

03 Capital for Improving Corporate Value Financial Capital



Vision

- Enhancing corporate value by improving both ROE and PER

Key Features

- Stable cash inflow generated from Automotive Components business
- Concentrating management resources on focus areas to enhance profitability

Challenges

- Expanding EBITDA to 1.6x during the Mid-term Management Plan 2030 period
- Optimizing the portfolio to improve ROIC

Message from the Finance Officer

Steadily enhancing earning power and channeling the generated cash flow into growth investments

Yoshitaka Suzuki

Executive Officer
In charge of Finance and Accounting Dept., Finance Group and Strategic Management Dept., Management Group, Global Strategy Div.

* Positions listed in this interview are those held at as of July 2025.



Record-high profits Business expansion and creation within our focus areas are key priorities

In the Mid-term Management Plan 2025 (MMP 2025), which ended in FY2024, we achieved the numerical targets set for revenue and operating income one year ahead of schedule in FY2023. For FY2024, revenue reached 652.9 billion yen and operating income reached 129.6 billion yen, marking the fourth consecutive year of record-high profits. I believe this is a sufficiently satisfactory result.

In terms of capital efficiency, ROE rose to 14.1% and ROIC to 10.9%, both exceeding the targets set in the MMP and showing further improvement from the previous fiscal year. We are seeing a steady improvement in our earning power, particularly in Automotive Components.

The weak yen has also played a role in boosting our operating income by approximately 10 billion yen to just under 30 billion yen over the last three periods. It is our policy to continuously review and implement specific financial operations, taking into account future FOREX risks.

On the other hand, expansion and creation of businesses within our focus areas remains a key priority for future challenges. When we view our Group's core Automotive Components business from a broader perspective

as mobility, the importance of the EV market becomes clear. Although growth has temporarily stalled globally at the moment, we expect this sector to see steady growth in the long term. It is crucial to determine how to allocate our more robust cash flow toward growth investments in this area, while strategically advancing investments in balance with the existing Automotive Components business. We will continue to place importance on management decisions that strike a balance with shareholder returns.

To enhance our competitiveness in the EV market, we acquired all shares of Toshiba Materials Co., Ltd. (now Niterrra Materials Co., Ltd.), which possesses strengths in silicon nitride balls and silicon nitride heat dissipation substrates, in June 2025. Going forward, we will strengthen our business with a focus on ceramic technology and aim to further enhance our presence in the mobility sector which is a rising growth area.

Although the acquisition cost was substantial, approximately 150 billion yen, we anticipate steady growth in the EV market from a mid-to-long term perspective and consider this investment in the field to be highly significant. Our immediate challenge is to enhance our market presence by combining Niterrra Materials' product capabilities with our technological development capacity.



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Clearly distinguishing between businesses focused on actual revenue generation and those focused on revenue efficiency to achieve optimal capital allocation

The new Mid-term Management Plan 2030 (MMP 2030), launched in FY2025, aims to achieve a virtuous cycle: further enhancing the competitiveness of our Automotive Components, investing the generated cash into our focus areas, and thereby boosting the growth potential of the entire Group.

Continuing the policy from the previous MMP, we remain committed to prioritizing the spread between ROIC and WACC by business segment. However, we have clearly differentiated how we interpret these indicators based on the nature of each business area. For example, our plug business has the top global market share, so we are prioritizing maximizing cash generation rather than further increasing its already high ROIC.

For other businesses, we will firmly monitor efficiency and growth potential with a focus on ROIC. In this way, we will clarify the roles required for each business, discern the areas where we should prioritize the rate of revenue and those where we should pursue volume, and achieve optimal capital allocation.

Looking at our current financial foundation, the equity ratio stood at 68% for FY2024 (as of March 31, 2025), but it subsequently decreased as of June

30, 2025 due to the acquisition of Toshiba Materials Co., Ltd. and the resulting increase in total assets. Regarding the appropriate capital level, we will continuously review it based on our mid- to long-term management strategy, aiming for sustainable enhancement of corporate value, while also considering the maintenance of credit ratings necessary for the effective utilization of interest-bearing liabilities.

We have continued our activities to improve ROIC since MMP 2025, and we have identified three key points in MMP 2030. The first is cost reduction in indirect departments. Currently, while our consolidated net sales increase, costs in indirect departments are also tending to rise, with domestic labor costs in particular exerting an impact. We will strive to control the fixed cost ratio of net sales and the SGA ratio while investing in human capital to establish more efficient and robust indirect departments that can reliably support our business. The second point is clarification of business withdrawal rules. For businesses where the ROIC-WACC spread cannot be secured over the long term, we will conduct reviews in the course of pursuing revitalization and structural reforms, considering divestment from a best owner perspective when synergies cannot be expected. The third and final point is optimization of the supply chain. Strategic inventory buildup in response to past precious metal procurement risks has largely run its course, but prices have surged sharply again recently, which are heightening procurement risks. To address

this issue, we will enhance the efficiency of working capital while implementing inventory management in line with our business characteristics.

Under MMP 2025, we worked to embed ROIC throughout the entire Group to instill a mindset focused on investment returns, achieving certain results in the process. Within the Company, financial indicators such as ROIC, cash, and CCC (Cash Conversion Cycle) have become commonplace throughout everyday conversations, and there has been a palpable shift in employee awareness. In MMP 2030, it is crucial to enhance strategic communication that clearly conveys what is expected and demanded of each business along with KPIs, in order to further heighten awareness of investment efficiency. This will also lead to further improvements in ROIC.

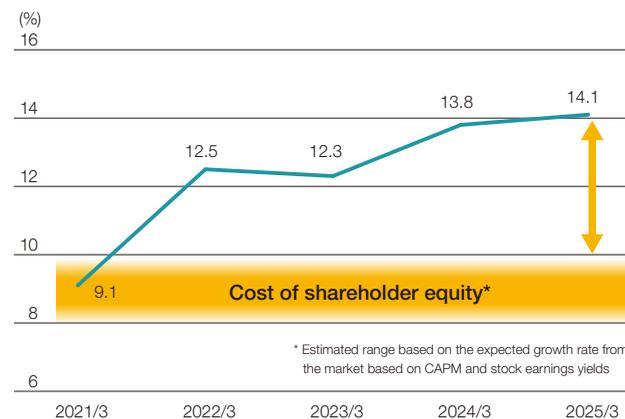
To expand PBR, prioritizing improving PER and plotting a growth strategy

MMP 2030 positions PBR as a key indicator. While it had previously remained below 1x for an extended period, it has stayed above 1x for the past few years and is currently hovering around 1.8x. We will continue to strive to enhance corporate value and earn recognition from the capital markets.

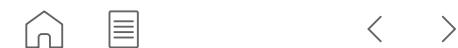
Change in price-to-book ratio (PBR)



Change in return on equity (ROE)



Change in price-to-earnings ratio (PER)



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The critical premises for PBR are the levels of ROE and PER. ROE has been improving year on year, and we believe one reason for this is that our core Automotive Components has been able to maintain its stable strength. However, we also anticipate that ROE may plateau once a certain level is reached. Therefore, it is crucial to focus on how to increase the PER. Our PER level of over 10x is certainly not unfavorable when compared to other automotive parts manufacturers. To achieve further improvement, we must devise a growth strategy that will be valued by the market and lead to an increase in the stock price. Assuming continued profitability in the Automotive Components business, we believe that as the growth areas within the component solutions business achieve a certain scale and demonstrate solid growth, we can expect an improvement in PER.

In terms of expected growth value, MMP 2030 anticipates approximately 320 billion yen in business investments, primarily focused on the SPE business and the silicon nitride business operated by Niterra Materials, including the acquisition cost of Toshiba Materials Co., Ltd. amounting to approximately 150 billion yen.

The timing of investments is critically important in the SPE business.

Additionally, the business design itself will be scrutinized for how accurately it can demonstrate that the investment will reliably generate returns. Based on our understanding of these challenges, we are working to strengthen the business foundation for generating revenue. In the silicon nitride business, we anticipate that EV-related operations will enter a phase of steady growth over the mid-to-long term. Our policy is to continue making investments to maximize synergies between Niterra Materials' technological capacity in materials development and our Company's sales capabilities to bring these products to market.

We expect to maintain research and development expenses at approximately 6% of net sales. To achieve our vision of "becoming a company that brightens the Earth" by maximizing our strengths, we intend to strengthen our technology portfolio in both fundamental and applied research while pursuing selection and focus, primarily in the area of ceramics.

From an investment perspective, shareholder returns are one means of enhancing ROE and are considered an important use of cash. Our Group prioritizes growth investments in our businesses and focuses on building the foundation to become a company that continues to generate earnings. We

also place equal emphasis on shareholder returns from the perspective of investment returns, just as we do with business investments. For FY2024, we paid an annual dividend of 178 yen per share, a payout ratio of 38.2%. Additionally, at the end of October 2025, the Company resolved to repurchase its own shares up to a maximum of 30 billion yen. To improve ROE, it is vital to provide shareholder returns in a flexible and stable manner and as we position returning profits to shareholders as one of our most important policies, the stable dividend portion, with a minimum target of approximately 4% DOE, serves as the bedrock of our shareholder returns. We will also implement a comprehensive shareholder return policy, including performance-linked dividends and flexible consideration of share buybacks and cancellations for capital exceeding suitable levels. In this way, we will strive to improve capital efficiency and achieve sustainable growth in corporate value.

Promoting IR activities that resonate with our equity story

Our Company has consistently built relationships of trust with our shareholders and investors through transparent disclosure of information and assertive dialogue. Over the past year or two in particular, we have intensified our IR activities to bolster this commitment. In FY2024, we conducted over 280 dialogues over the year, with management proactively participating in discussions with shareholders and investors, steadily enhancing both the quality and quantity of these interactions.

By holding these dialogues, we have gained valuable insights and perspectives on optimizing our business portfolio, reviewing unprofitable businesses, and establishing a growth narrative. These directly contribute to our management decisions and enhance our organizational capabilities.

Going forward, we aim to strengthen our investor relations activities in alignment with our MMP and strive to gain a deeper understanding of our equity story via proactive communications. We are committed to further strengthening our stance of achieving growth together with our shareholders, aiming for sustained enhancement of corporate value, including relative TSR.

We will continue to place value on co-creation through dialogues with all of our valued shareholders as we aspire to create corporate value.

Cash Allocation [▶ P.43](#)

Shareholder Return Policy
(Dividend per Share (DPS): Track record and future outlook) [▶ P.43](#)

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Vision

- The personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group.

Key Features

- Developing the global talent portfolio which aligned with our business portfolio
- Developing specific recruitment, development, and promotion measures through HQ and regional talent meetings
- Fostering career ownership by clarifying job roles and visualizing career paths

Challenges

- Instilling the shared values throughout the entire Group
- Ensuring optimal placement by visualizing both talent and roles
- Establishing a system to support each individual's self-driven growth

Human Capital Policy

Human Capital Policy

- We recognize employees as our most important management resource. By respecting the diversity and individuality of our employees, we aim to develop self-leading and innovative persons and contribute to the growth of our Group.

Action Guidelines

- We will foster the development and progress of employees who are driven to improve their own value and contribute value to society, while building a relationship where employees and the company can continue to grow together.
- We create an environment where diverse talents can combine their individual strengths and maximize their potential.

Overview of Strategy

Our Mid-term Management Plan 2030 centers on human capital management to drive corporate value, guided by the principle: "At Niterra, the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group."

To achieve this, we will pursue the following Niterra Talent Management on a global scale.

First, to optimize our business portfolio, we will build a global talent portfolio that ensures the right people are in the right place at the right time. By deepening discussions on this talent portfolio at HQ

and regional talent meetings, we will develop specific recruitment, development, and promotion measures, which will strengthen our diverse talent pool to adapt to changes in the business environment.

Simultaneously, by clarifying internal job roles and outlining career paths, we will achieve talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments. This approach fosters each employee's career ownership and cultivates people with both strong will and execution capabilities, thereby building a relationship where both employees and the Company continue to grow together.



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Niterra's Approach to Human Capital Management

Both the optimization of the business portfolio and strengthening of the management foundation outlined in the Mid-term Management Plan 2030 are key strategic pillars supporting the sustained development of our Group. In order to ensure the successful execution of these strategies, the growth of the people and organizations that drive them is indispensable. Therefore, for the latter half of our Long-term management plan starting in 2025 and continuing after, we prioritize having diverse and proactive individuals who embody the Niterra Way. At the core of achieving this challenge is the globally deployed Niterra Talent Management program. We will strongly support the growth of each and every employee, clearly define roles and responsibilities, and expand opportunities for them to volunteer to do the work they wish to take on. Then we will respond appropriately to achievements and contributions made. Furthermore, to realize the Mid-term Management Plan 2030, we are in the process of revising our talent development programs to cultivate individuals who embody the Niterra Way.

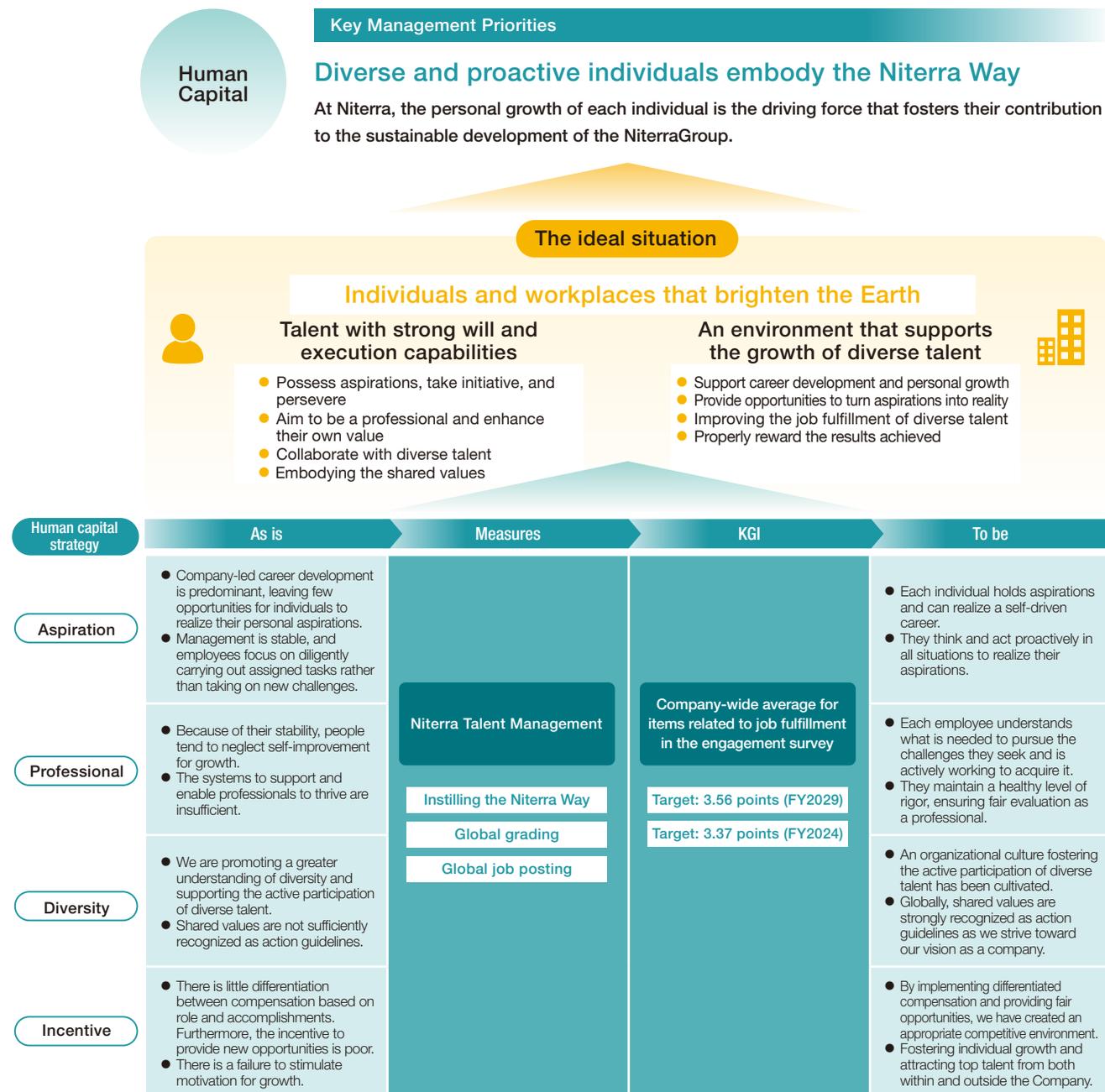
By means of these talent development activities and the permeation of the Niterra Way, we will establish an environment where every employee can embody the Niterra Way with actions such as: having aspirations, taking initiative, and seeing things through, aiming to be a professional and enhancing one's value, as well as collaborating with diverse talent. In this way, we will strive to achieve our management strategy while becoming a company that brightens the Earth, embodying the spirit of our English corporate name "Niterra."

Business Strategy

- Creating new business pillars utilizing existing core assets
- Strengthening the internal combustion engine business and achieving sustained growth
- Strengthening management foundation to support business portfolio optimization

Challenges Concerning People and Organizations

- Due to the stable business environment to date, activities toward career development based on individual aspirations and growth aimed at becoming a professional are insufficient.
- Shared values are not sufficiently recognized as action guidelines.
- Incentives are not performing sufficiently as drivers for growth.



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Four Key Elements in Talent Management

The Group recognizes that employees are our greatest management resource and promotes human capital management. By supporting employees' self-driven growth, we aim to build a relationship where both employees and the Company continue to grow, enabling each individual to maximize their potential. From 2025 onward, we will identify four key elements for this purpose and implement measures for talent management.



The first key element, "Aspiration," is the source of each individual's ability to take initiative. Thus by fostering aspirations, we encourage employees to shape their own futures through their work. To that end, we will henceforth provide broader and fairer opportunities for each individual to pursue their aspirations and make them a reality.

The second element is "Professionalism." We expect employees to understand what they need to pursue the challenges they seek and to enhance their value as professionals. Furthermore, throughout the revision of our HR system, we will ensure that appropriate evaluations are conducted with a healthy rigor, enabling professionals to receive fair assessments.

The third element is "Diversity." To continuously deliver corporate value amid rapid changes in the external environment, we believe it is essential for individuals with diverse backgrounds to unite and increase their strength as a team many times over. Going forward, we will promote the cultivation of an organizational culture where diverse talent can thrive, encompassing not only differences in gender and nationality, but also aspects in a broader sense such as lifestyle, personality, and values.

As for the final "Incentives," we foster a fair competitive environment through clear distinctions in compensation based on roles and achievements, coupled with the provision of equitable opportunities, thereby encouraging the ambitious growth of each individual. As a result, we will continue to attract top talent from both within and outside the Company, leading to sustainable growth.

Initiatives to Improve Employee Engagement

The Group recognizes that respecting each individual's diverse personality and eliciting their motivation and abilities is essential for the sustainable growth of both our employees and the organization. Based on this philosophy, we have positioned the enhancement of employee engagement as a key management priority and are working company-wide to promote this concept.

By visualizing the state of our people and organization using quantitative and qualitative data from our engagement survey conducted annually, we identify current challenges and develop and implement specific measures to achieve a better condition.

Throughout this process, the HR department takes the lead in fostering company-wide alignment by holding discussions with executives and organizing meetings to share initiatives with division managers. At the same time, each workplace takes the lead in organizing workshops where all members actively participate with a sense of involvement to develop approaches for creating better workplaces.

Additionally, starting in FY2022, we have adopted the engagement survey results as one of the indicators used in calculating executive bonuses, accelerating our efforts to improve employee engagement.

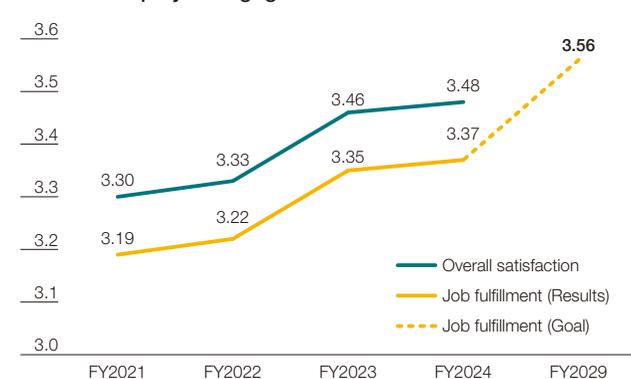
As a result of these activities, engagement has steadily improved from 3.30 points in FY2021 to 3.48 points in FY2024.

We will continue to work together as a unified Group to enhance employee engagement, driving the growth of both our employees and organization.

In the new Mid-term Management Plan starting in FY2025, employee engagement figures will be set as the Key Goal Indicator (KGI) for our human capital strategy. Until now, we have measured overall satisfaction by combining health-related factors such as ease of work with motivational factors such as job fulfillment. However, a key challenge has been that scores for items related to job fulfillment remained low compared to improvements in overall satisfaction achieved through environmental improvements that include health management initiatives. Therefore, going forward, we will promote talent management that places the right people in the right roles and focus on items related to job fulfillment (such as fulfillment in work, sense of belonging, and loyalty to the Company). We aim to raise this score from the company-wide average of 3.37 points as of FY2024 to 3.56 points or higher by FY2029.

We aim to achieve these goals by implementing the various initiatives of Niterra Talent Management described on the following page.

Shifts in employee engagement



Current status and goal for the job fulfillment

| | |
|--------|--------------|
| FY2024 | Result: 3.37 |
| FY2029 | Goal: 3.56 |

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Niterra Talent Management

Beyond 2025, as mentioned earlier, we have placed at the core of our human capital management the goal of enhancing corporate value by ensuring that "The personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group." Based on this, we will advance Niterra Talent Management.

To achieve this, we will clarify internal job roles and outline career paths to support each individual in building their own career. Specifically, we are implementing global grading, which measures core positions within the Group using common indicators, and global job posting, which publicly shares internal positions based on grading and enables employees to apply for transfers should they wish.

Furthermore, by reinforcing the Niterra Way throughout the entire Group and encouraging actions aligned with it, we will establish it as a foundation connecting individuals with diverse backgrounds.



Global grading

As of FY2024, our Group operates 62 overseas locations, with overseas sales accounting for over 80% of total sales. Also, talent at overseas subsidiaries comprise over 40% of the Group's total workforce. Under these internal environmental conditions, we will introduce global grading as part of our human capital management strategy. By establishing a common grading system for core positions across domestic and international Group companies, we aim to clarify job value and further strengthen the placement of the right people in the right roles throughout the entire Group. Specifically, we will identify core positions within domestic and international Group companies and the key talent tied to them. By strengthening strategic development plans and assignments and ensuring succession plans function effectively, we will contribute to the sustainable growth of our corporate value.

Global job posting

To support each individual's self-driven career development, we will introduce a new global job posting framework during the Mid-term Management Plan 2030 period. This initiative entails publishing job descriptions for core positions both domestically and internationally within the Company, enabling employees to voluntarily submit requests for transfers. Following the selection process, the official appointees will be determined.

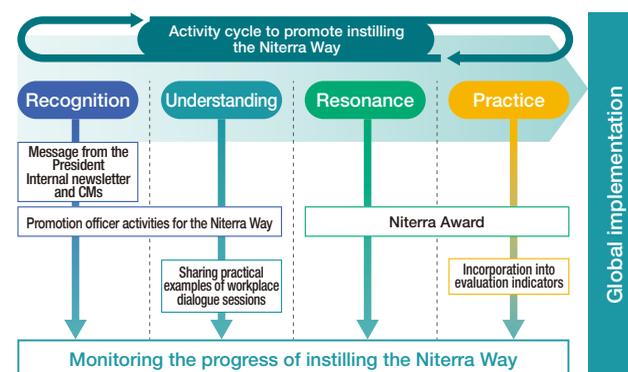
We have previously implemented an internal job posting framework, but challenges remained in achieving company-wide utilization, such as the disclosure and application of positions being limited to certain departments. During the Mid-term Management Plan 2030 period, by including overseas core positions as eligible targets, it will be possible to chart career paths that incorporate overseas experience. Additionally, we intend to expand domestic position disclosures and increase the number of more attractive internal job openings in a bid to attract and retain top talent.

Instilling the Niterra Way

In 2017, the Group reorganized the principles which have been valued since the founding of Morimura Gumi, the cornerstone of the Morimura Group, and established them as the Nittoku Way (now the Niterra Way). Approximately ten years after its enactment, we recognize that the challenge remains that its permeation throughout domestic and overseas Group companies is only halfway done.

As we proactively pursue business diversification and global expansion to attract talent with diverse backgrounds, while also fostering an environment where diverse individuals can thrive, we again believe it is crucial that instilling the Niterra Way as a unifying foundation connecting this diverse workforce, and that each employee embodies it. As a result, we hope to foster a sense of unity within the Group and cultivate individuals who possess both strong will and execution capabilities.

Activities for instilling the Niterra Way



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Managerial Talent Development and Administration

Our Group implements various next-generation management talent development programs, such as the global selection program HAGI and the domestic selection program Nittoku Business School, to cultivate talent who will lead the next generation of management. Graduates of HAGI and the Nittoku Business School are currently serving in key positions within the Group. Additionally, we are promoting the development of local leadership that contributes to management within each country and region via our unique selective training programs. Talent-related matters for core positions across the entire Group are discussed at length every month at the Corporate Management Committee. This approach revitalizes the entire organization, accelerating sustainable growth and enhancing corporate value on a global scale.

HAGI

Our Group launched the HAGI global next-generation management talent development program in 2016 to cultivate the next generation of managerial talent in line with our expansion of global business. This program selects future management candidates at the division head level regardless whether they are domestic or international, and explores their core principles as executives. Named after Hagi, the birthplace of the Shoka Sonjuku school during the Bakumatsu period, Chairman Odo serves as its principal. We continuously hold these sessions as a platform for mutual learning that emphasizes a company-wide perspective, cultivating and producing talent with aspirations and a sense of mission required to lead the Niterra Group into the future.

Nittoku Business School

As a step-up program to HAGI, we offer places at the Nittoku Business School for selected domestic talent. In addition to acquiring business skills such as management strategy and logical thinking through practical case studies, we aim to promote the cultivation of leaders who are not solely focused on knowledge (technique). In this way, we foster talent who possess mind, technique, and body by refining the spirit (mind) and soundness (body) of a leader by means of self-exploration and articulating one's core values.



Scene from a HAGI course

Work Style Reforms

We have formulated a "Work Style Reform Declaration" based on our Long-term management plan.

We are creating an environment where employees will continuously create value, with the aim of maximizing performance and enhancing engagement. In specific terms, by diversifying work locations and hours, we are contributing to securing top talent and improving work-life balance. By promoting a hybrid model combining remote work and on-site attendance, we are stimulating communication and enhancing productivity.

We will continue to support flexible working arrangements, aiming to invigorate the entire organization and achieve sustainable growth.

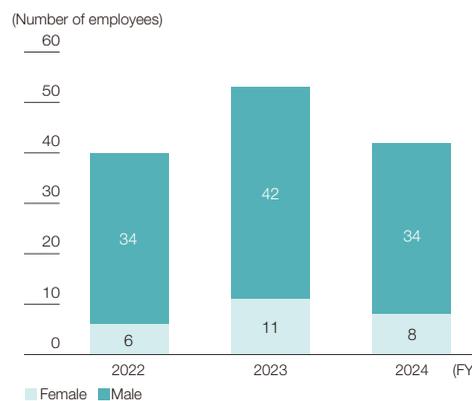
Recruitment Strategy

To swiftly respond to changes in the business environment and transform our talent portfolio, we are proactively promoting mid-career hiring, including managerial positions, primarily within our headquarters departments, new business divisions, and IT departments.

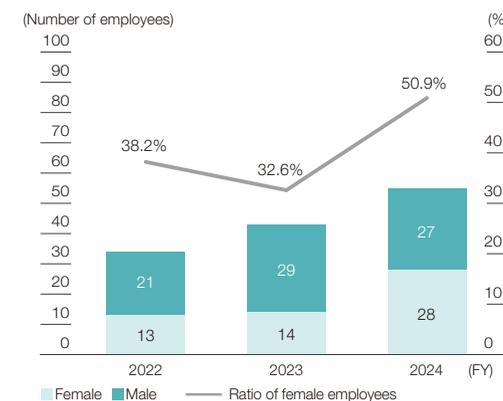
Furthermore, in order to respond to increasing globalization, we are proactively recruiting foreign national employees to enable diverse talent to thrive. We have consistently hired foreign national employees in our new graduate recruitment programs and in recent years have focused on recruiting not only international students attending Japanese universities but also students who have acquired specialized expertise at overseas universities.

Furthermore, we are actively promoting an increase in the hiring ratio of female employees and people with disabilities. By including diverse talent this way, including mid-career hires and foreign national employees, who thrive in each workplace, we are contributing to the advancement of Diversity, Equity & Inclusion (DE&I) across the entire Company.

Mid-career employment (non-consolidated)



New graduate recruitment (non-consolidated)



* The graph shows the number of employees hired by the Company on a non-consolidated basis.

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Diversity, Equity & Inclusion (DE&I)

Our Vision Fostering an organizational culture where diverse talent can thrive in their own way

We consider Diversity, Equity & Inclusion (DE&I) to be one of our most important management strategies as we believe that leveraging the uniqueness of each employee and helping them fully demonstrate their potential is essential for the company to attain sound growth and ensure happiness for all employees. We put an importance in accepting diverse individuals regardless of gender, age, physical condition, nationality, as well as lifestyle and personality, and to provide each one with the best support and opportunities in a fair manner. We leverage new values and ideas coming from an employee-friendly workplace that accepts such people by combining different forms of knowledge.

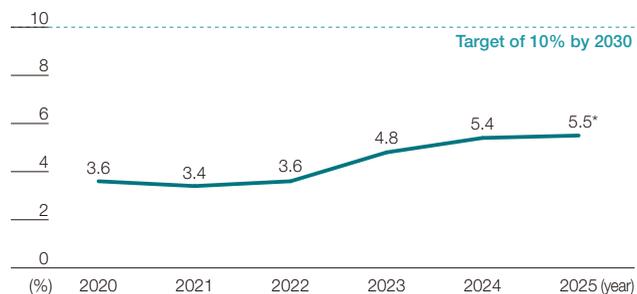
Activities to Promote DE&I

1. Fostering diverse leaders (empowerment of women)

Our Group aims to build an organization where leaders with diverse backgrounds can thrive, working toward realizing our vision. We have focused particularly on promoting the advancement of women in the workplace, setting targets to achieve a 30% representation of women and foreign national employees on the Board of Directors and a 25% representation of women, foreign nationals, and mid-career hires in managerial positions by 2030. We have already achieved both of these targets. In addition, we are advancing initiatives targeting a 10% representation of women holding managerial positions by 2030.

To increase the ratio of women in managerial positions, we have been implementing the Raise UP Program, a training program for the selective promotion of women to managerial positions, since 2019. With the support of management and supervisors, we provide opportunities for them to acquire the knowledge, skills, and mindset required for managerial positions. To date, 28 women have successfully attained such positions. The training program has steadily increased the ratio of female managers year after year, resulting in the gradual cultivation of a culture that fosters diverse leadership. These activities also contribute to closing the gender pay gap.

Ratio of female managers (as of April 1)



* The ratio excluding managerial-level specialists is 5.61 (as of the end of March 2025).

Going forward, our Group will continue to promote the development of diverse leaders, with women's empowerment as a key pillar. We will further emphasize underlying diversity, including diversity of experience and perspectives, and persistently strive to build an organization where diverse talent can thrive while cultivating leaders who drive this progress.

2. Creating an environment where diverse talent can thrive

To create an environment where diverse talent can thrive, our Company is committed to supporting the balance between work and childcare. In recent years, we have focused particularly on increasing the rate of male employees taking childcare leave, proactively implementing initiatives such as sharing experiences of those who have taken leave at internal forums, seminars on work-life balance strategies, and networking events for employees raising children. As a result, the uptake rate for male childcare leave and childcare-related leave reached 90.6% in FY2024, and is continuing to improve yearly.

We have established a multifaceted support system to provide diverse career options and empower all employees to achieve greater success. To help employees develop their careers with peace of mind, we have established a career counseling service staffed by specialized counselors. Furthermore, we are supporting employee growth by implementing age-specific career initiatives tailored to each life stage.

3. Expanding internal understanding of DE&I

In addition to achieving the aforementioned goals and establishing the necessary environment, our Company is also focusing on instilling a deep understanding of DE&I (Diversity, Equity & Inclusion) to foster a workplace culture where diverse talent can thrive in their own way.

One specific effort we made was to designate a week in February 2025 as DE&I Week, a period to think about and promote DE&I with employees. We held various events under the theme "Inclusive Niterra" with the goal of encouraging everyone to take ownership of DE&I initiatives and translate them into individual

actions. During this period, we invited an outside lecturer to deliver a presentation conveying that the active participation of every employee is essential to the organization. Furthermore, we also sent out messages from the president and executives, sharing a strong commitment to promoting DE&I throughout the entire Company.

Additionally, we repeatedly conduct diversity-themed sessions on Mimi-Tako (MT) Training, referring to hearing something many times over, for managers. Information about these activities and various DE&I initiatives is disseminated through the monthly Diversity Forum which is published by the HR department for all employees, ensuring comprehensive awareness and fostering regular understanding.

Promoting DE&I toward a Niterra where each and every individual thrives



T.S.
Human Resources Strategy
Department, Well-being Strategy
Group, Global Strategy Division

Our Group is committed to promoting DE&I so that every employee with diverse backgrounds can maximize their potential. By participating in the training program for promoting women to managerial positions, I myself recognized the importance of embracing diverse perspectives and came to appreciate the value of each individual being able to thrive in their own way.

The initiative launched in 2013 as a Women's Empowerment Project has steadily evolved, achieving progress in enhancing diversity among managers and fostering company-wide awareness. Our vision for DE&I goes beyond merely meeting numerical targets and is designed to maximize the organization's strength by fully leveraging the diverse perspectives generated by each individual's experiences and perspectives - irrespective of gender, nationality, or career background. In this way, we aim to create innovation and drive sustainable growth.

The Diversity Promotion Team will continue its activities to ensure every employee embraces DE&I as their own responsibility, respects each other's differences, and proactively participates in creating new value.

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Occupational Health and Safety



Occupational Health and Safety Policy

With high respect to humanity, we act on occupational health and safety as the company's starting point.

* This policy applies to all persons involved in our business activities, including employees, temporary employees, contractors, suppliers, construction workers and visitors.

Action Guidelines

- To prevent health damage, injuries at work, and illnesses of employees, we will provide healthy and safety working environment and act to improve physical and mental health.
- We will comply with laws and voluntary regulations regarding Occupational Health and Safety.
- We will continuously improve occupational health and safety management system and health and safety performance.
- We will eradicate injury at work by eliminating hazards for occupational health and safety and by reducing risks.
- We will ensure access to safe water and sanitation facilities, and promote good hygiene practices.
- We will promote ability and awareness at occupational health and safety through education and enlightenment.
- We will inform all employees about this policy and engage in health and safety activities with the participation of all employees, based on the action plan agreed with the employee representatives.

Promotion System

In order to eliminate occupational accidents and create a pleasant workplace environment, the Group has established an Occupational Health and Safety Management System (OHSMS). The system is managed by the Central Health and Safety Committee chaired by the Chief Health and Safety Officer, which holds two regular meetings per year, as well as irregular meetings as required. The Central Health and Safety Committee reviews the Group's health and safety issues and reports on related activities from each company, while the Chief Health and Safety Officer conducts management reviews. Each in-house company and department develops its own goals and plans, and engages in health and safety activities via the Health and Safety Committee of each plant.



In FY2024, the Central Health and Safety Committee convened twice to report on and discuss activities including responding to occupational accidents, the global health and safety framework, health management initiatives, and workplace environment improvements.

Initiatives for Preventing Occupational Accidents

Risk assessment initiatives

As a core activity of our OHSMS, we conduct risk assessments when introducing equipment and chemicals, and review the content annually.

We conduct detailed investigations of hazards from equipment, chemicals, and work processes in all workplaces to conduct health and safety risk assessments, and implement hard and soft countermeasures (residual risk management), prioritizing the most dangerous hazards.

Education

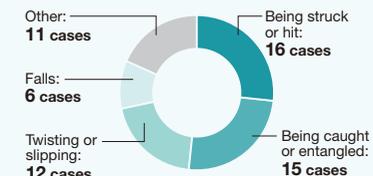
To prevent disasters from occurring, we implement diverse training programs, including tiered education and specialized training, from the viewpoints of "people," "products," and "systems." The Health and Safety Guidelines (English version available) for all employees is a booklet summarizing the basics of health and safety, and is put to use in each workplace.

In FY2024, we administered a comprehension test for all employees to ensure a deeper understanding and retention of occupational safety and health knowledge. Additionally, training using hazard simulation equipment enhances safety awareness by allowing participants to experience the threat of disasters on a simulated level.

Disaster occurrence status

In FY2024, 60 disasters occurred within the Group. The breakdown consists of 24 lost-time injuries and 36 non-lost-time injuries, with accidents involving being struck or hit and being caught or entangled accounting for half of all incidents.

For companies where major disasters occurred, workplace safety activities were bolstered to prevent recurrence, including annual comprehensive inspections covering all equipment as well as safety initiative sharing meetings across all organizations. Additionally, we are working to prevent similar disasters across the entire Group through on-site inspections based on the "Three Reality Principle" — which focuses on actual places, actual things, and actual situations— investigation of similar equipment and operations to develop countermeasures, and review of our frameworks.



Health and Productivity Management Initiatives

The Group views employee health as a vital management resource and in December 2017 issued a declaration on health and productivity management. We are promoting various initiatives from the perspectives of lifestyle-related disease prevention, mental health support, and measures against passive smoking. The rate of employees undergoing health checkups, which form the basis of health management, has consistently remained at 100% every year. To prevent passive smoking, smoking was banned throughout the premises from April 2023. Additionally, in terms of lifestyle disease prevention, we have seen results such as improvements in exercise habits and a reduction in the rate of smoking thanks to the continued operation of our in-house smoking cessation clinic.

Declaration on health and productivity management

- I. The Niterra Group declares that we will support the health of each and every employee and promote Kenkokeiei (health and productivity management) by viewing the health of our employees as one of the most important management resources in order to realize sustainable growth.
- II. We will respect the diversity and individuality of each employee and promote the creation of a workplace in which each employee can fully demonstrate his or her potential as well as work energetically.
- III. We will work together with the labor and health insurance unions to proactively engage in health promotion activities that include employees' families from a long-term perspective.

Takeshi Kawai, Representative Director, President & Chief Operating Officer

Kenkokeiei is a registered trademark of NPO Kenkokeiei.

Furthermore, starting in 2023, we introduced a health management system that can aggregate and analyze the health information of our employees. We will strive to achieve well-being by promoting digital transformation (DX) alongside data from workforce management systems, talent management systems, engagement tools, and other HR tech solutions, leading to the development of challenge-driven health management by leveraging these technologies.

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Respect for Human Rights

Human Rights Policy

We are working to resolve various social issues to realize sustainable societies. We recognize that as a prerequisite for this, it is important to respect human rights of people who are affected by our business activities, and that it is essential to continuously fulfill such responsibilities in truly contributing to the realization of sustainable societies. To this end, we respect human rights set out in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and make our best efforts to protect the dignity of these people based on the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Action Guidelines

- We comply with the laws and regulations of all countries and regions in which we conduct our business activities. If where national laws and international human rights differ, we seek ways to respect internationally recognized human rights wherever possible.
- We identify negative impacts that we could have on human rights through our business activities, and strive to prevent, mitigate, or eliminate the causes of such impacts.
- We establish a scheme for our employees and suppliers to access or report, and accept consultations and notifications concerning human rights. Upon receiving consultations or notifications, we investigate the facts, and if any problem is identified, we remedy it through appropriate response.
- We disclose efforts and progress promptly on human rights actions and keep updating ones through discussions and dialogues with various internal and external stakeholders.
- This policy applies to all Corporate Officers and employees of the Group. We provide appropriate education and trainings to ensure that all Corporate Officers and employees understand and act with this policy.
- We consistently require all of our business partners, including suppliers, to understand the Policy and join our efforts to respect human rights.

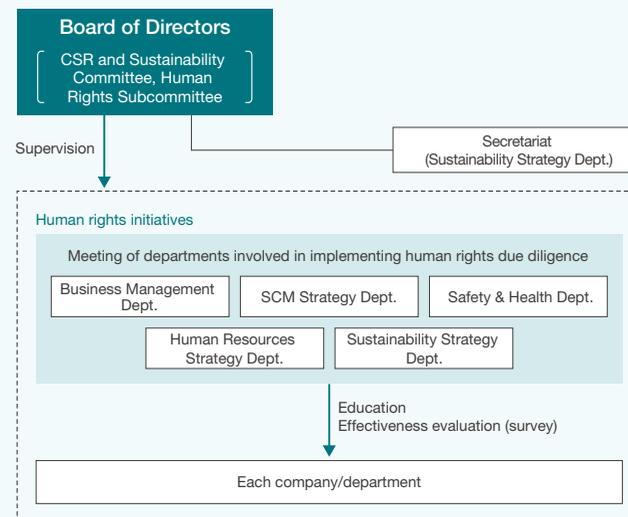
For more information please visit our website: <https://www.sustainability.niterragroup.com/en/themes/547/>

Promotion System

The Group recognizes that human rights problems affect a wide range of areas, which is why each department is tasked with tackling human rights issues that affect it. The progress made and challenges encountered in this progress are monitored by the departments themselves, as well as by the relevant special committee.

In recent years, countries around the world have enacted much legislation on the subject of "business and human rights." In order to ensure the Group's respect for human rights meets global standards, we began talks since FY2022 primarily between the departments engaged in human rights due diligence (namely, the Business Management Department, SCM Strategy Department, Safety & Health Department, Human Resources Strategy Department, and the Sustainability Strategy Department).

Our human rights initiatives are supervised by the Human Rights Subcommittee of the CSR and Sustainability Committee, the latter of which is an advisory body to the Board of Directors chaired by an outside director.



Human Rights Policy Formulation and Announcement

Since establishing the Human Rights Policy as one of our CSR basic policies in 2020, we have reviewed its content annually and whenever necessary.

In January 2023, recognizing the growing importance of corporate efforts to respect human rights and the need for initiatives not only within our Group but throughout the entire value chain, we comprehensively revised our Human Rights Policy to align with international standards and other relevant norms. We also specified examples of the human rights we respect in an appendix to the Human Rights Policy. These revisions were made after receiving advice from outside human rights experts, conducting extensive discussions within the departments involved in implementing human rights due diligence, obtaining confirmation from the CSR and Sustainability Committee, and securing approval from the Board of Directors. Additionally, in December 2024, we revised the appendix to the Human Rights Policy, adding sections on indigenous peoples' and local communities' rights and respect for human rights in security operations.



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Human Rights Due Diligence

We make efforts to identify, assess, prevent, and mitigate human rights risks related to our business activities.

When identifying risks to human rights, we organize the main value chains and stakeholders of the Group and extract any risks generally assumed for each value chain. We then organize these risks, taking reports from international organizations, media databases, other surveys, and benchmarks of other companies into account. From there, we conduct a human rights risk assessment, map them out, and identify human rights risks in priority areas.

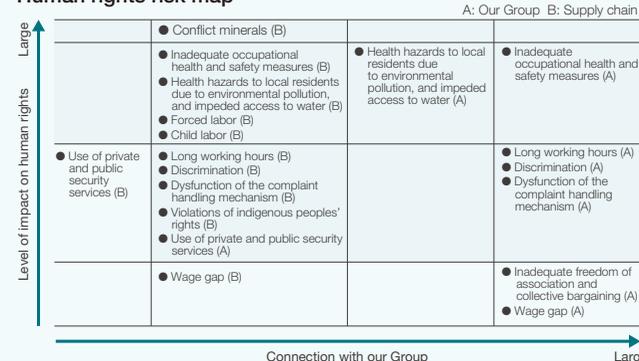
We currently encourage efforts to respect human rights by focusing on priority risks directly in our Group and our supply chain based on these results. We also recognize that identified human rights risks may alter due to changes in social conditions, the progress of the Group's business, the development of new business partners, and other factors. Therefore, in order to enhance the effectiveness of our human rights initiatives, the departments engaged in human rights due diligence are tasked with regularly reviewing the risk map.

We regularly conduct surveys to verify the status of human rights respect within our Group and supply chain. We implement reform measures as necessary for issues and potential human rights risks identified in the course of our investigations, striving to prevent them before they occur.

As a specific example, it was discovered that in FY2024, a Group company in Thailand was conducting pregnancy and infectious disease tests prior to hiring, citing safety considerations during employment. This practice has been discontinued in accordance with international standards, as it has the possibility of leading to discrimination. We also confirmed that no other Group companies have conducted similar testing.

Risks related to human rights cannot be completely eliminated, even with mechanisms such as human rights due diligence in place, and they still persist. This is because such issues often stem from the limitations of frameworks, unforeseen circumstances, and the complexity of human rights issues. Furthermore, human rights standards also vary by country, region, and era. To mitigate these risks, we will strive for continuous improvement, engage in dialogue with stakeholders, ensure highly transparent disclosure, and dedicate ourselves to education activities that embed respect for human rights as part of our corporate culture.

Human rights risk map



Level of impact on human rights: Evaluated based on severity (scale, scope, and irreversibility of human rights violations) and likelihood of occurrence
Connection with our Group: Evaluated based on the nature of involvement (direct, contributory, or indirect) and the party involved

Human rights risks in priority areas

| Our Group | Supply chain |
|---|--|
| <ul style="list-style-type: none"> ● Inadequate occupational health and safety measures ● Health hazards to local residents due to environmental pollution, and impeded access to water ● Long working hours ● Discrimination ● Dysfunction of the complaint handling mechanism ● Use of private and public security services | <ul style="list-style-type: none"> ● Conflict minerals ● Inadequate occupational health and safety measures ● Health hazards to local residents due to environmental pollution, and impeded access to water ● Forced labor ● Child labor ● Long working hours ● Discrimination ● Dysfunction of the complaint handling mechanism ● Violations of indigenous peoples' rights |

Surveys of our Group and the supply chain

| | | |
|--------------|--|---|
| Our Group | Compliance awareness survey | Held every two years within Japan (Previous occasion: FY2023) |
| | Human rights and labor survey | Conducted annually (Previous occasion: FY2024) |
| Supply chain | Survey administered through the CSR and Sustainability Procurement Guideline checklist | Held every two years (Previous occasion: FY2023) |

Key initiatives in FY2024

| Human Rights Issue | Initiative | Specific Action |
|--------------------|--|---|
| Conflict Minerals | Commitment to Responsible Minerals Sourcing | We established the "Niterra Group Responsible Mineral Procurement Guideline." |
| Forced Labor | Abolition of Pay Reduction as a Disciplinary Measure | We abolished pay reduction as a disciplinary action, in accordance with international standards. We plan to extend this policy to our Group companies. |
| Discrimination | Support for Same-sex Partnerships | Employees in registered same-sex partnerships are now eligible for welfare and benefits programs on the same basis as employees in heterosexual marriages. We will extend this policy to Group companies where it is not yet implemented. |

Dialogue with Stakeholders

We hold regular labor-management meetings with the labor union, which represents our employees, to discuss the management of working hours and employee work styles. In FY2024 as well, we conducted dialogues on the topic of human rights.

As for our suppliers, we have established a consultation counter where we sincerely listen to and discuss their issues, leading to actions aimed at achieving mutual understanding and other improvements. In



Dialogue with labor unions on the topic of human rights

addition, we hold roundtable meetings with representatives of residents living near the plant to discuss whether there are any issues that could threaten their living environment.

Educational Activities

We are working to raise awareness of human rights amongst management and employees by increasing human rights education and other opportunities to provide information about human rights.

Group employees based in Japan participate in human rights training where they watch videos on the need to respect human rights, our Human Rights Policy, human rights due diligence, and human rights redress. Quizzes are administered to check participants' level of understanding.

In recent years, our various training and newsletters have increased Group awareness of gender equality and LGBTQ+ issues, and we keep a close watch on human rights issues around the world.

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* For information on our complaint handling mechanism, please refer to the "Internal Reporting System" section.

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Vision

- Implement systematic production site reorganization to achieve optimal location utilization for both current and new business pillars
- Establish processes that effectively harness digital data, aiming for a plant where anyone can produce quality goods anywhere without relying on people
- Establish a quality assurance system on a global scale and develop standardized processes tailored to each area of business to consistently deliver quality that meets customer requirements for all products.

Key Features

- Securing future space requirements through systematic plant reorganization for future business expansion
- Implementing a company-wide unified information utilization platform to enhance value-added productivity with data integration
- Unifying quality control rules based on global quality regulations and establish an information sharing system enabling swift responses to prevent defects on a global scale

Challenges

- Strategic production site planning
- Establishment of operational standardization and utilization of data integration
- Swift responses to quality defect prevention activities (including information transmission speed)

To ensure the Niterra Group's sustainable development by sustaining existing businesses and creating new business pillars, we aim to maintain and enhance our competitive advantage in the market by optimizing production locations for our products, managing product quality, and improving productivity.

● Examples of Specific Initiatives for Strengthening Capital

Production site strategy

Our Group is advancing its production site strategy initiatives to implement systematic production site consolidation both domestically and internationally, thereby realizing the optimal utilization of locations for current and new business pillars. We are implementing measures such as securing vacant land and realizing the effective use of plants, organizing proposed sites capable of adapting to sudden changes in new business pillars, and providing planning departments with aggregated information and optimal layout proposals.

Promotion of smart factories

Our Group is establishing model lines that effectively leverage digital data, aiming to create factories where anyone can produce quality goods anywhere without relying on people, thereby promoting improvements in productivity and operational efficiency. Under the model line concept of the Niterra Data-Driven Factory, we aim to establish an information utilization platform and achieve enhanced value-added labor productivity.

Quality management

We are advancing efforts to clarify roles and responsibilities based on the Group Quality Regulations and establish a framework for monitoring the implementation status globally, aiming for quality governance and QMS enhancement from a global perspective.

Quality governance promotion framework

Our Group has established a Quality Committee (holding regular meetings twice a year and special meetings as necessary) to promote quality governance under our quality policy. This committee is chaired by the executive officer in charge of the Business Infrastructure Strategy Department, who is the chief executive responsible for quality governance.

The Quality Committee determines policies and guidelines for optimizing each of our company's functions from a company-wide perspective.

Additionally, at the Quality Assurance Conference, we share the causes of quality defects and appropriate countermeasures to take, discuss them, and promote their implementation, all with the aim of raising the level of quality assurance.



Quality Policy

We continue to cocreate value with customers and contribute to society in accordance with basic traits of "Quality Product" & "Involvement by all".

Action Guidelines

- We constantly consider what we should do to please our customers with our products and services, with a view to increasing our organizational capability.
- We are engaged in quality improvement activities across the company and encourage our employees to achieve higher goals by making the best use of their individual abilities and creativity and uniting their wisdom to address problems and challenging issues.



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Vision

- Through research and development of new technologies that will become Niterra's new core competencies, we will ultimately contribute to the creation of new businesses
- To enhance the corporate value and ensure the sustainable development of the Niterra Group, we will increase intellectual property rights that foster innovation and give new business pillars a competitive edge

Key Features

- Accelerating technological innovations by fostering a flexible and open research framework that integrates internal and external expertise
- Securing a competitive advantage through intellectual property mix activities cultivated over many years in the automotive components business

Challenges

- Identifying businesses with the potential to grow into major ventures replacing spark plugs and sensors, and conducting R&D on new technologies
- Global strategic applications and obtaining rights for supporting the competitive advantage of new business pillars

● Initiatives to Strengthen Intellectual Capital

Research and development policy in the Mid-term Management Plan 2030

Our Company previously established a Scientific Research Laboratory as its R&D division, conducting both applied and development research as well as fundamental research. However, starting in April 2025, we separated and reorganized these functions.

Specifically, we transferred the applied and development research department to the Business Implementation Division, which is responsible for business development. This will accelerate the commercialization of research outcomes and augment the development of products and services that meet market needs.

Meanwhile, we reorganized the Science Research Laboratory as a specialized department dedicated to fundamental research. Here, we pursue innovative research and development with a long-term perspective, aiming to create new technologies that will become the core competencies supporting our Company's future.

Through this restructuring of the organization, we will enhance each area's expertise and pursue more efficient and strategic innovation.

Regarding human capital, we will delve into expertise and foster co-creation in entirely new fields using measures such as implementing course-specific hiring, introducing discretionary work arrangements, and establishing sites within universities. We will also maintain close communication with relevant government ministries and ceramics research institutions/associations to enhance our ability to identify market challenges and new technologies.

Key initiatives in the Mid-term Management Plan 2030

1. Research contributing to the realization of a circular economy

We are working to recycle used ceramics with the goal of reducing environmental impact throughout the entire product lifecycle. In specific terms, we are developing proprietary disaggregation processes that convert sintered bodies back into powder, as well as technologies for separating and recovering valuable materials such as precious metals from composite components. This enables the circulation of materials that were previously discarded as valuable resources, contributing to the realization of a waste-free society.

2. Pursuing quantum technology to solve energy problems

Achieving a decarbonized society requires a fundamental improvement in our energy efficiency. Our Company focuses on the mutual conversion of energy forms such as heat, light, electricity, and magnetism, aiming to minimize losses generated during these processes to the absolute limit. The key to this lies in quantum technology, which controls the fundamental behavior of matter. Based on advanced approaches, we are exploring the feasibility of previously challenging energy conversion pathways such as highly efficient thermoelectric conversion and thermophotovoltaic (TPV) conversion in collaboration with outside partners. With this innovative fundamental research, we aim to create new technologies that will contribute to solving future energy problems.

● Creation of New Business Pillars Utilizing Our Core Assets

We established a division focused on business development centered around our core technologies (Business Implementation Division) starting in FY2023. This division proactively collaborates with the Management of Technology Division, which drives the creation of new technologies and the establishment of new core competencies. It focuses on reaffirming the value of core assets centered on ceramics, with a key strategy being the rapid creation of new business pillars leveraging our proprietary technologies. By accurately identifying the technologies required in the process of creating new businesses and swiftly delivering products and services, we will significantly contribute to the transformation and challenges of the Niterra Group, making the Earth shine for all.



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Action Guidelines for Intellectual Property Activities

Action Guidelines

- Further enhance corporate value by promoting innovation and increasing intellectual property rights.
- Honor intellectual property rights of third parties.
- Comply with laws and regulations regarding intellectual property in individual countries.

Intellectual Property Activities Aligned with Business Strategy

Our Group is pursuing a mid- to long-term management strategy focused on further strengthening our internal combustion engine (ICE) business, reforming and strengthening our management foundation, and creating new business pillars centered on our core assets. Intellectual property activities are also crucial to this management strategy, and we are promoting various initiatives accordingly.

Automotive components

We will continue to secure a competitive advantage and maximize profitability through IP mix activities that protect our technologies and expertise in multiple aspects.

Component solutions

By integrating IP strategy into the early stages of business strategy planning, we are able to create IP that strengthens business competitiveness in close collaboration with the development departments. We contribute to enhancing business competitiveness by increasing the number of applications and advancing the obtaining of rights.

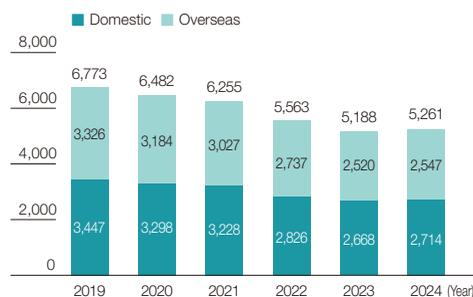
Strengthening governance systems

We are strengthening governance by reporting the results of reviews of IP activities at each site annually to the responsible executive regarding IP activities across all Group companies domestically and internationally.

Organizational change

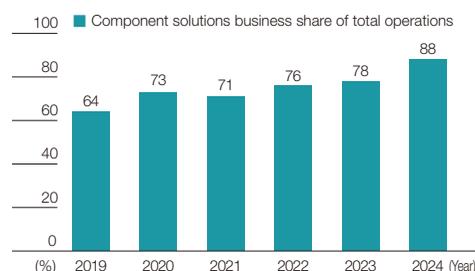
We will establish a new IP strategy formulation capability within the Management of Technology Division to bolster the formulation and promotion of IP strategies integrated with our overall business strategy.

Number of patents held



The reason for the decline over the past six years is that we carefully examined our patent rights in accordance with changes in the business environment.

Percentage of new inventors in the component solutions business relative to all new inventors



The proportion of new inventors in the component solutions business has been increasing year by year compared to the automotive components business.
* Calculated by totaling up the number of new inventors in the automotive components business and the number of new inventors in the component solutions business, with the total sum equaling 100%.

Intellectual Property Activities by Operating Segment

Automotive components

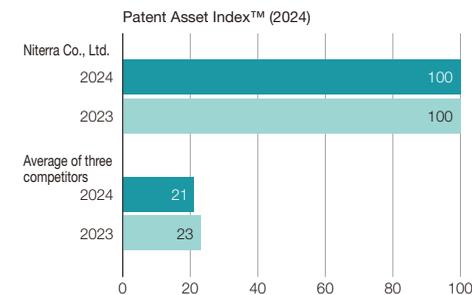
In our automotive components businesses, which are the pillars of our earnings, we aim to secure a competitive advantage through IP mix activities that protect our technologies and expertise in multiple aspects, and continue to contribute to maximizing profitability.

Examples of intellectual property mix activities

- Defense with a superiority patent portfolio
- Brand protection by detecting and eliminating counterfeit products
- Defense through know-how secrecy

Patent asset index (PAI) for spark plugs

(Comparison with competitors when our Company is set at 100)



The PAI value related to spark plugs shows no change in trend for FY2024, and we continue to maintain our superiority.

* Prepared by our Company from LexisNexis PatentSight. We evaluate these figures using the Patent Asset Index of LexisNexis PatentSight. This index comprehensively takes into account the technology perspective, market perspective, and number of patent applications and rights obtained with valid legal status (pending applications and patents that have been granted).

Component solutions

Based on the results of the analysis using IP information for a part of our component solutions business, we are working together with the development departments to create intellectual property that will strengthen business competitiveness.

Example of activities

Step 1: Organize the Company's intellectual property that is the source of competitive advantage, and analyze the trends and expected competitors in related business areas using patent analysis (utilizing the IP landscape)

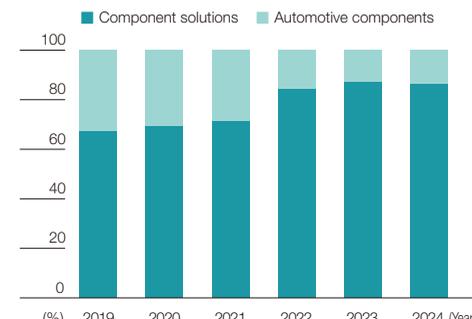
Step 2: Consider what the future should look like at the time of business realization (e.g. patent portfolio)

Step 3: Formulate and implement an IP strategy for realizing the vision of the future (applications and obtaining rights)

Step 4: Look back at implementation details
We are repeatedly carrying out the steps above with a sense of speed, in order to increase the ratio of patent applications and obtain rights for our component solutions business.

Patent publication rate by business in Japan

(total as 100%)



The ratio of patent publications related to the component solutions business has been increasing year by year since 2019 and has remained at approximately 80% in recent years.

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Vision

- We are actively pursuing initiatives to realize a decarbonized society, aiming for carbon neutrality by 2050.
- We are addressing global water-related risks while working to ensure sustainable water use and conservation in our business activities.
- We are promoting zero waste emissions and contributing to the formation of a global recycle-oriented society.

Key Features

- CO₂ circulation, CO₂ capture and utilization, and development of solutions for a hydrogen based society
- Promoting CO₂ reduction by means of internal carbon pricing, internal carbon taxes, and internal environmental funds
- Adoption of a closed-loop water system that purifies and reuses factory wastewater without discharging it externally (at some plants)
- Promoting the effective utilization of diverse waste materials

Challenges

- Balancing business growth and reduction of CO₂ emissions
- Strengthening water risk management and increasing water reuse rates across all production sites to reduce water intake and discharge volumes
- Circular economy implementation and promotion
- Introduction of LCA during development and design

Environmental Policy

As a globally developing core manufacturing corporation, we aim to promote environmental conservation activities linked with corporate management maintaining a good balance with corporate growth, based on the participation of all of our employees, in order to contribute to the construction of a sustainable society.

Action Guidelines

- Through all of our business activities, we make particular efforts to reduce CO₂ emissions and improve energy efficiency, including the utilization of renewable energy, toward the realization of a decarbonized society, conserve water resources, manage waste, and develop, offer and expand environmentally friendly products.
- We prevent soil, air, and water pollution through the control of chemical substances that place a burden on the environment.
- We promote resource circulation by working to ensure sustainable use of resources and reduce environmental impact during and after product use.
- We recognize the benefits derived from ecosystem services and strive to conserve biodiversity.
- We strive to raise environmental awareness among our employees to ensure that they all positively participate in activities.
- We observe the laws, ordinances and agreements concerning environmental conservation.
- We aim to substantiate information disclosure to stakeholders and communication activities, and also conduct activities for coexistence with the regional community.
- In order to achieve these targets, we set environmental objectives and continuously improve our environmental management system to reduce our environmental impact.
- We keep encouraging all of our business partners, including suppliers, to understand the Policy and join our efforts to promote environmental conservation.

Promotion System

In order to comply with environmental laws and regulations and promote environmental conservation, the Group has established the Central Environmental Committee, chaired by the officer appointed by the Environmental Advisor (President), which holds two regular meetings per year, as well as irregular meetings as required. The Central Environmental Committee reviews the progress of Eco Vision 2030 and identifies environmental issues within the Group, striving for continuous improvement. In FY2024, the Central Environmental Committee convened twice to report and discuss progress on Eco Vision 2030, internal audit results, environmental incident information, and the progress and future plans for the climate change initiatives response roadmap.

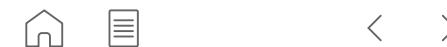
Each internal company manages its own targets on items relevant to business activities and conducts activities integrated with business to achieve Eco Vision 2030 in the future. Meanwhile, we formulate action plans and work to comply with regulations in each region, raise environmental awareness, and communicate with local communities. Various working groups are established as cross-functional teams across the internal companies to promote specialized matters such as carbon neutrality, energy conservation, and chemical substances.

Environmental Management System

The Group obtained multi-site ISO 14001 certification for the Company and 10 domestic Group companies. Other domestic and overseas Group companies also established environmental management systems, with one domestic and 16 overseas companies individually certified under ISO 14001.

92% of Group employees have obtained ISO 14001 certification.

* Number of companies and employee ratio as of the end of FY2024



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Eco Vision 2030

Protecting the global environment is the foundation of a sustainable society. For all our stakeholders, we must face it head on as a key management issue.

On the premise of aiming for carbon neutrality in 2050, the Group has established Eco Vision 2030 in April 2021, which shows the vision (or goal) of what we want to be by 2030 and the vision of what we will pursue until 2040. Eco Vision represents a long-term environmental initiative plan based on our environmental policy.

For Eco Vision 2030, we analyzed the impacts that our businesses and products would have on society and our Company and identified 13 issues with the greatest impact. Among them, the four issues identified to have a greater impact are Responding to Climate Change, Expanding Environmentally Friendly Products, Conserving Water Resources, and Waste Management. We positioned these issues as the four important issues and set quantitative targets for them.

Responding to climate change, in other words, striving to mitigate climate change by reducing CO₂ emissions, is an important issue on a global scale and is also an important issue for our Group as a manufacturing company. Reducing CO₂ emissions from business operations is the responsibility of our Group.

Therefore, it is very important to be aware of the magnitude of the environmental impact of the entire product life cycle, from the manufacturing stage of raw materials necessary for product manufacturing to the stage when products have completed their mission and are disposed of. From this standpoint, our Group established an eco-friendly product certification system in FY2021 that focuses on the magnitude of the environmental impact of the supply chain, including our own production processes, and announced products that meet the certification criteria as Niterra Green Products. Through this initiative, we will expand our lineup of environmentally conscious products that reduce environmental impact throughout their entire lifecycle, accelerating manufacturing practices that contribute to solving environmental challenges facing society, such as building a recycling-oriented society and improving resource efficiency.

In addition, conserving water resources necessary for business operations and reducing resource input and waste emissions will lead to a reduction in CO₂ emissions. For this reason, we aim to respond more synergistically by addressing the four important issues as interrelated issues rather than as individual ones.

The progress of the four important issues is maintained steadily, and CO₂ emissions in our Responding to Climate Change in particular are moving ahead of schedule. In the course of Eco Vision 2030, our Group will work together to help achieve global carbon neutrality and zero emissions.

Four Important Issues

| Eco Vision 2030 issues | The milestone to be achieved in 2030 | Our vision for 2040 |
|---|--|---|
| Responding to Climate Change  | CO ₂ emissions: 30% reduction from the FY2018 level * Scheduled to change to 46% reduction in April 2026 | Implementing activities toward realizing a decarbonized society * Aiming for carbon neutrality by 2050 |
| Expanding Environmentally Friendly Products  | Expand Niterra Green Products | All products contribute to the improvement of the global environment and contribute to making a sustainable society come true |
| Conserving Water Resources  | Water consumption intensity: Keep below the FY2018 level | Implementing sustainable business operations in response to global water risks |
| Waste Management  | Achieve over 95% effective utilization rate | Contribute to a global recycle-oriented society by promoting zero emissions |
| | Reduce at least 1% of waste intensity compared to FY2018 | |
| | Promote 3R (reduce, reuse, recycle) activities | |

Other Issues

| Eco Vision 2030 issues | The milestone to be achieved in 2030 | Our vision for 2040 |
|---|---|---|
| Integration with Management  | Address global environmental issues as a business strategy | Continued efforts to address global environmental issues as a business strategy |
| | Executive management takes responsibility for promoting Eco Vision 2030 and achieving environmental KPIs | |
| Globalization of EMS  | Enhance systems for overseas affiliates to share environmental information and monitor and supervise their activities | The entire Group is able to share environmental information, and a monitoring and supervision system has been established for all Group Companies |
| Analysis of Climate-related Risks and Opportunities  | Analyze climate change risks and opportunities and incorporate them into our business strategies | Sustainable business growth by analyzing risk climate change risks on our business and incorporating them into our business strategies |
| Thorough Environmental Compliance (compliance with environmental laws and eradication of environmental accidents)  | Achieve zero violations of environmental laws and regulations and zero environmental accidents | We have become a socially trusted company by continuing to achieve zero violations of environmental laws and regulations and zero environmental accidents |
| Greater Environmental Awareness  | All employees take environmental education programs and proactively engage in environmental conservation activities | All employees have a high level of environmental awareness and contribute to making a sustainable society into reality |
| Management of Chemical Substances  | Appropriately manage chemical substances to reduce environmental impact | Contributing to the conservation of biodiversity through the continuous management of appropriate chemical substances |
| Promoting Green Procurement  | Achieve 100% introduction of a green procurement system | Implementing environmentally friendly procurement activities to make a sustainable society into reality |
| Expanding Green Logistics  | Reducing CO ₂ emissions by promoting green logistics and optimizing logistics efficiency | Our green logistics system is developed globally |
| Enhancing Our Disclosure of Environmental Information  | Responding to stakeholder requests and practicing communication that leads to dialogue with stakeholders | Responding to stakeholder requests and practicing communication that leads to dialogue with stakeholders |



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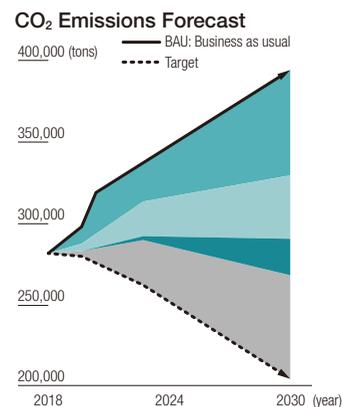


Responding to Climate Change

Our Group has declared a CO₂ emissions reduction target of 30% reduction* by FY2030 compared to FY2018 levels (Scope 1 and 2) in our Eco Vision 2030, based on the premise of achieving carbon neutrality by 2050. We are also promoting CO₂ emissions reductions across our supply chain and product lifecycle, aiming for a 30% reduction by FY2030 compared to FY2018 levels (Scope 3). In the future, CO₂ emissions are expected to increase in line with business growth if no countermeasures are taken (BAU: Business as usual). However, by implementing various measures in the four main plans (Plan A: Energy Saving, Plan B: Manufacturing improvements, work style reforms, and new technology adoption, Plan C: Energy creation, and Plan D: Procurement/certificates), we will achieve both the planned reduction of CO₂ emissions and also economic growth.

Furthermore, to clarify our commitment to climate change countermeasures, we have set a new interim target for FY2035: a 71.4% reduction compared to FY2018 levels, at the end of FY2024. This is equivalent to the level required to meet SBT's 1.5°C target (reductions of at least 4.2% annually).

* Scheduled to change to 46% reduction in April 2026



| Plan | Examples of measures |
|---|--|
| Plan A Energy Saving | (1) Reduction of standby energy for production equipment and ancillary equipment (holidays and weekdays) (2) Installation of energy-efficient production equipment (that meets Japan's Top Runner Program requirements) and optimization of operation conditions (3) Optimization of air conditioning supply and exhaust interlock operation and conditions (4) Renewal of production and ancillary equipment (5) Reduction of heat dissipation and periodic inspections for energy loss (air leaks, etc.) (6) Effective use of heat (7) Horizontal deployment of various cases (8) Switching to LED lighting, reviewing illumination intensity, and adopting dimming systems (9) Energy conversion from gas to renewable energy (hydrogen, ammonia, etc.) |
| Plan B Manufacturing improvements, work style reforms, and new technology adoption | Productivity improvement, yield improvement, operating rate improvement, LT reduction; consolidation and downsizing of production areas; review of operational rules; review of manufacturing conditions (profiles, etc.) |
| Plan C Energy creation | Introduction of solar power and storage batteries; introduction of SOFC and cogeneration |
| Plan D Procurement/certificates | Promoting electric power procurement (use of electric power with low emission factor); purchase of renewable electricity and environmental certificates |
| System Construction and optimal operation of infrastructure | (10) Construction of an energy platform and introduction of EMS * Coordination with production planning * Energy management, continuous improvement, and promotion of optimal control |

Information Disclosure Based on TCFD Recommendations

In July 2020, the Niterra Group announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Based on the TCFD recommendations, we disclose important information related to climate change as outlined below.

* For more information please visit our website:
<https://www.sustainability.niterragroup.com/en/themes/531/>

Governance

Regarding the approach of management concerning climate change, the CSR and Sustainability Committee, an advisory body to the Board of Directors, compiles recommendations based on climate-related risks and opportunities and reports to the Board of Directors, which then makes final decisions on these recommendations.

In addition, progress on key initiatives for Key Management Priorities, including our Responding to Climate Change, is reported by the Sustainability Department to the CSR and Sustainability Committee, which reviews and monitors this progress. For specific activities such as reducing CO₂ emissions, the Environmental Committee manages the progress of targets and confirms issues, and strives for continuous improvement. Risks related to climate change are assessed by the Risk Management Committee as part of integrated risk management.

Strategy (risks & opportunities)

Regarding climate-related risks and opportunities, we looked at the entire supply chain, projected social and regulatory trends in the short, medium, and long term, and then listed a wide range of risks and opportunities.

For the listed risk items, we evaluated business impacts by considering two primary risks: risks associated with the transition to a low-carbon economy, primarily occurring during the 2°C scenario route, and risks associated with physical changes due to climate change, arising if the 4°C scenario materializes due to failure to reduce global CO₂ emissions. Additionally, regarding the listed opportunity items, we examined opportunities for management reform through climate change mitigation and adaptation measures.

We summarized the risks and opportunities related to climate change and submitted a report to the CSR and Sustainability Committee for confirmation.



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Climate-related risks

| Risk item | Business impact (risk) | Assessment (impact) | | | Timing of the risk | | | |
|--|------------------------------------|--|--|-------|--------------------|-------------|-----------|--|
| | | Small | Medium | Large | Short-term | Medium-term | Long-term | |
| 2°C scenario Risks related to the transition to a lower-carbon economy | Policy and legal | Carbon tax | ● If a carbon tax is introduced, taxes levied on fuel will increase procurement costs, resulting in a rise in the costs of energy and raw materials. | | | | | |
| | Carbon border tax | ● If a carbon border tax is introduced, taxes will be levied on products to be exported, resulting in the reduction in the cost competitiveness of the products. | | | | | | |
| | Regulations on carbon emissions | ● The achievement of GHG reduction targets will be required, resulting in increases in the costs of, for example, making capital investments and purchasing electricity generated from renewable energy sources. | | | | | | |
| | Sale of gasoline-powered vehicles | ● In countries that ban the sale of gasoline-powered vehicles, OEM demand will disappear, resulting in a decrease in sales. | | | | | | |
| | Technology | Proliferation of energy saving and renewable energy technologies | ● The introduction of new energy-saving and renewable-energy technologies will increase the cost related to, for example, capital investments. | | | | | |
| | Development of new technologies | ● Expenditures on the research and development of new technologies will increase. | | | | | | |
| | Markets | Shift in customer preferences | ● After the 2030s, the number of people who choose ZEVs even as used cars will increase, resulting in a decline in demand for spark plug replacement and eventually a decrease in sales. ● Products that emit less CO ₂ in their life cycle will be chosen, resulting in a decrease in the sales of conventional products. | | | | | |
| Reputation | Shift in investor preferences | ● Investors' opinions will turn against internal combustion engines, resulting in divestments. | | | ● | ● | | |
| | Shifts in job-seekers' preferences | ● Job seekers' opinions will turn against internal combustion engines. Accordingly, job seekers will not choose us as their place of work. | | | ● | ● | | |
| 4°C scenario Risks related to the physical impacts of climate change | Acute | Increased severity of extreme weather events | ● Typhoons and other extreme weather events will cause damage to plants and other facilities, resulting in shutdowns or a decrease in production. Furthermore, additional costs will be incurred to restore equipment. Non-life insurance premiums will also increase. | | | ● | ● | |
| | Chronic | Sea level rise | ● Rising sea levels will increase the risk of flooding and storm surges. Plants and transport infrastructure located in coastal areas will be damaged and supply chains will be broken, resulting in the extra costs of addressing these problems. | | | ● | ● | |
| | | Changes in precipitation patterns and variability in weather patterns | ● Plants in areas facing severe water shortage will be forced to shut or slow down operations due to limitations on water usage, resulting in the cost of shifting production to other plants, increased transportation costs, and so forth. | | | ● | ● | |
| | | Rising mean temperatures | ● Employees who work in extreme heat will frequently get heat stroke. To reduce their increased physical burden, the cost of dealing with extreme heat and personnel expenses will increase. | | | ● | ● | |

Climate-related opportunities

| Aspect | Major opportunity | Timing of the opportunity | | |
|-----------------------|--|---------------------------|-------------|-----------|
| | | Short-term | Medium-term | Long-term |
| Resource efficiency | ● The increasing adoption of new energy-saving and renewable-energy technologies will reduce energy costs. | | | |
| Energy sources | ● The increased demand for hydrogen as a fuel exempt from carbon tax will give rise to new opportunities in the hydrogen energy market. ● The current internal combustion engine business will continue as technologies such as methanation develop and synthetic fuels such as eFuel become more widespread. | | | |
| Products and services | ● To conform to fuel efficiency regulations, demand for high-value added products will increase. | | | |
| | ● The hydrogen energy market is expected to grow due to mandatory reduction of GHG emissions. Increased demand for hydrogen technologies, SOFC, and SOEC will provide business opportunities. | | | |
| | ● Demand will increase for CO ₂ recycling-related solutions (e.g., using electricity to produce hydrogen (SOEC), using recovered CO ₂ as fuel, etc.). | | | |
| | ● In disaster preparedness, local consumption of locally-produced energy (distributed power generation) will receive attention, resulting in increased demand for SOFCs. | | | |
| | ● Demand will increase for ceramics-related technologies and products used in electric motors and generators. | | | |
| Markets | ● The development of new climate-related technologies that meet social needs will give rise to business opportunities. | | | |
| Resilience | ● In disaster preparedness, the continuous reinforcement of the BCM and BCP of our Group, including our supply chain, will help reinforce our resilience. | | | |

Assessment (impact)
 Small: Impact of several hundred million yen
 Medium: Impact of around 5 billion yen
 Large: Impact greater than or equal to 10 billion yen

Timing of the risk/opportunity
 Short-term: Until around 2027
 Medium-term: Medium-term until around 2030 in line with the target year of our Long-term Management Plan
 Long-term: Long-term until around 2040 in line with the vision of our Long-term Management Plan

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Business risks, opportunities and responses under the climate-related scenarios

To further clarify climate-related risks and opportunities, we examined the business environment and corresponding measures under 2°C and 4°C scenarios for each project. As a result, no critical impacts related to physical risks were identified.

With regard to our business related to internal combustion engines, whose sales revenue makes up 80% of the total at present, we are facing a major change. On the other hand, geared toward the realization of a decarbonized society, hydrogen-related and other new needs and markets are expected to arise. Therefore, we have designated Environment and Energy as one of our key focus areas moving forward and are actively pursuing the optimization of our business portfolio.

* The financial impact of the internal combustion engine business: Based on our forecast using S&P Global analysis, we anticipate that the number of vehicles with internal combustion engines will decline beginning in the mid-2030s due to increased restrictions on internal combustion engines as a result of climate change measures in many countries. At the same time, demand for spark plugs, which forms the core of our internal combustion engine business, reflects not only use in new vehicles, but also use in repair work. Here, since we expect vehicles with internal combustion engines will continue in use, our forecasts indicate that sales will peak after 2040 and then gradually decline. Given this situation and assuming a 5% decrease in revenue in the ICE business beginning FY2040 onward compared with FY2024 levels, we estimate a decrease in revenue of about 27 billion yen and a decrease in operating income of about 7 billion yen.

FY2024 ICE business revenue: 538.9 billion yen / FY2024 ICE business operating income: 140.9 billion yen
Assumed decrease in sales of products for internal combustion engines beginning in FY2040: 5%
Business revenue: 538.9 billion yen × 5% = 26.9 billion yen / Operating income: 140.9 billion yen × 5% = 7.0 billion yen

Risk management

The Niterra Group faces various risks and opportunities in each type of business. Therefore, we must monitor regulatory trends closely and assess the respective impacts on business in terms of risks and opportunities related to climate change.

The Risk Management Committee evaluates risks from a company-wide perspective by analyzing their impact, likelihood of occurrence, and status of countermeasures to determine whether or not they will have a significant impact on our business activities and ability to achieve targets. Risks evaluated as requiring priority action are designated as priority risks, and the Risk Management Committee confirms the status of mitigation activities. The CSR and Sustainability Committee confirms key opportunities, incorporating these opportunities into our management strategy and Key Management Priorities (materialities), when necessary.

| Examined business | Product | Responses to future business risks and opportunities | Financial impact | Revenue target in our Long-term Management Plan |
|-----------------------|---|---|---|---|
| Automotive components | Spark plugs, glow plugs, and sensors | Under a 2°C scenario, sales of internal combustion engine parts are expected to decline in the future due to stricter regulations on vehicles with internal combustion engines. On the other hand, opportunities will arise in the electric vehicle market and other new markets. Under a 4°C scenario, further energy saving and toxic-gas emission control will be required in terms of internal combustion engines. Therefore, we will take measures to improve the performance of internal combustion engine parts. | Impact on certain revenue sources* | 700 billion yen (FY2029) |
| Fuel cell business | Fuel cells | Under either a 2°C or 4°C scenario, demand for non-fossil energy sources is expected to grow. Therefore, we will continue to enhance our measures taken in the relevant markets. Under a 2°C scenario, the proliferation of hydrogen infrastructure is expected. Therefore, the market may grow at an accelerated rate. | Analysts project a 200 billion yen market, with a possibility of an upward swing depending on the wider adoption of hydrogen infrastructure | 300 billion yen (FY2029) |
| Other businesses | SPE, semiconductor PKG, oxygen concentrators, bearing balls, etc. | Under either a 2°C or 4°C scenario, the impact on risks and opportunities is small. | Small | |

- For the Automotive Components, under the 2°C scenario, sales are expected to decline in the future due to stricter regulations. Therefore, the optimization of our business portfolio is required.
- For other business types, under either a 2°C or 4°C scenario, we will conduct business flexibly and strategically while keeping a close watch on market trends. Thus, we have high resilience in terms of both medium- and long-term perspectives.

Metrics and targets

Based on the premise of achieving carbon neutrality by 2050, we have set the following targets: CO₂ emissions: 30% reduction* compared to FY2018 levels (by FY2030) and CO₂ emissions: 71.4% reduction compared to FY2018 levels (by FY2035).

For Scope 1 and 2 emissions, energy-saving initiatives and other CO₂ reduction measures progressed as planned. Furthermore, reductions exceeded planned targets due to energy generation from solar power and the adoption of CO₂-free electricity.

CO₂ reduction targets and results

| Item | Target | Results |
|---|---|--|
| Scope 1 and 2 | 30% reduction by FY2030* 71.4% reduction from the FY2018 level by FY2035 * Scheduled to change to 46% reduction in April 2026 | Reduced by 31.7% compared with FY2018 in FY2024 [Emissions: 191k tons] [Third-party Certification] [Intensity: 0.48 t/million yen] |
| Scope 3: Category 1 Purchased Goods and Services Part of Category 4 Transportation and Delivery (upstream) Category 11 Use of Sold Goods | 30% reduction by FY2030 (Compared to FY2018 levels) | Reduced by 13.4% compared with FY2018 in FY2024 [Emissions: 9.78M tons] [Third-party Certification] : Category 4 |

For Scope 3, 97.6% of total emissions consist of Category 1 Purchased Goods and Services, Category 4 Transportation and Delivery (upstream), and Category 11 Use of Sold Goods, and we set FY2030 targets for these three categories. We are requesting our suppliers to set and pursue CO₂ reduction targets, and we provide appropriate support by hosting carbon neutrality seminars and offering CO₂ reduction support services (Category 1). We are also focusing on activities to reduce CO₂ emissions across the entire supply chain, such as changing product delivery routes and transportation methods (Category 4) and continuing to develop environmentally conscious products (Category 11).

* Scheduled to change to 46% reduction in April 2026

* The CO₂ reduction targets on the left were certified as well-below 2°C (WB2°C) targets by the SBT Initiative in June 2022 as science-based targets (SBT).

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Conserving Water Resources (Third-party Certification): Water usage

Protecting the sustainability of water resources that are essential for maintaining ecosystems is one of the most important issues for the Group. To this end, our Eco Vision 2030 calls for the efficient use of water with a goal of maintaining water consumption intensity at or below FY2018 levels.

In FY2024, water consumption intensity for drinking water, well water, and river water was 3.91 m³/million yen, which was a decrease of 27.7% compared with FY2018.

Biodiversity Conservation

The need to conserve biodiversity is increasing worldwide, and our Group has positioned it as an environmental issue next to prevention of global warming and promotion of resource recycling. We established the Niterra Group Biodiversity Action Guidelines in April 2013, which set out our policy for biodiversity measures. We are implementing various measures in cooperation with our business partners and external groups to reduce the impact of our business operations, such as our energy and resource use, based on the recognition that our activities have an impact on biodiversity.

Key Progress Based on TNFD Recommendations

Since FY2023, we have been advancing our initial analysis based on the TNFD recommendations.

(1) Organization of dependencies and impacts of the business on nature

We created a heatmap using the ENCORE tool to illustrate the relationship between our Group's business operations and natural capital/ecosystem services within the value chain. As a result, all operations were assessed as having significant impacts on GHG emissions and water use during raw material extraction/procurement and product manufacturing, as well as high degree of dependency on water resources and climate regulation.

(2) Ascertainment of points of contact with nature at production sites

Regarding our Group's production sites, we analyzed the environmental conditions of each production site's location using tools such as IBAT and WRI Aqueduct, based on the four indicators outlined in the TNFD recommendations. As a result, we identified the following sites requiring further detailed examination as areas of concern: importance of biodiversity: 1 site; ecosystem integrity: 3 sites; importance of ecosystem service provision: 1 site; and physical water risks: 15 sites.

(3) Identification of potential nature-related risks and opportunities

Based on the initial analysis results ((1) and (2)), we have identified the specific risks and opportunities anticipated at this juncture.

We will continue to conduct detailed analyses of our business operations and the actual conditions at each site, including upstream segments of the value chain. While incorporating future risks identified by scenario analysis, we will pinpoint significant risks and opportunities for our Group. For significant risks, we will formulate and implement necessary countermeasures while monitoring them.

Waste Management (Third-party Certification): Waste disposal volume

The Niterra Group uses a variety of raw materials of which we must make effective use, including recycling. We pursue the reduction and effective use of waste materials in line with our Eco Vision 2030 targets: Achieve over 95% effective utilization rate, Reduce at least 1% of waste intensity compared to FY2018, and Promote 3R (reduce, reuse, recycle) activities.

The effective utilization rate for FY2024 was 90.6%, an improvement over FY2023. Our waste intensity was 0.051 tons per million yen, a decrease of 31.6% compared with FY2018. Total disposal volume was 20,332 tons.

In October 2023, we participated in the Taskforce on Nature-related Financial Disclosures (TNFD) Forum with the aim of further advancing activities related to biodiversity conservation, and registered as an adopter of the TNFD Recommendations released in September 2023. We will examine the impact of our business operations on nature and the risk of loss of nature, and strive to disclose information appropriately. At the same time, we will engage in initiatives for natural capital and biodiversity throughout the value chain in cooperation with stakeholders.

* For more information on conserving water resources, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/533/>

* For more information on waste management, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/532/>

* For more information on chemical substances management, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/534/>

As an initial screening, we used ENCORE* to assess the potential dependencies and impacts of our Group's business on nature. Based on these results, we will proceed with further analysis, and consider countermeasures as necessary.

* ENCORE: Tool for assessing opportunities and risks to natural capital

Potential primary nature-related risks

| Classification | Dependencies and impacts on related natural environments | Potential risks | Level of impact | Likelihood of occurrence/severity | | |
|--------------------------|---|---|--|---|--------|------|
| Physical risks | Acute | [Dependency] Climate regulation, disaster mitigation, and soil stabilization | • Due to the decline in natural disaster mitigation and soil stabilization functions caused by development in surrounding areas, production sites will experience damage from wind and water as well as sediment-related disasters. | Large | Medium | |
| | Chronic | [Dependency] Climate regulation, disaster mitigation, and soil stabilization | • Due to the decline in natural disaster mitigation and soil stabilization functions caused by environmental degradation in surrounding areas, production sites will experience damage from wind and water as well as sediment-related disasters. | Large | Medium | |
| | | [Dependency] Water resources supply | • As the natural water retention capacity and recharge capacity decline, water resources will also diminish. • Water quality will deteriorate as purification capacity declines. | Small | High | |
| Migration risks | [Dependency] Water resources supply | [Impact] Use/recovery of resources | • Excessive water intake and pollution will degrade water resources and destabilize its supply (including excessive intake and pollution by other parties upstream). | Medium | High | |
| | Policy | [Impact] Land ecosystems and water resource use, air/water/soil pollution, waste (mineral production sites) | • The introduction of regulations on collection and mining (including land alteration) for the sake of nature conservation will lead to shortages in the supply of raw materials and price surges. • Mineral prices will rise due to reduced supply resulting from stricter environmental regulations during mining and increased production costs. | Large | Medium | |
| | | [Dependency] Water resources supply | [Impact] Use/recovery of resources | • Regulations and ordinances governing the intake of water resources such as surface water and groundwater will become stricter. • Water procurement costs will increase due to water intake restrictions. | Medium | High |
| | | [Impact] Pollution/pollution removal | • Regulations and ordinances concerning drainage will become stricter. • The introduction of closed systems as countermeasures against drainage restrictions will increase operational costs. | Large | High | |
| | Policy and markets | [Impact] Pollution/pollution removal | • With the tightening of regulations and ordinances concerning exhaust, wastewater, and waste plastics, compliance measures (such as emission reduction and mandatory reporting) will be required. | Medium | High | |
| | | [Impact] GHG emissions, non-GHG air pollution | • Demand for spark plugs and sensors will decline due to reduced demand for gasoline and diesel vehicles. | Large | Medium | |
| [Impact] General | | • Customer preference for products that impact nature and ecosystems will decline. | Large | Medium | | |
| Reputation and liability | [Impact] Use/recovery of resources, pollution/pollution removal | • Criticism and lawsuits will arise over heavy water consumption during operations, water pollution, soil contamination, and disturbances (light pollution and noise), particularly when water resources are used at production sites where the supply is strained in the watershed of that site. | Large | High | | |
| | | • Penalties and damages may be incurred for excessive use of resources or pollution during operations. | Large | Low | | |

* For details on the assessment criteria for the impact level, likelihood/urgency of occurrence of major anticipated natural risks, anticipated natural opportunities, and other information, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/535/>

* For more information on the social and environmental information verification report, please visit our website: https://www.sustainability.niterragroup.com/resource/pdf/08en_Independent_verification_report.pdf

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Financial Capital -

Message from the Finance Officer

Human Capital

Occupational Health and Safety

Respect for Human Rights

Manufactured Capital

Intellectual Capital

Natural Capital - TCFD

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Social and Relationship Capital



Vision

- Engaging in ongoing dialogue with shareholders and investors to foster mutual understanding, we strive for sustainable growth and enhanced corporate value
- By building strong relationships of trust with our customers and co-creating new value, we are growing in the global market
- We are working to enhance our collaboration with our suppliers and establish sound, sustainable partnerships
- Working collaboratively with local communities, we are developing together toward the realization of a sustainable society

Key Features

- Appropriate disclosure of information and dialogue with stakeholders
- Global market share and the sales network supporting it
- Trust-based relationships with our suppliers
- Relationships with local communities built over many years at our sites around the world

Challenges

- Improving the quality of communication with stakeholders
- Building trust with customers in new business domains
- Addressing issues such as decarbonization, biodiversity, and human rights across the entire supply chain
- Resolving issues in local communities that arise through our business activities

Dialogue with Stakeholders

The sustainable growth and enhancement of corporate value for our Group are built upon constructive relationships with all of our stakeholders. By engaging in dialogue with everyone, we will develop a deeper mutual understanding and build a sound, sustainable partnership based on trust. We will contribute to the realization of sustainable development for society as a whole by promoting the co-creation of new value and collaboration that arise from this, and by maximizing mutual benefits.



| Stakeholders | Initiatives | Opportunities for communication | FY2024 results |
|----------------------------|---|---|---|
| Shareholders and investors | We not only comply with legal disclosure standards but also disclose information necessary for investment decisions accurately and in a timely manner, primarily via our company website. We also actively engage in bidirectional communication during Q&A sessions at financial results briefings and company briefing sessions for individual investors, listening carefully to everyone's opinions and questions then responding in detail. | <ul style="list-style-type: none"> ● Ordinary General Meeting of Shareholders ● Financial results briefings, etc. ● Company briefing sessions for individual investors | <ul style="list-style-type: none"> ● Held the ordinary general meeting of shareholders in June and conducted a business briefing afterward to create opportunities to hold dialogue with shareholders ● Financial results briefings held in May and November ● 315 individuals attended the company briefing session for individual investors |
| Customers | To ensure customers can purchase and use our products and services with confidence, we strive to provide information from the customer's perspective on our website, at exhibitions, and in other settings. Our global sales network is a vital point of contact with our customers. We accurately identify needs not only through communication with end-user customers but also through dialogue with our dealers who have a deep understanding of markets in each country and region, and we leverage this insight to enhance our products and services. | <ul style="list-style-type: none"> ● Website and social media ● Exhibitions and events ● Customer satisfaction survey ● Handling product defects and other issues | <ul style="list-style-type: none"> ● Official Instagram account launched ● Product and technology explanations at exhibitions ● Communication at event venues such as races ● Conducted a customer satisfaction survey ● World's leading market share in spark plugs and oxygen sensors ● * FY2023 results ● Global sales presence: Approx. 140 countries ● Authorized distributors: Approx. 374 companies |
| Suppliers | To build sound, trusting relationships as partners with our suppliers and achieve mutual growth, we conduct activities such as procurement policy briefings for suppliers who play a key role in our supply chain. These activities aim to ensure stable supply and maintain and improve quality throughout the entire supply chain, thereby jointly creating value. | <ul style="list-style-type: none"> ● Procurement policy briefing sessions ● Periodic evaluations ● Survey administered through the CSR and Sustainability Procurement Guideline checklist ● On-site practical training & seminars for our suppliers ▶ P. 18 Global automotive customers and sales channels ▶ P. 75 CSR and Sustainability Procurement | <ul style="list-style-type: none"> ● Procurement policy briefing session held in May ● Conducted periodic evaluations and recognized outstanding suppliers ● Continued to follow up on the survey conducted using checklists in FY2023 (approximately 700 companies surveyed, 63% response rate) ● 13 on-site practice and seminar sessions held |
| Local communities | At our locations around the world, we respect local cultures and customs, and listen to the needs of local communities and opinions concerning our business activities. Based on these dialogues, we strive to participate in various philanthropic activities as members of the local community, aiming to build a comfortable society by working together. | <ul style="list-style-type: none"> ● Hold and sponsor community events ● Dialogue with local communities ● Environmental plant tour ● Community clean-up activities ● Joint clean-up activities with an NPO | <ul style="list-style-type: none"> ● Hosted a family musical inviting local residents, attended by approximately 3,600 people ● Sponsored the Marathon Festival Nagoya Aichi ● Participated in and sponsored local events (such as festivals) at each site ● Hosted a total of 685 participants for environmental plant tours ● Community clean-up activities with a total of 408 participants ● A total of 38 people participated in the joint clean-up activity with an NPO |
| Employees | We not only provide appropriate information through various forms of disclosure and internal communications, but also foster bidirectional communication using various surveys such as employee engagement surveys and dialogue with labor unions. We continuously strive to improve our HR systems and workplace environment based on the frank opinions and issues raised by our employees. | <ul style="list-style-type: none"> ● Internal newsletter ● Various labor-management council ● Internal reporting system ● Employee engagement survey ▶ P. 56 Human Capital ▶ P. 63 Respect for Human Rights | <ul style="list-style-type: none"> ● Regularly published on the web-based company newsletter ● Labor-management council meetings held as needed ● Received 107 consultations and reports through the internal reporting system ● Conducted an employee engagement survey |

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CSR and Sustainability Procurement



Procurement Policy

We aim to realize globally optimal procurement based on our quality products principle. To this end, we focus on strengthening cooperation with suppliers and promoting our CSR and sustainability efforts throughout our supply chain system, while at the same time striving to carry out proper purchasing transactions when procuring materials and parts, based on the following guidelines:

Action Guidelines

- We conduct transactions at appropriate prices based on fair, transparent, open competition and rationality.
- We comply with procurement-related laws and regulations and foster responsible procurement. We select suppliers based on comprehensive assessment of product quality, technology, prices, deliveries, CSR and sustainability initiatives, and efforts to continuously make improvements.
- To reduce the burden on the global environment, we strive to procure sustainable materials, including recycled materials.
- We enhance mutual trust with our suppliers, who are good partners for us, and strive to realize mutual development.

Promotion System

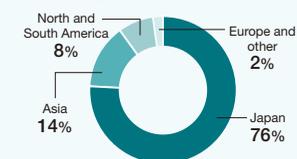
The Niterra Group is committed to working with our diverse suppliers in order to meet society's expectations throughout our entire supply chain. We are also committed to promoting responsible procurement with consideration for issues such as human rights and the environment. To that end, our Procurement Department is tasked with working with each of our departments and relevant special committee to assure compliance with the Niterra Procurement Policy. The Procurement Department reports the progress it has made and the issues it has encountered to the Corporate Management Committee as required.

Supplier Management

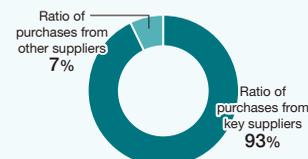
The Procurement Department takes the lead in thoroughly managing our suppliers who make up the supply chain. In doing so, we place significant emphasis not only on quality, technology, price, and delivery times, but also on sustainability perspectives such as environmental, social, and governance (ESG) factors and the commitment to continuous improvement. Additionally, regarding business continuity planning (BCP), we continuously identify potential risks and take actions to mitigate them.

For key suppliers (those who provide components, processing, equipment, etc. involved in manufacturing our products), we conduct annual evaluations based on the above supplier management criteria, ranking them from A to D. Based on this feedback, we encourage continuous improvement in order to build strong partnerships.

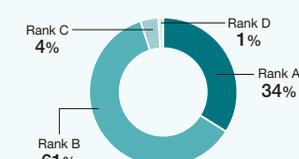
Procurement value composition by country/region



Ratio of purchases from key suppliers



Percentages by level of key supplier (Results of FY2024 periodic rating)



Promotion of CSR and Sustainability Procurement

To foster CSR and sustainability measures across the supply chain, we issued our CSR and Sustainability Procurement Guidelines and have been distributing copies to suppliers.

In FY2024, we revised our guidelines to reflect updates to our Group's Human Rights Policy. In April 2025, we integrated our Green Procurement Guidelines and once again requested our suppliers to comply with them.

To monitor the status of implementation by the suppliers, we conduct surveys every two years using a checklist and provide feedback on the results. For the survey we conducted in FY2023, we targeted approximately 700 companies with whom we have regular business dealings, receiving responses from 63% of suppliers (the equivalent of 83% on a total purchase value basis). We assessed the results and conducted follow-up actions, such as interviews with management, for suppliers posing high-risk concerns, requesting improvements to address the issues.

Climate change initiatives

In order to work toward carbon neutrality throughout our supply chain, we ask our suppliers to set greenhouse gas reduction targets and cooperate in our surveys about CO₂ emissions related to products for the Group.

Initiatives regarding conflict minerals

We conduct annual traceability investigations of our supply chain using internationally recognized tools to assess the use of conflict minerals and similar resources. Where risks are identified, we endeavor to avoid their use. In February 2025, we established the Responsible Mineral Procurement Policy to outline our Group's principles regarding conflict minerals and related issues.

* For details on our responsible procurement practices, please visit our website: <https://www.sustainability.niterragroup.com/en/themes/525/>

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