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

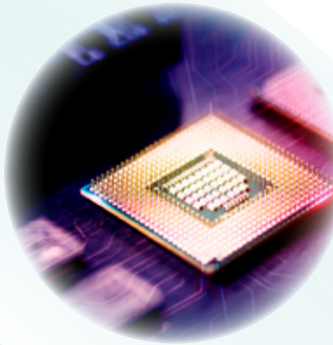
Extend for the future.
Spread out to exceed.

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







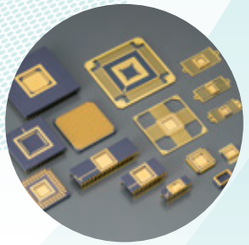














Ceramics

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.

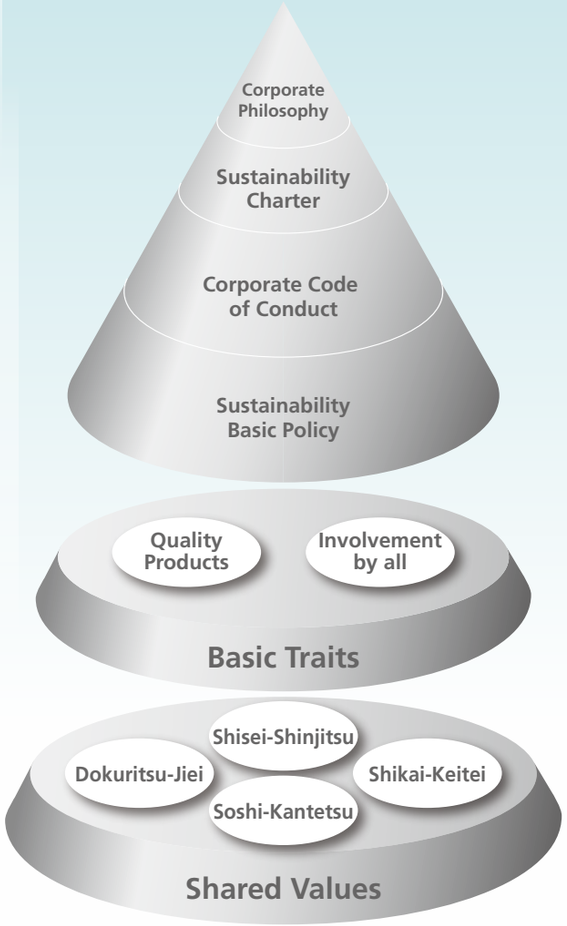


Environment & Energy

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.

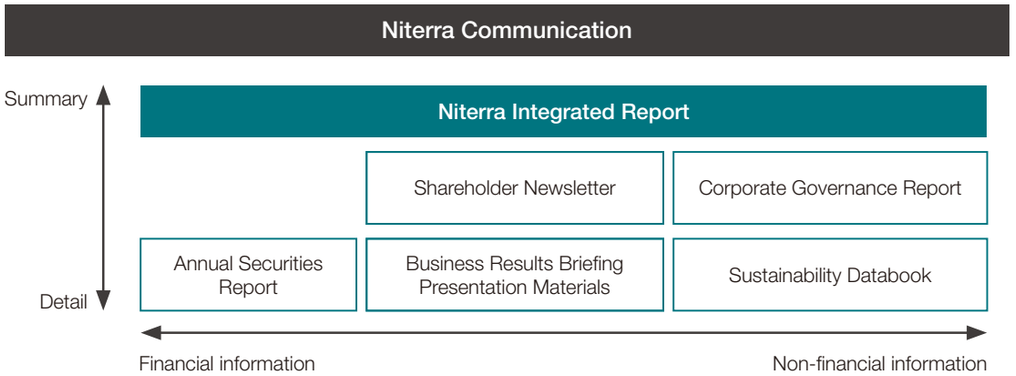
Integrated Report Questionnaire

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.

PROLOGUE
Message from the Chairman
Message from the President
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