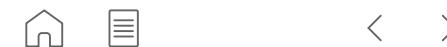


01 Value Creation Story

Growth Strategy Roundtable Discussion



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

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

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

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



Takeshi Kawai
Representative Director, President & Chief Operating Officer

Miwako Doi
Outside Director

Chiharu Takakura
Outside Director

Takayoshi Mimura
Outside Director

Hisanori Makaya
Outside Director

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

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

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

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

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

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

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

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

Group is facing and what are our opportunities?

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

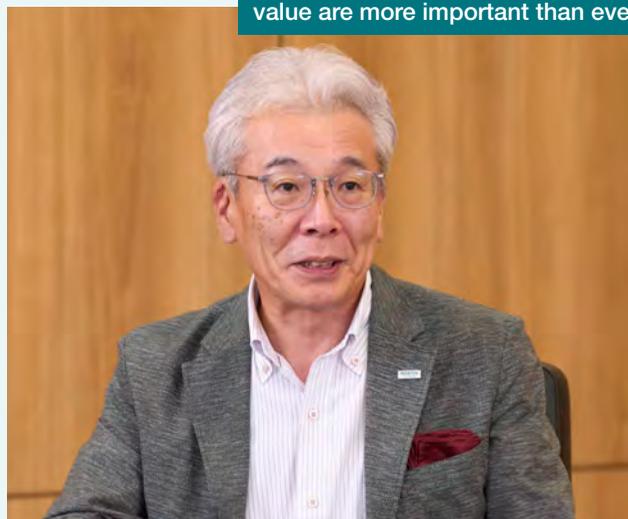
Makaya Fundamentally, I feel that Niterra is a solid manufacturing company focused on its core products of spark plugs and exhaust gas sensors, and that the Group faces hurdles in taking on new challenges both in terms of human capital and corporate culture. In particular, the importance of IT and DX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

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

In an era of great external change,

fundamental discussions about corporate

value are more important than ever



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Developing winning, profitable talent that contributes to growth

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

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

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

Empowerment by developing talent that is self-leading and innovative

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

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

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

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

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

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

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

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



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

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

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

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

M&A and new business creation

can trigger the establishment of

a second and third business foundation



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

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

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

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

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

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



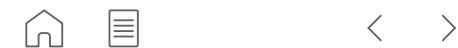
A B-to-B-to-C perspective is key for developing markets and creating new business pillars

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

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

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

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



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