



We aim to be a company capable of solving social issues by promoting business portfolio management that leverages our core competences to strengthen current businesses and establish new business pillars.

Takeshi Kawai, Representative Director, President and COO

Proposing Solutions to Various Social Issues through Our Businesses

Soaring energy prices and supply crises, international conflicts that have revealed global divisions, inflation, the sluggish Chinese economy, and other issues continue to create a strong sense of uncertainty. It is within this context that we are beginning to see changes in the “EV shift,” which some refer to as a once-in-a-century revolution within the automotive industry. Even as EV sales are slowing mainly in Europe and North America, factors such as the emergence of highly price competitive Chinese EVs are accelerating a reorganization of the industry. According to surveys in the major markets, while sales of fully-electric EVs have declined from their peak as a percentage of total EV sales, sales of HEVs and PHEVs* are on an upward trend.

Though the situation in each country and region differs based on its energy situation, the suspension or reduction of subsidies for buying EVs, and other factors, most agree the market for EVs has levelled off now that an equilibrium has been reached between those looking to buy EVs and the infrastructure that supports their use. This may be in part due to criticism that, due to carbon emissions from their production and from the generation of the electricity they use, EVs do not necessarily lead to reduced environmental impact in areas where alternatives to fossil fuels are not the primary source of energy.

While it is not clear in what way EVs will spread, or which energy source will become the mainstream, the trend toward diversification of fuels used and a shift to clean energy is not likely to change. For this reason, the Nitterra Group is continuing to work towards achieving carbon neutrality.



At a time when the Japanese automobile industry was in its infancy, we pioneered the domestic production of spark plugs. We remain committed to creating environmentally friendly, high-performance spark plugs and exhaust gas sensors with an eye on changes in society, pursuing the possibilities of ceramics, which is our core technology, and providing products that contribute to solving social issues.

* PHEV: Plug-in Hybrid Electric Vehicle, HEV: Hybrid Electric Vehicle

Aiming to Become a Speedier Organization with an Assumption of Change

In 2020, we formulated our 2030 Long-term Management Plan “NITTOKU BX.” Based on an assumption that demand for internal combustion engine parts such as spark plugs and sensors, which are our main products, will peak in the mid-2030s, the plan aims to create a business portfolio by 2030 in which the ICE business (currently accounting for 80% of sales) accounts for 60%, with the non-ICE business accounting for 40%. We are currently working to strengthen current businesses and establish new business pillars in accordance with this plan. One of the focus points of NITTOKU BX is Environment & Energy. In this area, we are working on the commercialization of hydrogen, which is attracting attention as an alternative energy source that does not emit CO₂, as well as carbon cycle projects related to the separation, recovery, and utilization of CO₂.

To symbolize our desire and commitment to creating a sustainable society and becoming a company that lets the Earth shine, we changed the name of our Group from NGK SPARK PLUG to Niterra in FY2023. The name Niterra combines “niteo,” which means “shine” in Latin, and “terra,” which means “earth.” In other words, the name Niterra reflects our desire to be a company that brightens the Earth by taking on new challenges that increase its social significance.

Based on NITTOKU BX, we started the current Medium-term Management Plan in FY2021 with the slogan “Break to change. Change to create.” In implementing the plan, we focused on fostering an awareness among employees that things would be changing. While this awareness has gradually taken hold within the company, I believe that mobilizing the Group as a whole will require experiencing both a sense of change and a series of successes. FY2024 is the last fiscal year of the

current Medium-term Management Plan. While discerning what must be retained and what needs to be significantly changed, we will work to create systems and organizations that will enable us to take speedier action based on a “sense of crisis with an assumption of change.”

Achieving Record-High Revenue and Operating Profit through Action in Response to Market Change

In FY2023, we achieved record highs in both revenue and operating profit, achieving the Medium-term Management Plan performance goals of 600 billion yen in revenue and 100 billion yen in operating profit one year ahead of schedule. Factors behind this good performance include the tailwind provided by the weak yen, a YoY increase in the production of automobiles equipped with internal combustion engines, which are the main base of our business, and our success in passing-through inflation-related cost increases. Since FY2021, we began speedily conducting price negotiations in response to soaring prices of the precious metals we use as raw materials for our high-performance plugs. Since that time, we have continued to negotiate prices commensurate with the various cost increases. I attribute the above praiseworthy actions to the fact that, in FY2021, we introduced the in-house company system to clarify where responsibility and authority lies and that these and other measures have led to employees adopting an attitude of taking a personal interest in changes in the market environment and taking proactive action.

The forecast for FY2024, which assumes the yen will appreciate to 140 yen to the dollar and 150 yen to the euro, plans for record-high revenues and operating profits. This is based in part on an expectation of successful price pass-throughs by the Automotive Components Group. It is also based on an expectation of increased revenue in the ceramics business due to factors such as a recovery in the semiconductor market, which was poor in FY2023, as well as increased sales in the medical business.

As for our shareholder returns policy, starting in FY2024, we newly adopted dividend on equity ratio (DOE) as an indicator that is less susceptible to the effects of a single year's performance. We will achieve stable shareholder returns through a hybrid dividend structure that combines a stable portion with a minimum DOE of around 4% with a performance-linked portion with a target dividend payout ratio of around 10%.



Optimizing and Streamlining Our Internal Combustion Engine Product Production System

The third year of the Medium-term Management Plan that started in FY2021 has ended. In the existing ICE business, we have worked towards the goal of maximizing cash generation through efficiency improvements. In FY2023, we signed a memorandum of understanding with DENSO CORPORATION beginning discussions and deliberations on the acquisition of its spark plug business and exhaust gas oxygen sensor-related businesses. Optimizing our internal combustion engine product production system will ensure a stable supply of products, and also create economies of scale. I believe that this will in turn contribute to solving social issues by, among other things, reducing the environmental impact of production processes for the industry as a whole.

Internally, we are working to integrate our plug part numbers and enhance our order management system. In the U.S., we began trials of a production system based on demand forecasting, which had a number of effects including reduced inventory levels. We plan to take advantage of the

current opportunity provided by steady production and sales volumes to deploy the system globally, improving efficiency and accuracy.

Leveraging our Core Technology to Create and Develop New Businesses

We have been creating and nurturing new businesses in four priority areas: Environment & Energy, Mobility, Medical, and Communication. With FY2024 being the last fiscal year of the current Medium-term Management Plan, we are selecting and concentrating on businesses with higher probability of success, engaging in investment and product development towards full-scale commercialization starting with areas and businesses that have a high affinity with our strength, which is ceramics-related technologies. One such product we received many inquiries about and have put into production is EV motor bearing balls made using silicon nitride, a ceramic material. The demand for this product is increasing as EVs are operating on increasingly higher voltages. Another development in the area of silicon nitride is heat dissipation substrates for power semiconductors, which is one of our leading potential businesses.

In another area, Niterra Group subsidiary MORIMURA SOFC TECHNOLOGY Co., Ltd.* has been working on mass production of solid oxide fuel cells (SOFC) since 2020. At the same time, we have been

working on the development of devices for solid oxide electrolysis cells (SOEC) and the creation of alternative energy businesses including the methanation of hydrogen generated with SOECs. Towards the realization of a hydrogen-powered and carbon-cycling society, we launched the “SUIISO no MORI” (Hydrogen Forest) Project in May 2024 to invest in start-ups and support technological development and growth. As part of this project, we established a testing field in our Komaki Plant. We are considering the future possibility of engaging in open innovation with some of the startups, including conducting joint development projects with them, as well as allowing them to utilize our assets to launch their businesses. Another business endeavor we have decided to take on is the land-based shrimp aquaculture business, which leverages our decades of sensor technology expertise to manage water quality. This business contributes to the creation of a sustainable society by focusing on the world hunger problem, and more specifically the problem of limited water resources. In order to further accelerate commercialization of this business, we established a new company comprised of people who are strongly motivated to make it a success in the spirit of Dokuritsu-Jiei (believe in one's own ability, and take actions by oneself). I hope to link these businesses peripheral to our core technology together and develop them into the second pillar of our business after the ICE business.

* The company is a joint venture between Noritake Co., Limited, Toto Ltd., NGK Insulators, LTD., Morimura Bros., Inc., and Niterra Co., Ltd.

Leveraging the Strategic Port Folio Dept. to Better Manage Allocation of Resources to New Businesses

In the area of strengthening our management foundations, we have steered towards reforms that ensure the principle of competition continues to function in the face of a changing market environment. This includes the introduction of the in-house company system mentioned earlier, as well as a new personnel system. In order to manage our entire business portfolio, which is the future of our group, we established a new Strategic Port Folio Dept. in the Global Strategy Division of our headquarters. This department will carefully examine the future potential of new businesses launched by each of our companies, discuss whether to continue or withdraw from the business, and engage in selection and concentration in order to enhance our management of resource allocation. In this final fiscal year of the current

Medium-term Management Plan, we intend to speedily optimize our business portfolio and raise employee awareness of the need to ensure our new businesses become established.

Making Well-considered Decisions and Having the Courage to Take On Challenges, and the Courage to Withdraw

The sincerity of our employees' attitudes is one of our strengths. Even in a time of such change, I want our employees to cherish this attitude, not be afraid to take on new challenges, and have the unwavering strength to learn from failure and to get back up again. This is the message I occasionally convey to them. It is by first building the pillars of a small business and experiencing one small success that these pillars grow to the thick pillars of a bigger business. The continuation of this process will lead to the development of a culture that is both unique to the Niterra Group and in accordance with the changing times. In order to realize such a virtuous cycle, I would like to provide opportunities for dialog with employees where everyone can boldly express their ideas and opinions.

My personal management mottos are, “there is more to be gained by taking on a challenge and falling than by sitting and waiting to die,” and “if the odds are 60%, take the bet.” However, winning bets are made with information and knowledge, so we will continue to collect and scrutinize data meticulously, and when it is time to withdraw from a business, we will do so without hesitation. I want to have both the courage to take on challenges, and the courage to withdraw.

As the last fiscal year of the current Medium-term Management Plan, FY2024 is a preparatory period during which we will both generate solid results while also examining the content of the next Medium-term Management Plan. As set forth in our vision for 2040, we will “Change Drastically Beyond the Current Way” with a goal of achieving a size that will allow us to respond to a variety of demands from society in collaboration with our external network. In this way, we will grow into a company capable of further contributing to solving social issues.

I encourage you, our stakeholders, to look forward to the next five-year Medium-term Management Plan, and I ask for your continued support and guidance.

