

01 Value Creation Story

Message from the President

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

Takeshi Kawai

Representative Director, President & Chief Operating Officer

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



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