Outside Directors' Roundtable Discussion

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

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



Miwako Doi
Member of the Board (Outside Director)*

Chiharu Takakura
Member of the Board (Outside Director)

Takayoshi Mimura
Member of the Board (Outside Director)

Hisanori Makaya
Member of the Board (Outside Director)

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

Shifting Governance from "Form" to "Substance"

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

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

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

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

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

A Longer-perspective on Board of Directors Discussions

Expanding Them with a Focus on Company-wide Strategy

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

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

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

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



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

Enhancing the Effectiveness of Nomination and Remuneration Processes

Developing Talent to Lead the Management Team Toward Transformation

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

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

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



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

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

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

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Implementing Sustainability Management and Creating Sustainable Value

Thorough Risk Management and Execution of Business Portfolio Transformation

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

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

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

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

Messages to Shareholders and Investors

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

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

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

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



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