in alignment with medium- to long-term strategies.



Takakura: During the Nomination Committee's deliberations on next-generation management talent, the view was expressed that rather than relying on a single "superstar," the company should also cultivate talent capable of supporting top management as members of the management team. To envision the future the company aspires to amid the growing uncertainty of the business environment, it is essential to view the situation objectively and break away from preconceived notions. Toward this end, in-depth discussion by a diverse management team with varied skills and backgrounds is essential.

Makaya: I also believe that the next generation of management requires individuals capable of leading the business as a team. A key aspect of the advisory committee's operation is that it functions as a body capable of presenting differing opinions and perspectives when necessary, rather than simply rubber-stamping proposals from executive leadership. Likewise, I believe that the next generation of management should also be a team capable of presenting diverse opinions and perspectives.

Takakura: The nomination and remuneration mechanisms, which determine the type of talent appointed and evaluated, are key to transforming the organization and creating new businesses. This represents the alignment between the business portfolio and the talent portfolio. To cultivate the management talent capable of driving such transformation, it is crucial to continuously review the desired talent profile and evaluation framework through an integrated approach to nomination and remuneration.

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Implementing Sustainability Management and Creating Sustainable Value

Thorough Risk Management and Execution of Business Portfolio Transformation

Doi: The Group is required to pursue a dual-track management approach: maintaining profitability in the automotive-related business while actively investing in new businesses after carefully assessing their growth potential. To drive bold initiatives, it is essential to have talent capable of leading this form of management. Therefore, in addition to developing internal talent, the recruitment of external talent should also be considered as an option. Also, the utilization of digital transformation (DX) and AI is crucial as a foundation for supporting transformation. I would like the company to accelerate the transformation of the entire Group by establishing a foundation to rapidly and accurately capture and utilize information—including from overseas operations—and by leveraging these insights to reform and improve management and production processes.

Makaya: Now that the company's automotive components business is maintaining high earning capacity, it is crucial to channel the cash it generates into future growth areas and, with a strong sense of urgency, cultivate the next pillar of business. For Niterra Materials, which newly joined the Group, the challenge lies in whether the company can generate synergies through deeper engagement and stronger execution capabilities, thereby elevating the company's existing business model and products to the next stage. Regarding organization and human capital, the fact that the automotive-related business forms the core of the company's revenue structure tends to result in an orientation optimized for that particular business—a situation that is not easily transformed. That is precisely why the key to the company's future growth lies in consciously recruiting diverse talent and finding ways to transcend existing frameworks.

Mimura: Niterra Materials represents the largest acquisition in the company's history. The Board of Directors is continuously monitoring progress and the challenges involved. While respecting the corporate culture and business practices Niterra Materials has cultivated, it is necessary—not least from the perspective of accountability to shareholders and investors—to exercise stricter oversight and more clearly articulate a concrete path toward growth. Further strengthening risk management is also crucial for advancing sustainability management. As the risks facing companies become increasingly diverse, it is essential more than ever to adopt a proactive stance and make preparation with an eye toward the future. Rather than leaving matters entirely to specialized departments, the company needs to engage in further risk management from a broader, macro perspective that encompasses the entirety of its business operations.

Takakura: When advancing human capital management, it is crucial to clearly articulate the rationale behind the human capital strategy by linking it to the company's unique growth story and business strategy. The four Shared Values in the Niterra Way serve as a foundation for the sense of purpose and identity of all employees, both in Japan and overseas. When transforming an organization, it is essential to once again place these Shared Values at the core, communicate consistent management policies and messages, and develop management talent capable of leading the organization.

Messages to Shareholders and Investors

Makaya: I believe that the Group possesses immense potential, underpinned by the stable cash flow generated by its automotive-related business. It is possible to achieve sustained growth by maintaining a cycle of responsibly reinvesting this cash flow into growth businesses and creating new businesses that serve as pillars of revenue. We, as Outside Directors, will carefully assess whether these investments will lead to the enhancement of future corporate value and exercise appropriate supervision. The Group is by no means defined solely by its strength in its automotive-related business; it possesses diverse potential for growth, and I invite shareholders and investors to look forward to the changes that lie ahead.

Mimura: I would like to see the company's management team and executive leadership approach business operations with a stronger focus on the perspectives of shareholders and investors than ever before. Adopting such a perspective as a criterion for decision-making should enhance the quality of management and lead to a further increase in corporate value. To ensure that these perspectives are appropriately reflected in management, we, as Outside Directors, will offer candid opinions and continuously supervise the progress of these initiatives.

Takakura: The Group possesses outstanding strengths in terms of products, financial foundation, and employees. These foundations are truly the fruit of the efforts made by those who came before us. However, the landscape is about to change. Since it takes time for the next pillar of business to take shape, it is essential to adopt perspectives that look ahead, look outward, and look at the big picture—and to prepare early, including through HR development. Furthermore, as the company shapes new areas of growth, I would like it to articulate the rationale behind these initiatives and the value they create to the outside world. I also want the company to hone its ability to view itself and its businesses from an external perspective through dialogue with diverse stakeholders. We, as Outside Directors, will also support efforts to ensure that such a perspective takes root within the company.

Doi: Given the company's rapid progress to date, I believe it will continue to make significant contributions to Japanese industry. The company has ample potential and financial resources to do so. I invite shareholders and investors to view the company with both warmth and—at times—a critical eye and to frankly share thoughts on the kind of world they wish to see realized and the role they would like the company to play within it. I would like the company's employees to listen to these voices and continue to take on challenges with grand aspirations, striving to become a company that supports the future of Japan.



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Message from Audit and Supervisory Committee Members

During this period of transformation, the Audit and Supervisory Committee is expected to accurately grasp the status of execution, identify signs of risks lurking on the operational sites, and support the supervisory function of the Board of Directors.

Three Audit and Supervisory Committee members talk about their reflections on activities and future challenges from their respective positions and areas of expertise.



Connecting the field teams, executives, and outside officers to enhance the effectiveness of audit and supervisory functions

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

I am now in my third year since being appointed as a Standing Audit and Supervisory Committee Member. From my position as an internal Audit and Supervisory Committee member, I use information on the execution side obtained by attending major internal meetings to objectively identify where risks and challenges lie on the operational sites, and I make it a point to convey this information to the outside Audit and Supervisory Committee members. Regarding audit plans, the selection of sites for on-site audits, and questions for executive interviews, I strive to make audit activities more beneficial by basing them on execution-side information obtained internally while also incorporating the opinions of outside Audit and Supervisory Committee members. Through on-site audits, I am acutely aware of the importance of adhering to the basics: Genba (the actual place), Genbutsu (the actual thing), and Genjitsu (the actual facts). This process sometimes reveals latent risks and challenges. Additionally, I conduct approximately 40 interviews per year with Members of the Board, Corporate Officers, heads of major sites, and representatives of Group companies to strive for a clear understanding of the actual situation.

We also conduct an annual assessment of the effectiveness of the Audit and Supervisory Committee. Through exchanges of opinions from a wide range of perspectives, including the composition and operation of the Audit and Supervisory Committee, cooperation with Outside Directors, and three-way audits, we have revitalized discussions within the committee and deepened communication among members.

As a Standing Audit and Supervisory Committee Member, the challenge I set for myself is to further sharpen my sensitivity to risks existing within the company. When one becomes too familiar with the operational sites, there is a tendency to be overly considerate of internal circumstances; however, I intend to discipline myself and acquire the ability to make objective judgments. By maintaining this mindset and enhancing the timely and appropriate provision of information to outside Audit and Supervisory Committee members, I will lead this toward further improving the effectiveness of the Audit and Supervisory Committee.



Comprehending signs of risk by balancing an understanding of the operational sites with objectivity

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

Looking back on the past year, I believe that, as an outside Audit and Supervisory Committee member, I was able to maintain good communication, including gathering information through interviews with key departments. Through on-site audits and visits, I feel that there are many treasures buried at the business sites; in other words, there is much to be seen. On the other hand, while my understanding deepens as I listen to the people on the ground, I make a strong effort not to be swayed into assuming I fully understand everything; instead, I strive to maintain a balance with an objective perspective so as not to lose sight of risks.

One of the key priorities for enhancing the effectiveness of the Audit and Supervisory Committee is ensuring thorough Group audits. Compared to good news, bad news is harder to convey from the operational sites; reports tend to be delayed particularly in distant Group companies or those that have recently joined the Group. Given these characteristics, I believe the future challenge is to build a system that can identify signs of risk at an early stage.

From the perspective of enhancing the effectiveness of the Board of Directors, I appreciate that opportunities for prior explanations regarding important agenda items are provided. Since information regarding internal conditions and the background of agenda items is limited for Outside Directors, being able to confirm the premises and key points in advance is meaningful for improving the quality of discussions. Furthermore, this provides an opportunity for the execution side to organize their key explanatory points, which I feel has resulted in improved operational efficiency for the Board of Directors.

I evaluate our audit system as already being highly sophisticated, with a framework in place where the Audit and Supervisory Committee and the Internal Audit Department (which reports directly to the President) mutually complement each other. However, even in a fully functioning organization, there are always areas where some risks may be missed. As a member of the Audit and Supervisory Committee, I intend to maintain a constant awareness of these challenges.



Assessing risks associated with growth investments and M&A from the perspectives of accounting and governance

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

For my part, I have deepened my communication with a wide variety of people over the past two years. I feel it is important for Members of the Board, Audit and Supervisory Committee Members to be fully aware of what society expects of them and to communicate from that perspective.

In on-site audits, cooperation with the Internal Audit Department is key. While the Internal Audit Department steadily conducts audits based on pre-established audit plans, I believe that adding a management-level perspective can enable even deeper auditing. From this perspective, I view the further improvement of the Internal Audit Department as one of our major challenges. On-site audits are also one of the important duties of an Audit and Supervisory Committee member. During on-site audits, in addition to verifying whether the internal reporting system is functioning and whether there is a framework to deter fraud by top management, I also confirm what concerns exist on the operational sites and to what level those issues have been escalated. I intend to report the challenges and insights identified during on-site audits to the Board of Directors, thereby helping to accelerate the reforms we are pursuing as a company.

As a certified public accountant, I approach audits from the perspective of an accountant with two primary points of focus. First, given the strong performance of our automotive components business, I examine whether accounting treatments are being based on business plans that are overly optimistic about the future under the guise of growth investment. Second, regarding acquired companies, I check whether there is any arbitrary accounting treatment or reporting concerning the achievement of initial acquisition goals. In addition to these points, I am strongly mindful of maintaining the perspective of a wide range of stakeholders, including shareholders and investors, while supervising and auditing management.

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Leveraging expertise in R&D and human capital to contribute to value creation by diverse individuals

Miho Hanafusa
Member of the Board (Outside Director)

When I first visited the company, what struck me most was how cheerfully and sincerely the employees approached their work. During my plant tour, I was able to experience firsthand the sincere commitment to manufacturing rooted in the production floor and the aspiration to continuously pursue quality. Behind the competitive products and services, strong businesses, and the high operating income ratio, lie superior technical capabilities that cannot be replicated overnight and strong relationships of trust with our customers. I also deeply resonated with how the Niterra Way, which underpins these strengths, serves as the source of autonomous action for every employee.

For many years, I have been involved in R&D and the management and have led the launching of new businesses and talent development. In doing so, while I have felt the difficulty of translating superior technology into social implementation, I have also realized that co-creation that incorporates external expertise is a powerful driver for innovation. To grow the seeds of technology into viable businesses, it is important not to rely solely on an in-house approach but to expand external touchpoints and consider from an early stage who to partner with and what kind of team is needed for realization. To ensure the company's further growth, I believe it is essential to maintain a balance across businesses, aiming for stable growth in current businesses while appropriately allocating management resources to new businesses that leverage our core assets.

Furthermore, based on my experience in policy formulation for promoting women's empowerment at government agencies and in promoting sustainability at the Japanese network of UN agencies, I place great importance on the active involvement of diverse talent, which is the core of human capital management. Even in today's era where advanced technologies such as AI are becoming widespread, people remain the ultimate source of differentiation. I believe it is important to evolve a culture where each individual thinks autonomously and proactively, and through frank and open communication, creates new value not through simple addition, but through multiplication. As a prerequisite, it is essential to establish an appropriate evaluation system where diverse personalities can leverage their strengths, as well as an environment that protects the physical and mental health and safety that form the foundation of the manufacturing industry.

As an Outside Director, I will leverage the expertise I have cultivated in both operations and management to connect the company's strengths to its next stage of growth. I will listen sincerely to our stakeholders, especially valuing the thoughts of individual employees and insights from the production floor, contributing to the creation of an organization where diverse individuals can thrive, demonstrate their strengths, drive transformation for the next generation, take on challenges, and continuously generate new value.



Supporting flexible challenges toward transformation through appropriate risk management and a global perspective

Kohei Kodama
Member of the Board (Outside Director),
Audit and Supervisory Committee Member

As a company that boasts the global top share in core products such as spark plugs, I feel we are a company that can be proud of its standing within the Japanese manufacturing industry on a global stage. On the other hand, against a backdrop of environmental issues and structural changes in the industry, we are also at a critical juncture where transforming our conventional business model has become indispensable. Precisely because our current performance is strong, we must maintain a healthy sense of urgency and steadily develop the next pillars of our growth.

For Japanese companies to truly compete in the global market, it is essential to move beyond a Japanese-style export-oriented mindset, understand world-standard perspectives and governance, and maintain an attitude of bridging the gap with the current state. As an Outside Director, I wish to leverage my two backgrounds to contribute to the company's transformation.

The first is my global-standard perspective cultivated through 14 years of overseas assignments, in addition to my extensive practical experience in legal affairs, risk management, and M&A at operating companies. For the company to reorganize its business portfolio and challenge itself in wider markets, corporate functions must also move beyond being merely defensive administrative departments. It is important to establish a form of legal and risk management that directly contributes to the business by actively utilizing technologies such as AI and leading diverse global talent. Utilizing my expertise from participating in the formulation of government guidelines, I will constructively support the management team's challenges as an Audit and Supervisory Committee member while appropriately controlling risks.

The second is my experience in Silicon Valley, USA, where I supported nearly 500 startups as a pro bono* consultant. I have witnessed the process of unconventional ideas growing into businesses, as well as the reality of many companies withdrawing before achieving their goals. What successful companies have in common is the ability to flexibly change their form, like an amoeba, to adapt to the environment. Clinging to past successes can lead to missing out on future growth opportunities.

Even if the company transforms its business model and evolves into a different corporate entity from what it is today, we can become a company that survives for another 100 years by continuing flexible self-transformation. I wish to be a part of that journey. To achieve this, I will provide highly effective recommendations and dedicate myself to the sustainable enhancement of the company's corporate value.

*Pro bono: Social contribution activities conducted by utilizing professional expertise and skills.

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In a highly uncertain era where answers are elusive, we will strive to deepen discussions within a diverse Board of Directors to support the sustainable improvement of corporate value

Takeshi Kawai Representative Director, Chairman of the Board

Deriving the optimal solution instead of the compromise solution

Effective FY2026, coinciding with the renewal of our management structure, I will serve as Chairman of the Board of Directors. Under the leadership of former Chairman Shinichi Odo, the Niterra Group's Board of Directors has continuously worked to strengthen its governance system. As a result, Independent Outside Directors with diverse careers now make up the majority of the Board, and I believe we have steadily established a foundation for frank exchanges of opinion while maintaining a balance between expertise and a managerial perspective. Objective and multifaceted insights from Outside Directors are crucial elements that deepen discussions from perspectives different from those of the execution side, thereby enhancing the effectiveness of the Board of Directors.

On the other hand, as our corporate scale expands, the number of Group companies grows, and the need for business portfolio transformation increases, the role required of the Board of Directors is becoming even more sophisticated. That is why it is necessary to further leverage external perspectives and specialized expertise to ensure appropriate supervision of execution and improve the quality and speed of management.

In today's era where answers are elusive, what is required of the Board of Directors is not mere approval, nor a compromise solution that simply averages out various opinions. First, as Chairman, I will focus on drawing out diverse opinions from both internal and Outside Directors to deepen discussions. Furthermore, based on multifaceted considerations, I am determined to ensure that the Board functions not just as a place for expressing opinions but as a forum for deriving an optimal solution decisively as a company.

Key Themes: "Group governance," "risk response," and "selection and concentration"

Along with the changes surrounding us, one of the themes that requires urgent and deeper discussion is the nature of "Group governance." As we expand our corporate scale through business growth and M&A, while also increasing our reach across business domains and regions, we have entered a phase where conventional governance is no longer sufficient. What is important is not just establishing regulations, but sharing a sense of purpose and making them actually function. We must ensure effectiveness in the system for detecting anomalies early and linking them to necessary decisions and responses as our businesses and regions expand. To achieve this, I believe it is essential to foster an organizational culture that avoids silos and develops human resources who can propose and make decisions with their own will, rather than leaving everything to a few leaders.

The second theme is the response to "risks that could affect the business." Amid increasing uncertainty and complicating risk factors, we are required to prepare by assuming multiple scenarios in advance and considering options for risks such as raw material procurement associated with geopolitical risks. The Board of Directors should not only review proposals from the execution side but also engage in discussions that go deeper, assessing whether necessary options have been sufficiently considered and whether decisions to take risks are appropriate.

Third, as a theme for mid- to long-term growth, I highlight "selection and concentration." We will carefully examine the differences in profitability between businesses to determine whether unprofitable businesses should be restructured or divested. In cases of divestiture, I intend to lead broad discussions, including what seeds for growth we should sow next.

Facing complex management challenges with a clear company-wide commitment

There are no clear answers to these three themes. That is precisely why the Board of Directors is required not only to review proposals from the execution side but also to deepen discussions from diverse perspectives and lead them toward decisions that embody the collective will of the company. In doing so, it is important to use our philosophy system, the Niterra Way, as a touchstone while multifacetedly considering the business environment, risks, and impact on corporate value. By utilizing executive retreats and off-site meetings, I will increase opportunities for both internal and Outside Directors to discuss mid- to long-term management issues frankly, further enhancing the effectiveness of our supervisory functions.

Amidst various challenges, as Chairman, I intend to lead the Board of Directors to balance appropriate supervision with the promotion of management, fulfilling our corporate accountability with transparency.

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Members of the Board (as of June 26, 2026)



Representative Director, Chairman of the Board

Takeshi Kawai

Born October 13, 1962

April 1987	Joined NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
February 2011	General Manager of Sensor Engineering Dept. II, Sensor Div., Automotive components Group
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
April 2026	Representative Director, Chairman of the Board, up to the present

Shares held: 38,242
Years in office: 11



Representative Director, President
In charge of All Divisions and Group Internal Audit Headquarters / General Manager of Global Strategy Div.

Keiji Suzuki

Born March 1, 1971

April 1993	Joined NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
June 2017	General Manager of Engineering Dept., Sensor Div.
October 2018	Deputy General Manager, Sensor Div.
April 2019	Corporate Officer
April 2020	Executive Officer
June 2025	Member of the Board, Executive Officer
April 2026	Representative Director, President, up to the present

Shares held: 9,459
Years in office: 1



Member of the Board, Executive Officer
In charge of President's Group and Group Internal Audit Headquarters / General Manager of Tokyo Branch

Koji Suzuki

Born December 23, 1964

April 1988	Joined NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
November 2014	General Manager of OEM Sales & Marketing Dept., Sales and Marketing Div., Automotive components Group
April 2017	General Manager of Automotive components Sales & Marketing Div. and General Manager of OEM Sales & Marketing Dept.
April 2018	Corporate Officer
April 2019	Executive Officer
June 2026	Member of the Board, Executive Officer, up to the present

Shares held: 15,700
Years in office: Newly appointed

Note 1 Years served as auditors are included for Members of the Board that served as auditors before their appointment.
Note 2 Numbers of shares held are current as of March 31, 2026. Shares include individual shares in Niterra Executive Shareholding Association.

For more information on Corporate Officers, please visit the following website.
https://www.niterragroup.com/english/corporate/profile/executive/



Member of the Board (Outside Director)

Chiharu Takakura

Born December 22, 1959

April 1983	Joined the Ministry of Agriculture, Forestry and Fisheries
May 1992	Obtained an MBA from Georgetown University (U.S.)
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	Member of the Board, Head of Well-being Management Promotion Division, ROHTO PHARMACEUTICAL CO., LTD.
June 2021	Outside Audit and Supervisory Board Member, NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
April 2022	Member of the Board, Chief Human Resource Officer, ROHTO PHARMACEUTICAL CO., LTD
June 2022	Member of the Board (Outside Director), NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.), up to the present
June 2023	Member of the Board (Outside Director), Nomura Real Estate Holdings, Inc., up to the present Member of the Board (Outside Director), Mitsui Sumitomo Insurance Company, Limited, up to the present

Shares held: 1,762
Years in office: 5 (including 1 year as an outside auditor from June 2021 to June 2022)



Member of the Board (Outside Director)

Takayoshi Mimura

Born June 18, 1953

April 1977	Joined Terumo Corporation
June 2002	Executive Officer, Terumo Corporation
June 2003	Member of the Board, Executive Officer, Terumo Corporation
June 2004	Member of the Board, Senior Executive Officer, Terumo Corporation
June 2007	Member of the Board, Managing Executive Officer, Terumo Corporation
April 2008	Member of the Board, Managing Executive Officer, responsible for Hospital Company and Sales Supervisory Dept., Terumo Corporation
June 2009	Member of the Board, Managing Executive Officer, Representative of China/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	Member of the Board, Corporate Advisor, Terumo Corporation
June 2022	Corporate Advisor, Terumo Corporation Member of the Board (Outside Director), AUTOBACS SEVEN Co., Ltd. Member of the Board (Outside Director), Mitsui Chemicals, Inc., up to present
June 2023	Member of the Board (Outside Director), Niterra Co., Ltd., up to the present
June 2026	Member of the Board (Outside Director), Nihon Kohden Corporation, up to the present

Shares held: 1,708
Years in office: 3



Member of the Board (Outside Director)

Hisanori Makaya

Born May 2, 1958

April 1982	Joined Fuji Photo Film Co., Ltd. (currently FUJIFILM Holdings Corporation)
June 2015	Corporate Vice President, FUJIFILM Corporation
December 2016	Member of the Board, Corporate Vice President, FUJIFILM Corporation
June 2017	Member of the Board, Senior Vice President, Fuji Xerox Co., Ltd. (currently FUJIFILM Business Innovation Corp.)
June 2019	Member of the Board, Executive Vice President, Fuji Xerox Co., Ltd.
April 2021	President and CEO, Representative Director, FUJIFILM Business Innovation Corp.
April 2022	Chairman and Member of the Board, FUJIFILM Business Innovation Corp.
June 2024	Member of the Board (Outside Director), Niterra Co., Ltd., up to the present
May 2025	Member of the Board (Outside Director), YASKAWA Electric Corporation, up to the present
June 2025	Member of the Board (Outside Director), ENEOS Holdings, Inc., up to the present

Shares held: 1,052
Years in office: 2



Member of the Board (Outside Director)

Miho Hanafusa

Born February 16, 1965

April 1989	Joined Mitsubishi Kasei Corporation (currently, Mitsubishi Chemical Corporation)
April 2009	General Manager of Commercialization Promotion Department, Mitsubishi Chemical Group Science and Technology Research Center, Inc. (currently, Mitsubishi Chemical Corporation)
April 2012	Manager of KAITEKI Group, Corporate Strategy Office, Mitsubishi Chemical Holdings Corporation (currently, Mitsubishi Chemical Group Corporation)
September 2014	Administrative Deputy Chief of Center for Talent Interchanges between the Government and Private Entities, Cabinet Office Deputy Director General for Gender Equality Bureau, Cabinet Office Deputy Secretary General of Promotion Office for Creating a Society in Which All Women Shine and the Headquarters for the Promotion of Gender Equality, Cabinet Secretariat
April 2017	Senior Associate Director, General Manager of Information, Electronics & Display Planning Department, Mitsubishi Chemical Corporation
April 2018	Executive Officer, General Manager of Information, Electronics & Display Planning Department, Mitsubishi Chemical Corporation
April 2019	Executive Officer, General Manager of Development Division and General Manager of R&D Promotion Department, Mitsubishi Chemical Corporation
April 2021	President, Mitsubishi Chemical Research Corporation
March 2026	Member of the Board (Outside Director), Sumitomo Heavy Industries, Ltd., up to the present
June 2026	Member of the Board (Outside Director), NTT, Inc., up to the present Member of the Board (Outside Director), Niterra Co., Ltd., up to the present

Shares held: 0
Years in office: Newly appointed



Member of the Board, Standing Audit and Supervisory Committee Member

Kenji Isobe

Born August 9, 1963

April 1986	Joined NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
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	Member of the Board, Corporate Officer
April 2019	Member of the Board, Executive Officer
June 2022	Executive Officer
April 2024	Standing Advisor
June 2024	Member of the Board, Standing Audit and Supervisory Committee Member, up to the present

Shares held: 21,924
Years in office: 6 (including 4 years as a Member of the Board from June 2018 to June 2022)



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

Fumiko Nagatomi

Born November 28, 1952

April 1981	Registered as an attorney, Joined Hachisuka Law Firm
April 1989	Opened Nagatomi Law Firm, up to the present
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 and Supervisory Board Member, NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.)
June 2022	Member of the Board (Outside Director), Audit and Supervisory Committee Member, NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.), up to the present

Shares held: 4,040
Years in office: 9 (including 5 years as an outside auditor from June 2017 to June 2022)



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

Hideyo Uchiyama

Born March 30, 1953

November 1975	Joined Arthur Young & Company
December 1979	Joined Asahi Accounting Company (currently KPMG AZSA LLC)
March 1980	Registered as a certified public accountant
July 1999	Representative Partner, Asahi & Co. (currently KPMG AZSA LLC)
May 2002	Board Member, Asahi & Co.
June 2006	Executive Board Member, AZSA & Co. (currently KPMG AZSA LLC)
June 2010	Managing Partner, KPMG 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 the present
June 2016	Audit and Supervisory Board Member (Independent), OMRON Corporation
June 2017	Outside Audit and Supervisory Board Member, SOMPO Holdings, Inc.
June 2018	Member of the Board (Outside Director), Eisai Co., Ltd.
June 2019	Member of the Board (Outside Director), SOMPO Holdings, Inc.
June 2024	Member of the Board (Outside Director), Audit and Supervisory Committee Member, Niterra Co., Ltd., up to the present

Shares held: 163
Years in office: 2



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

Kohei Kodama

Born May 24, 1961

April 1987	Joined Hitachi, Ltd.
February 1997	In-house Attorney, Hitachi America, Ltd.
February 2011	General Manager of Legal Division, Legal and Communications Group, Hitachi, Ltd.
April 2013	General Manager of Legal and Operation Support Division, Infrastructure Systems Company, Infrastructure Systems Group, Hitachi, Ltd.
April 2017	Chief Business Risk Management Officer (CBRO) of System & Services Business Division, Hitachi, Ltd.
April 2018	Vice President and Executive Officer, and General Counsel, Officer in charge of Risk Management, Hitachi, Ltd.
April 2020	Vice President and Executive Officer, Chief Legal Officer (CLO), General Counsel, Chief Risk Management Officer (CRMO), and Officer in charge of Audit, Hitachi, Ltd.
April 2024	Executive Advisor, Hitachi, Ltd.
June 2025	Member of the Board (Outside Director), Audit and Supervisory Committee Member, IR Japan Holdings, Ltd., up to present
June 2026	Chairman, Japan Association for Chief Legal Officers, up to the present Member of the Board (Outside Director), Audit and Supervisory Committee Member, Niterra Co., Ltd., up to present

Shares held: 0
Years in office: Newly appointed

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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. Under this system, the Representative Director and President has ultimate responsibility for risk management, while the Corporate Officer in charge of the Business Management Department is responsible for its promotion. 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 Representative Director and President, to implement company-wide risk management.

In FY2025, the Risk Management Committee met twice to report and discuss 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 FY2025, we identified four 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 1. Risks related to global conditions and changes in foreign exchange rates 6. Risks related to the procurement and 9. Risks related to information security, are also included among the key initiatives under the Key Management Priorities and are considered priority issues for sustainability management.

Business risks

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

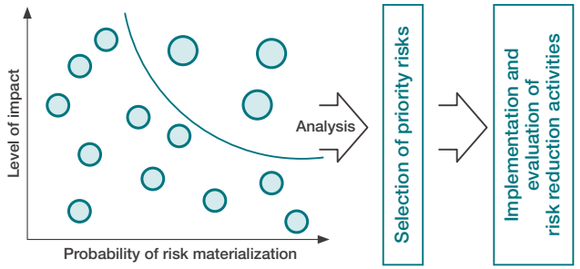
For more information on our risk initiatives, please refer to page 30 of our Annual Securities Report.
https://contents.xj-storage.jp/xcontents/AS06537/6b0c04fe/5acb/4262/a4f7/0228f69af68d/20260831093327925s.pdf

Business Continuity Management (BCM)

We conduct BCM activities in preparation for possible earthquakes and other large-scale disasters. Specifically, we undertake disaster preparedness and mitigation initiatives 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 to formulating business continuity plans (BCPs) across the Group that establish initial response arrangements and recovery procedures, we regularly conduct BCP drills.

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

Risk recognition	**Identify risks** List the related risks for each operational process.
Risk analysis	**Analyze the impact of risks, probability of their materialization and how measures are taken against them** Make analysis based on the evaluation results provided by the Business Management Dept. and other departments in charge of the risks.
Risk evaluation	**Evaluate and prioritize the risks based on the analysis results** Based on the risk analysis results, select the candidates for priority risks.
Selection of priority risks	**Select particularly significant risks (priority risks) and departments in charge of the risks** The Risk Management Committee selects the priority risks and the departments in charge of the risks.
Planning, implementing and monitoring of measures	**Plan, implement and monitor priority risk reduction activities** The departments in charge of the risks plan and conduct risk reduction activities and the Business Management Dept. monitors the activities.
Review	**Evaluate the risk reduction activities to give instructions for improvement as needed** The results of the risk reduction activities are reported to the Risk Management Committee, which evaluates the level of achievement and gives instructions for improvement as needed.



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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 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. Gifts and entertainment shall be provided or accepted legally and within the limits of social norms (based on legitimate business purposes and industry standards). Furthermore, we will not make any illegal political contributions or donations.
- We regularly provide education and training for our officers and employees to improve awareness of compliance and anti-corruption, and to prevent any illegal or unethical conduct by ensuring that they act proactively with high ethical standards and accurate knowledge.
- 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 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. Additionally, important decisions made by the Compliance Committee are reported to the Board of Directors through the Corporate Management Committee under the supervision of the Board of Directors, thereby establishing an effective framework for promoting compliance.

In FY2025, 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 among employees in Japan 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; and Compliance Promotion Rules (for Managers/Mid-level Employees), which explains the roles of each level of employee.

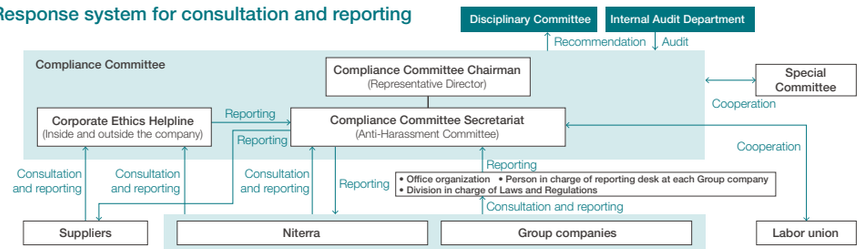
In FY2025, we conducted a compliance awareness survey targeting employees in Japan and reported the results to the Compliance Committee. Departments and Group companies that did not achieve satisfactory results undertake improvement initiatives, which we verify the effectiveness of. In addition, aiming to foster a unified ethical mindset across the entire Group, including overseas, we prepared and rolled out the Global Compliance Guidebook.

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 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 treated disadvantageously. 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 and promptly deal with any problems confirmed. In FY2025, we established external reporting channels for the two companies that newly joined the Group. Including consultations from Group companies, there were 125 cases of consultations and reports on harassment, labor, and other issues. Incidents where problems were identified were promptly resolved and corrective action was taken. In addition, we have established a dedicated contact point for job seekers regarding job-hunting harassment, which began operations in FY2026. We have also established contact points at each of our overseas Group companies and investigated the performance and effectiveness of the internal reporting system at all of them. Together with the results of the aforementioned compliance awareness survey of employees in Japan, we confirmed improvements in awareness and trust in the system throughout the Group.

Response system for consultation and reporting



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Compliance Initiatives

Anti-corruption initiatives

Our Corporate Code of Conduct stipulates "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." Following this, we are committed to preventing corrupt practices as a participant in the UN Global Compact.

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 to ensure compliance with U.S. laws and regulations, including the Export Administration Regulations (EAR).

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 taxes paid per country, please visit our website: https://www.sustainability.niterragroup.com/en/themes/347/#anchor17

Tax Promotion System

The Corporate Officer in charge of finance oversees tax matters. He or she reports important matters to the Management Meeting 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 on the execution of their duties, including financial and tax matters. Depending on the case, we provide instructions on their duties when appropriate.

Tax Activities

Tax compliance

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

Tax risks

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

Tax planning

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

Relationship with tax authorities

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

Information Security Policy

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

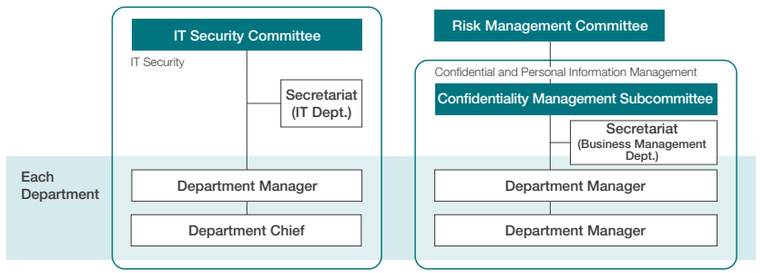
Action Guidelines

- We 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.
- We establish requirements necessary for the maintenance and improvement of our information security level for business partners, including suppliers, who handle our group's information assets, and promote appropriate management.

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 it contains the corporate officer in charge of the Global Strategy Division. Additionally, important decisions made by the IT Security Committee are reported to the Board of Directors through the Corporate Management Committee. In FY2025, 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 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 Corporate Officer of the Business Management Department. In FY2025, the subcommittee met once to report incidents and provide information about revisions made to our privacy policy.



Information Security Management System

In response to information security risks that threaten companies and organizations, we set information security as one of the key initiatives under our key management priorities (materiality) and are building an information security management system equivalent to 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 Japan's Act on the Protection of Personal Information (APPI), 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. In FY2025, we revised our privacy policy, regulations, and guidelines, incorporating changes such as a review of the purposes of use.

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Financial Results Highlights for the Past 11 Years

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J-GAAP | IFRS

(Millions of yen)

(FY)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	383,272	372,919	409,912	425,013	426,073	427,546	491,733	562,559	614,486	652,993	731,207
Operating income (loss)	66,284	53,595	67,279	58,385	48,447	47,389	75,512	89,219	107,591	129,660	138,158
Ordinary income (loss)	64,483	55,559	69,094	59,258	—	—	—	—	—	—	—
Profit (loss) attributable to owners of the parent	30,815	25,602	44,335	42,638	33,698	38,367	60,200	66,293	82,646	92,625	112,892
Capital expenditures	45,339	36,328	37,591	56,587	51,004	33,444	29,589	31,335	41,173	37,532	48,997
Depreciation	16,834	19,601	20,920	23,979	31,952	34,700	37,940	39,194	39,814	39,690	45,022
R&D expense	23,123	23,416	25,283	28,072	28,315	26,115	23,685	27,887	29,058	28,144	26,782
Cash flows from operating activities	56,465	49,764	65,707	43,704	59,787	63,397	71,910	69,305	118,179	132,921	109,384
Cash flows from investing activities	(82,331)	(53,410)	(26,422)	(48,380)	(52,926)	(42,523)	10,234	(37,375)	(92,157)	(34,246)	(165,531)
Free cash flows	(25,866)	6,335	29,636	(21,356)	4,627	41,398	69,713	34,382	33,364	98,462	(64,241)
Dividend payout	8,487	9,055	10,823	14,601	14,435	12,230	20,792	33,839	33,068	35,407	40,532
Total equity	341,044	354,710	388,115	401,505	399,737	451,626	517,988	563,739	638,300	674,722	771,255
Total assets	526,103	563,801	599,972	629,417	663,374	771,293	823,181	903,102	975,719	990,966	1,221,101
Interest bearing debt	80,212	99,275	98,115	110,755	152,946	197,194	165,268	198,222	190,840	167,835	255,356
											(Yen)
Earnings (losses) per share	141.60	119.44	209.37	204.74	163.06	188.59	296.04	326.09	409.47	466.34	570.43
Equity attributable to owners of the parent per share	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	3,910.20
Cash dividends per share	42.00	42.00	60.00	70.00	70.00	60.00	102.00	166.00	164.00	178.00	205.00
Operating income ratio (%)	17.3	14.4	16.4	13.7	11.4	11.1	15.4	15.9	17.5	19.9	18.9
Return on sales revenue (%)	8.0	6.9	10.8	10.0	7.9	9.0	12.2	11.8	13.4	14.20	15.7
Gross profit on sales (%)	35.6	33.0	34.6	33.8	31.4	30.5	31.8	35.2	36.8	39.50	38.4
ROE (Return on equity) (%)	9.1	7.4	12.0	10.9	8.4	9.1	12.5	12.3	13.8	14.1	15.7
ROA (Return on assets) (%)	6.1	4.7	7.6	6.8	5.1	5.0	7.3	7.3	8.5	9.3	10.3
ROIC (Return on invested capital) (%)	11.4	8.5	10.0	8.2	6.3	5.5	7.9	8.6	9.5	10.9	10.3
Equity ratio (%)	64.4	62.5	64.3	63.4	59.7	58.2	62.5	62.4	65.4	68.1	62.8
Total asset turnover (times)	0.8	0.7	0.7	0.7	0.8	0.6	0.6	0.6	0.65	0.66	0.66
Dividend payout ratio (%)	29.7	35.2	28.7	34.2	42.9	31.8	34.5	50.9	40.1	38.2	35.9

Corporate Profile and Stock Information

Corporate data (As of March 31, 2026)

Niterra Co., Ltd.

Headquarters	1-1-1 Higashisakura, Higashi-ku, Nagoya 461-0005, Japan URBANNET NAGOYA NEXTA Bldg.
Established	October 1936
Number of employees	Non-consolidated: 3,208 Consolidated: 15,698

Number of shares and shareholders
(As of March 31, 2026)

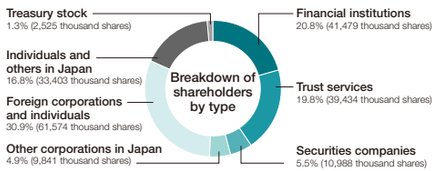
Paid-in capital	47,869 million yen
Total number of authorized shares	390,000,000
Total number of issued shares	199,247,720
Listed markets	Tokyo Stock Exchange (Prime Market) Nagoya Stock Exchange (Premier Market)
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Independent auditor	KPMG AZSA LLC
Number of shareholders	99,497

Major shareholders (As of March 31, 2026)

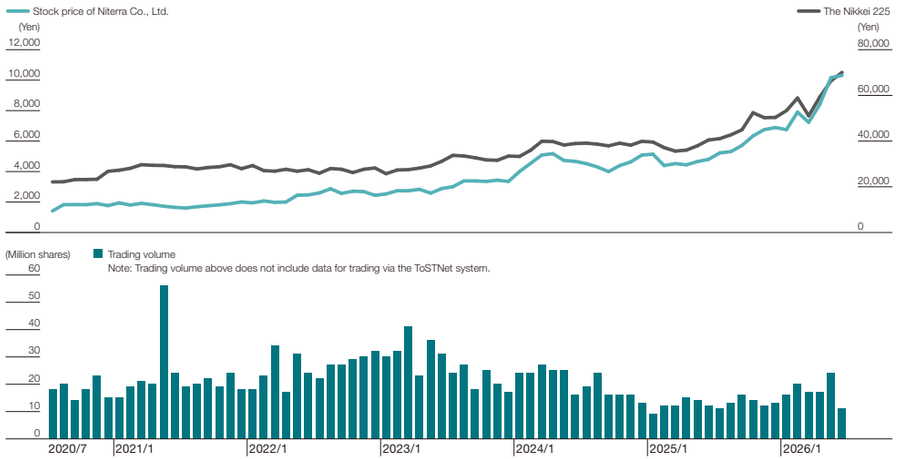
Name of shareholder	Number of shares held (thousand)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	24,171	12.28
Meiji Yasuda Life Insurance Company	16,794	8.53
The Dai-ichi Life Insurance Company, Limited	12,552	6.38
Custody Bank of Japan, Ltd. (trust account)	11,332	5.76
CGML PB CLIENT ACCOUNT/COLLATERAL	6,551	3.33
GOLDMAN SACHS JAPAN CO., LTD. BNYM	5,934	3.01
STATE STREET BANK AND TRUST COMPANY 505001	3,846	1.95
Nippon Life Insurance Company	3,563	1.81
JP MORGAN CHASE BANK 385642	3,489	1.77
STATE STREET BANK AND TRUST COMPANY 505103	3,165	1.60

Note: Ownership ratio above is calculated excluding treasury stock.

Breakdown of shareholders by type
(As of March 31, 2026)



Stock price and trading volume (As of June 30, 2026)



Initiatives

- GX Future Consortium
- Eco-First Promotion Council

Major awards and certifications

For other awards, evaluations, and past track record, please visit our website.

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

Corporate evaluation of ESG investment

2026 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2026 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index

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Editorial Note



Thank you for taking the time to read our Niterra Report 2026. This integrated report focuses on the business strategies and future outlook of the Niterra Group being pursued under the new management structure led by a new President. Furthermore, we have expanded the messages from our leadership team to help readers gain a deeper understanding of our management policies. It is our hope that these messages will help readers understand the progress of the Mid-term Management Plan 2030, which we are promoting to become a company that brightens the Earth, as well as our efforts to address social challenges. We will continue to strive for highly transparent information disclosure and proactive engagement.

Tomohiro Yamaguchi
Executive Officer, General Manager of Business Operations Div.

Integrated Report Survey: https://www.niterragroup.com/english/ir/library/integration_report.html

Administrative Office of Niterra Report 2026 Project

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