Section 03

Capital for Improving Corporate Value

42 Financial Capital
45 Human Capital
54 Respect for Human Rights
56 Occupational Health and Safety Policy
57 Intellectual Capital
60 DX Strategy
61 Manufactured Capital
63 Natural Capital
67 Social and Relationship Capital
68 Sustainable Procurement











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

Executive Officer's Message



Increasing capital efficiency and supporting sustained growth through disciplined capital allocation

Kazuyoshi Terashita
Executive Officer
Finance Strategy Dept.,
Global Strategy Div.

Strong start to Mid-term Management Plan 2030 after record-breaking results

For FY2025, the first fiscal year of the Mid-term Management Plan 2030 (hereinafter, MMP 2030), revenue reached 731.2 billion yen and operating income 138.1 billion yen, as we set record highs in all stages of profits. Profit margins improved, mainly in the automotive components business posted results, and return on equity (ROE) improved to 15.7%. I am pleased to report that steady growth helped us come close to our target ROE of 16% for the final fiscal year of our Mid-term Management Plan.

Despite rising costs due to surging prices of precious metal materials and additional tariffs imposed by the United States, the automotive components business secured increased profits through strong sales and price adjustments. While one-off expenses such as impairment losses in the medical business were recorded in the component solutions business, the SPE business, which primarily sells electro-static chuck, recorded profit growth due to higher demand for semiconductors, reducing operating losses. Niterra Materials, which recently joined the Group, is expected to experience steady growth over the medium to long term, although the timing of full-scale growth will be delayed due to the slowdown in the EV market.

For FY2026, we anticipate reaching record-high revenue of 790 billion yen and operating income of 150 billion yen, driven by robust demand in the automotive components business and growing demand for semiconductors. We will continue to adjust prices in response to cost increases, closely monitor the impact of the situation in the Middle East on logistics, minimize the impact by considering alternative routes, and steadily move forward on our projected growth trajectory.

Enhancing profitability and capital efficiency, and accelerating ROIC improvement

Viewing corporate value enhancement as synonymous with improving the price-to-book ratio (PBR), the Group is implementing measures from both the ROE and price-to-earnings ratio (PER) perspectives. To increase ROE, we will improve return on invested capital (ROIC) and ensure the appropriate use of financial leverage. To increase PER, we will raise expectations for sustained growth through growth investments, human capital management, and expanded investor relations activities.

The first pillar for improving ROIC is to further enhance the capital efficiency of the automotive components business and maximize its cash generation capabilities. In our decisions to execute capital investments, we are prioritizing efficiency in our investments, carefully considering their alignment with our business strategy and their return on investment. Even when increasing production, instead of large-scale equipment expansion, we are focusing our investments on bottlenecks in the production process, thereby increasing production capacity and return on investment efficiency while keeping investment costs down.

Additionally, we are shifting the focus of our investment from hardware-centric to digital transformation (DX) in order to create smart factories. In the automotive components business in FY2025, capital expenditures (capex) amounted to 23.5 billion yen against depreciation expenses of 32.3 billion yen, meaning that capex remained within the scope of depreciation. This is not about curbing investment, but rather changing the nature of

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

investment, such as using DX to improve the productivity of existing facilities. While the effects may not be apparent in the short term, we will steadily improve productivity and operational efficiencies throughout the Mid-term Management Plan period, transforming our automotive components business into a more robust cash-generating foundation.

The second pillar is improving unprofitable businesses. In FY2025, we focused on reducing unprofitable regions and products, as well as business portfolio optimization, through measures such as consolidating some business sites. Regarding the medical business, our first goal is to achieve profitability in FY2026. On top of this, we will assess whether the business can be transformed into one that continuously generates profits and achieves ROIC exceeding the weighted average cost of capital (WACC). We will also examine the synergies with our core sensing technology and decide on a future direction before the end of FY2026.

Going forward, under our new management structure, we will accelerate business portfolio optimization even more than before, including the possibility of business divestitures, while comprehensively evaluating profitability, growth potential, and compatibility with the Group's core assets.

To improve ROIC, it is important for both the business and finance departments to fulfill their respective roles. As for business departments, in addition to growing operating income, which is the biggest driver of ROIC improvement, we will improve asset efficiency by properly managing invested capital, such as inventories and accounts receivable. Meanwhile, the finance side will manage the entire balance sheet, including liabilities and equity, to ensure both a sound financial foundation and improved capital efficiency.

In particular, with regard to working capital, we are showing each business unit the impact of inventories and accounts receivable on ROIC and encouraging improvements. Due to geopolitical risks and preparations for potential logistics disruptions, we have kept current inventories slightly higher than average temporarily. We will strive to improve efficiency while determining the optimal level that balances stable supply with capital efficiency. Looking at investments to increase production, we will verify the recoverability, including the increase in inventories and accounts receivable. The business and finance departments will communicate using common metrics to improve both profitability and asset efficiency.

Aiming to achieve both financial soundness and capital efficiency and building a financial foundation that supports growth

To improve ROE, it is important to optimize the capital structure by utilizing the right amount of financial leverage while maintaining financial soundness, in addition to improving ROIC. The Group's equity ratio fell from 68% at the end of FY2024 to just under 63% at the end of FY2025, due to larger borrowings resulting from the acquisition of Niterra Materials and share buybacks. Going forward, we will continue to utilize debt financing flexibly to fund growth investments while keeping in mind the equity ratio of around 60% necessary to maintain our current corporate bond rating.

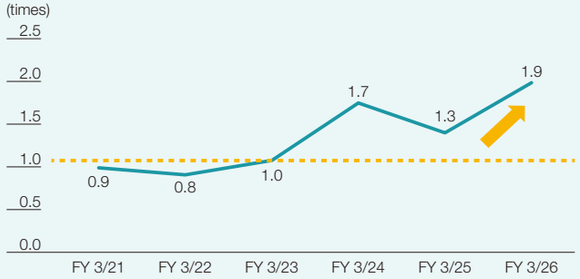
In acquiring Niterra Materials we utilized interest-bearing debt without raising equity capital. I believe we have been able to maintain financial soundness while allocating funds to investments that will lead to improved profitability in the future. Looking ahead, we will continue to monitor interest rate trends and market conditions, securing diverse funding options such as borrowings and corporate bonds to enhance the stability and flexibility of our financing.

Simultaneously, avoiding excessive cash holdings is also a form of financial discipline. We are promoting a capital policy that emphasizes capital efficiency, including implementing a share buyback program totaling 30 billion yen from the end of FY2025 to FY2026. Share buybacks not only improve capital efficiency but also serve to demonstrate our position to the market regarding the current share price level. Moving forward, we will continue to utilize this strategy flexibly, taking into account comprehensively our financial situation, stock price levels, market conditions, and other factors.

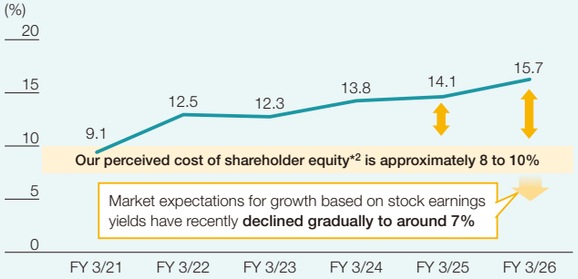
Furthermore, the Group has a structure where profits tend to accumulate easily at overseas subsidiaries, and funds tend to be concentrated or kept at local subsidiaries. To use these funds to unlock growth for the entire Group, we are expanding the global reach of our Cash Management System (CMS), which we have been operating domestically for over a decade. We aim to enhance capital efficiency and risk management—and further reduce the consolidated cash balance—by optimizing the use of funds across the Group. This involves securing the working capital necessary for each overseas subsidiary's operations while managing foreign exchange regulations, tax systems, and currency risks. We will achieve this through mechanisms such as repatriating funds from subsidiaries via dividends and utilizing systems like CMS to address short-term fluctuations and surplus capital.

Regarding exchange rate fluctuation risks, we strive for flexible management while carefully considering the balance between hedging costs and benefits. Currently, we are also working to reduce actual risk by

Change in price-to-book ratio (PBR)*1



Change in return on equity (ROE)



Change in price-to-earnings ratio (PER)*3



*1 Calculated by dividing the closing stock price at the end of each fiscal year by the book value per share (BPS, excluding non-controlling interests) corresponding to the end of the previous fiscal year.
*2 Estimated range based on the expected growth rate from the market based on CAPM and stock earnings yields.
*3 Calculated by dividing the closing stock price at each point in time by the projected EPS (market consensus) at that time.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

optimizing fund transfers and settlement terms within the Group.

As for our capital policy, we have adopted a dividend policy based on stable dividends, combining a DOE of 4% with a dividend payout ratio of 10% of net profits. In essence, this approach is similar to progressive dividends, emphasizing continuous shareholder returns.

Currently, we recognize that the Group's ROE is approximately 16%, which exceeds our cost of capital, which is typically around 8% to 10%. By continuing to return profits to shareholders while prioritizing investments in growth areas and expanding profits, we aim to improve capital efficiency and achieve sustained growth.

Assessing growth potential and return on investment and executing disciplined investments

To increase our P/E ratio, it is important to raise expectations for sustained growth. Based on the cash allocation outlined in MMP 2030, we will allocate the cash generated from our automotive components business to focus domains while carefully assessing their growth potential and investment efficiency.

Business investments in the first fiscal year of the Mid-term Management Plan are progressing largely in line with the plan. In our component solutions business, we have executed approximately half of our 320 billion yen investment plan, including the acquisition of Niterra Materials, and we plan to focus our investments on our SPE business going forward.



We plan to invest 340 billion yen in our automotive components business to promote the expansion of production capacity by making investments in equipment upgrades and productivity improvements.

In our SPE business, we anticipate medium- to long-term growth in demand, primarily in applications related to generative AI and advanced logic semiconductors. While this business requires upfront investment, the semiconductor market experiences extreme demand fluctuations, so we will more carefully assess the certainty of demand before making investment decisions. In plant construction, we plan to prioritize building the structures first, and then gradually introduce production equipment in accordance with demand, making investments only after risks are controlled. When making investment decisions, we consider not only accounting profits but also the cash-based payback period to ensure sufficient return on investment. This is a different decision-making framework than our automotive components business, where we have invested in accordance with our customers' capex plans. Because upfront investments are required that anticipate market growth and customer demand, we place great importance on balancing the accuracy of demand forecasts with investment discipline.

Regarding Niterra Materials, we do not currently plan any large-scale additional investments because the growth of the BEV market has slowed more than anticipated at the time of the acquisition. However the silicon nitride business such as heat dissipation substrates and bearing balls is an area where medium- to long-term growth is expected. We are looking beyond the BEV market to a wide range of applications, and we will keep a close eye on market trends to prepare for future growth opportunities.

Cash allocation is not about automatically spending a predetermined amount of money. We will assess the market environment, business progress, and investment effectiveness, and strategically allocate capital to areas where we can expect returns exceeding the cost of capital.

Transforming human capital enhancements and dialogue with the capital markets into a force for sustained growth

To enhance expectations for sustained growth and reduce the cost of capital, strengthening non-financial capital, including human capital, is essential. As our business portfolio expands from the automotive components business to growth areas, we are optimizing human capital allocation and human resources in line with the strategies of each business. We are working to improve productivity and development efficiency while also building an organization that can flexibly respond to changes in the business environment.

Furthermore, through performance-linked compensation programs and increased subsidies for the employee shareholding association, we are developing mechanisms that enable employees to personally experience the capital market's evaluation of the company and the benefits of enhanced corporate value. By encouraging each employee to view corporate value enhancement as their own concern and share in the benefits of growth, we will strengthen our ability to execute initiatives that support sustained growth.

Engaging with the capital markets is also an important initiative aimed at improving our PER and reducing the cost of capital. I believe that PER is not determined solely by financial indicators, but rather by how clearly we can communicate the Group's growth story to the capital markets and gain their understanding and trust. In addition to visits to investors by top management both in Japan and internationally, we doubled the number of meetings with overseas investors compared to the previous fiscal year. We are also looking more to Asian investors and investors who evaluate corporate value from a medium- to long-term perspective. We increased our IR meetings from 281 in FY2024 to 330 in FY2025.

Through these dialogues, we are seeing an increasing number of investors paying attention not only to our traditional automotive-related reputation but also to the growth potential of our semiconductor-related business. There is a growing understanding of our business portfolio, which possesses both the stable cash flow generated by the automotive components business and the growth potential centered on the SPE business. Going forward, we will continue to share the opinions gained from these dialogues internally, reflect them in our management and information disclosure, and carefully communicate the business strategies and growth paths behind our financial figures. In turn, this will boost confidence in our sustainable corporate value enhancement.

To our stakeholders

In the first fiscal year of our Mid-term Management Plan, we were able to get off to a good start financially speaking. Going forward, we will strive to further enhance capital efficiency while maintaining financial soundness and pursue the optimal balance between growth investments and shareholder returns through disciplined capital allocation integrated with our business strategies. We will redirect our stable cash-generating capabilities to growth businesses and future pillars in an effort to achieve medium- to long-term enhancement of corporate value.

Going forward, we will continue to steadily demonstrate these initiatives and their results and strive to build relationships that foster a deeper understanding of our company through assertive dialogue and that earn us support over the medium to long term. I hope that our stakeholders will continue to look forward to the Group's transformation and growth.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data



Vision (The Ideal Situation for Human Capital)

- Each individual grows through their work and continues to shine in society.
- The autonomous growth of each employee becomes the driving force for the optimization of the Niterra Group's business portfolio, fostering sustainable development and enhanced corporate value.

Key Features

- Globally promoting the optimization of our talent portfolio in alignment with our business portfolio strategy.
- Expanding into specific recruitment, development, and promotion measures directly linked to the management strategy through talent meetings.
- Supporting autonomous career development by realizing talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments through the clarification of jobs and the presentation of career paths.

Challenges

- Breaking away from the culture cultivated under a stable business environment to transform into a professional group that enhances its own value and provides value to the company while embedding the Shared Values that serve as its foundation across the entire Group.
- Ensuring the supply of optimal talent to growth areas centered on ceramics, along with the clarification of talent requirements and jobs associated with it.
- Establishing evaluation and incentive systems that provide clear distinctions based on roles and results to support the autonomous growth and challenges of each individual.

Corporate Officer's Message

Promoting a human capital strategy that supports transforming the business and building relationships where people and the organization select each other and grow together



Hiromi Kitagawa
Corporate Officer
Human Resources Strategy Dept.,
Global Strategy Div.

Positioning of human capital supporting business transformation

In the Mid-term Management Plan 2030 (hereinafter, MMP 2030) formulated last year, we have set a policy to solidify our strong Internal Combustion Engine (ICE) business as an even more robust revenue base, while ensuring growth of our non-ICE businesses and proceeding with business portfolio optimization. To achieve this, constructing a strong management foundation to support our business strategy is indispensable, and the reform of human capital is a key initiative in that process. In our group, we view human capital not merely as a cost but as an investment for creating future corporate value. We believe that supporting the growth and challenges of each individual employee will enhance the strength of our organization, which will lead to sustained growth and an increase in financial value.

To realize our group's 2040 vision, "to be a company that brightens the Earth," we have positioned human capital as one of our key management priorities. In steadily proceeding with business portfolio optimization and balancing the resolution of social challenges with sustained growth, the growth of people and the organization is an essential theme.

The purpose of human capital reform is not limited to training and placing talent in line with business portfolio optimization. It lies in creating an organization where each individual aims to be a diverse and proactive individual who embodies the Niterra Way and is capable of thinking, judging, and acting on their own. The Niterra Way is a philosophy system established approximately 10 years ago by reorganizing the principles that have been valued since the founding of Morimura Gumi. In particular, the four Shared Values—Dokuritsu-Jiei, Soshi-Kantetsu, Shisei-Shinjitsu, and Shikai-Keitei—are what we rely on. For our group, which has grown through its internal combustion engine-related businesses for many years, the optimization of our business portfolio represents a very significant reform. That is precisely why we believe that the driving force behind this reform will be individuals who empathize with the Niterra Way and can put it into practice in their respective workplaces.

Human resource system reforms to promote business portfolio optimization

To promote business portfolio optimization, we are advancing with human resource system reforms and talent development initiatives in an integrated manner, organizing the necessary talent profiles and roles by backcasting from our 2040 Vision and the business portfolio derived from it.

Our first step was to transform our approach to human resource utilization. Previously, talent placement was based on employees' functional skills, individual strengths or weaknesses, and job levels. Going forward, however, we have shifted toward an approach starting from management strategy: identifying the tasks necessary for business growth and placing talent who possess the skills required to perform those tasks. Furthermore, by establishing systems that link the skills required by the company with the skills possessed by employees, we will accelerate the optimization of our business portfolio.

For example, global grading is a system that views core positions within the Niterra Group based on common global standards to clarify

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

the roles of each position and ensure consistency in remuneration. The company has numerous overseas Group companies. By identifying core positions and the key talent tied to them at both domestic and overseas Group companies, we intend to strengthen our strategic development plans and appointments. To ensure this system functions effectively, we are also developing job descriptions that define the duties of each position. Currently, we have completed the development of job descriptions for the managerial level, and we plan to implement similar measures for non-managerial employees in the future. Additionally, as a next step to further accelerate business portfolio optimization and internal talent mobility, we are currently considering the establishment of a global job posting system. We aim to create a mechanism that makes duties visualized through job descriptions available internally, allowing employees to voluntarily submit requests for transfers. This will lead to a human resource foundation that strongly supports the autonomous challenges of each and every employee.

These systems are not merely mechanisms for placing talent; they serve as a foundation to connect the roles required by the company with the motivation and abilities of each individual employee. While these results may not be visible in the short term, we view FY2025 as a year dedicated to preparing the systems and mechanisms and cultivating the soil for our human capital strategy. Moving forward, we will reliably operate these mechanisms so that they bear fruit in the form of employees' challenges and growth.

Embedding the Niterra Way into daily decisions and actions

To overcome the challenge of having employees be diverse and proactive individuals who embody the Niterra Way, it is necessary to embed the Niterra Way within both our employees and the company. As guidelines, the MMP 2030 has established the ideal situation for both employees and the company. This ideal is infused with the four Shared Values of the Niterra Way and functions as a common yardstick across the Group, from recruitment to annual performance evaluations.

However, developing talent that embodies the Niterra Way cannot be achieved by simply establishing systems. The key to embedding this ideal situation on the ground and encouraging understanding and proactive behavior among employees lies with managers.

Managers serve as the link between the company's direction and business strategy and each employee's daily duties and growth challenges; in other words, they are the translators of our management strategy. At the same time, they are the drivers of development who support subordinates' challenges and provide growth opportunities. This role is also crucial for improving engagement and proceeding with the reallocation of talent toward business portfolio optimization. Therefore, our group is working to develop managers so that they themselves understand and embody the Niterra Way and our ideal situation, while also incorporating the development of subordinates and the provision of growth opportunities into their own evaluation criteria. However, the Niterra Group faces challenges such as relatively low scores for supervisors in our engagement surveys; therefore, we are currently working to review and revise our management training this fiscal year.

Although we are still halfway there, a shift in awareness is occurring. For instance, there are moments during conversations or meetings between employees when voices can be heard asking, "Can that be called Shisei-Shinjitsu?" This suggests that individual employees are making decisions based on our ideal situation, and I feel that the Shared Values of the Niterra Way are gradually becoming embedded. We intend to provide more opportunities for dialogue among employees; as a pilot, we have held dialogue sessions led by management to promote the embedding of these Shared Values. Moving forward, we are planning to hold these initiatives regularly in each department.

The ideal situation is a common ideal that all employees should be mindful of, serving as the core of their daily actions. However, how individuals interpret and embody it in their own way is left to each person. We will develop diverse initiatives so that everyone can share their envisioned ideal situation and practical examples with one another, thereby deepening mutual understanding. In doing so, we will implement a variety of initiatives to ensure that employees can reach a level of natural practice where their individual values are instinctively reflected in their daily actions.

Toward a relationship where the company and employees mutually choose each other and grow together

As mentioned at the beginning, our group will accelerate investments in growth businesses. To this end, it is necessary to strategically shift talent from current businesses to these growth areas. We will promote optimal reallocation while maintaining employee job fulfillment and placing focus on their unique, diverse skills. In this context, we believe it is important to build a relationship where employees and the company mutually choose each other. The company will clearly present necessary skills and positions and foster talent through various training programs. On the other hand, employees are required to assess the future vision, career paths, and development environment presented by the company, proactively enhance their own skills, and adopt an attitude of going after desired positions in the future through mechanisms such as job postings. By advancing this fluidity of



human resources with a healthy degree of tension, we will contribute to both individual growth and the growth of the entire organization.

However, merely establishing systems alone will not cause growth businesses to expand; we must also ensure that employees fully understand the company's direction. To keep up with the speed of changes in the business environment, it is also essential for employees to reform their mindset toward embracing change. We believe that the strength of our group's employees lies in their attitude of approaching what should be done diligently and earnestly. On the other hand, in rapidly changing growth businesses, there will increasingly be situations where relying solely on past successes is no longer sufficient. Therefore, as part of our HR strategy, we have positioned the cultivation of a mindset that views change and challenges positively as an important theme, alongside acquiring necessary skills. At this point, since it has not been long since the HR system underwent significant changes, there are areas where the mechanism is not yet fully understood. Therefore, while providing repeated and thorough explanations, the HR department will support autonomous career development through measures such as introducing a global job posting system, enabling employees to use these systemic changes as a lever to

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

convert their mindset into energy for taking on new challenges.

Beyond this, the HR department will create mechanisms to encourage those who take on challenges and establish and operate systems that appropriately reward their achievements. We believe that by doing so, we will promote challenging behavior and enable both employees and the company to grow together. This differs significantly from our previous HR strategy, and the challenge lies in the need to repeatedly communicate its significance and details to employees; nevertheless, we will proceed with initiatives that allow both parties to maintain a healthy tension and mutually inspire each other to improve.

In parallel, we are identifying and addressing challenges based on the results of our employee engagement surveys. The survey results show that while mechanisms and systems are understood to be well-established, there is room for improvement regarding job fulfillment and supervisor management. We consider this to be an urgent challenge that reflects the organization's failure to sufficiently provide employees with opportunities to take challenges. Not only must we share the importance of this with field-level leaders in addition to the HR department, but we also must utilize surveys not as one-time activities but as tools to lead to organizational improvement. By carefully conducting dialogues based on survey results with field teams, we will contribute to enhancing organizational strength.



Developing management talent to drive global growth

In recent years, our group has accelerated business expansion in growth areas and its global deployment while also actively pursuing M&A. As a result, business domains and organizational structures have rapidly expanded and diversified, significantly increasing the complexity of managing the entire Group. To respond to these changes, it is essential to develop managerial talent capable of overseeing the Group as a whole and leading diverse businesses and organizations, rather than being confined to specific businesses or regions.

To this end, we will evolve our management talent development programs from merely providing training opportunities into a mechanism that continuously identifies next-generation leadership potential and nurtures them through practical experience.

For example, under the global next-generation management talent development program (HAGI: Human Assets Global Initiative), which has been running since 2016, we are taking more proactive measures to engage participants, creating a flow where graduates assume management responsibilities in their respective fields while contributing what they have learned back to the organization. We have created several original internal case studies, asking participants to consider real-world management issues from the standpoint of management members; this allows them to deepen their understanding of our company's management challenges through an elevated perspective and immersive discussions. Additionally, the Nittoku Business School (NBS), a step-up program leading to HAGI, will proactively lower the target age for participation. By holding the program annually going forward, it will allow us to identify potential next generation of global leaders at an earlier stage and provide broader opportunities for them to accumulate practical experience, such as on-site decision-making. Ultimately, we aim to create a continuous pipeline of talent flowing from NBS to HAGI and into positions that lead our group's management, while systematically building a pool of management talent.

Going forward, we will also clarify how these talent development initiatives contribute to business strategy execution and corporate value enhancement. We are committed to articulating the link between investment in human capital and its outcomes, such as individual growth, improved organizational strength, and business results, and communicating this objectively to our stakeholders.

Turning the growth of people and the organization into a force to enhance corporate value

The vision our group aspires to regarding human capital is that each employee grows through their work, leading to a situation where both employees and the company shine in society. The company provides growth opportunities while employees proactively pioneer their own careers; this leads to the optimization of our business portfolio.

We will continue to actively advance HR strategies that accelerate management and business strategies. By continuously refining our HR systems, we aim to foster an organization that grows alongside its employees by encouraging challenge and growth through a relationship where employees and the company mutually choose each other.

Up until now, we have focused on preparing the soil, which is establishing mechanisms to steadily realize our management strategy and translating those concepts into forms accessible to each individual employee. We have yet to see major results, and business transformation based on HR technology, such as the utilization of DX and AI, remains a significant future challenge. However, we are gradually beginning to address areas we have long wanted to tackle, and it has become clear even within the HR domain that the company is changing. We will continue to implement a variety of initiatives to ensure that our external stakeholders and employees understand our thinking and this evolution.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Overview of Strategy

Our group recognizes that in order to complete the business portfolio optimization set out in the Mid-term Management Plan 2030, it is essential to transition from traditional stable and company-led career development and a stability-oriented mindset toward an optimization of the talent portfolio, creating an organization where each employee autonomously acquires skills and demonstrates their value. To develop talent who build careers based on their own aspirations and lead business transformation as professionals, we place at the core of our human capital management the goal that “the personal growth of each individual is the driving force that fosters their contribution to the sustainable development of the Niterra Group,” thereby aiming to enhance corporate value. To this end, we will strongly advance Niterra Talent Management globally, centered on four key elements: aspiration, professionalism, diversity, and incentives. Specifically, to support the timely and appropriate placement of the right people in the right positions, such as in growth areas, we will deepen discussions through talent meetings and specifically implement these as recruitment, development, and promotion measures. Simultaneously, by clarifying internal job roles and outlining career paths openly, we will achieve talent development that respects individual aspirations, the provision of fair opportunities, and equitable job assignments. Enabling diverse talent to collaborate across boundaries under the Shared Values of the Niterra Way and increasing each individual’s engagement (job fulfillment) will lead to the creation of innovation on the ground. This will ultimately lead to an increase in corporate value as a company that brightens the Earth, a vision embodied in our English corporate name, “Niterra.”





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.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Niterra's Approach to Human Capital Management

In the transformation toward becoming a company that brightens the Earth—the vision we aspire to realize—people are undoubtedly our most important management resource. The background for deploying Niterra Talent Management globally is the importance of breaking away from a previous stability-oriented culture and shifting toward an organization where new value is created through the combination of diverse individuals.

In the Mid-term Management Plan 2030, we have set "Diverse and proactive individuals embody the Niterra Way" as a priority issue. To promote transformation into a professional group able to "Possess aspirations, take initiative, and persevere," "Aim to be a professional and enhance their own value," "Collaborate with diverse talent," and "Embody the shared values," we will build strong relationships globally where individual growth motivation is unlocked and employees and the company continue to grow together. Through this, we aim to achieve an engagement score of 3.56 or higher as set in the Mid-term Management Plan and become a company that brightens the Earth.

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.
- Skills, experience, and capabilities do not match the requirements sought for the position.

Human Capital

Key Management Priorities

Diverse and proactive individuals embody the Niterra Way

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

The ideal situation

Individuals and workplaces that brighten the Earth

Talent with strong will and execution capabilities

- Possess aspirations, take initiative, and persevere
- Aim to be a professional and enhance their own value
- Collaborate with diverse talent
- Embody the Shared Values

An environment that supports the growth of diverse talent

- Support career development and personal growth
- Provide opportunities to turn aspirations into reality
- Improving the job fulfillment of diverse talent
- Properly reward the results achieved

Niterra Talent Management

Aspiration	Professionalism	Diversity	Incentives
We respect the volition (will) of the individual, which is the driving force of independent action, and provide support our employees to take on challenges, through which they themselves will create the future.	We will build a framework in which individuals are expected to acquire expertise on their own initiative to increase their market value, and in which evaluations are conducted with a healthy rigor.	We will foster a culture in which an organization composed of members from diverse backgrounds is considered a strength, and leverage it to the maximum to enable the company to respond to rapid changes in the environment.	By providing a compensation system based on roles and achievements and the provision of equitable opportunities, we will maximize the individual's commitment to growth and their motivation to contribute to performance.

Key Initiatives	Specific Activities	Mid-term Management Plan 2030 Vision	Ideal State
Introducing a global grading (domestic/overseas core positions)	Introducing global grading and developing job descriptions for managerial levels	[Company] Optimizing the quality and quantity of talent [Employees] Each individual chooses their own future as a professional	**Realization of a dynamic talent portfolio responsive to business changes** • Achieving clarity of roles and alignment between roles and treatment • Employees proactively growing and challenging themselves for posts based on job descriptions (JD) • Optimal placement in growth businesses and new domains • Optimization of the talent portfolio
Expanding internal job postings	Establishing the operation of internal job postings in Japan		
Shifting talent to growing businesses	Formulating strategic manpower planning that balances strengthening existing businesses with shifting to new domains		
HR tech: Visualizing and utilizing human resource information	Utilizing human capital data through the integration of 360-degree surveys and engagement surveys	[Company] Maximizing the performance of diverse individuals [Employees] Maximizing potential	**Quality improvement by strengthening human capital** • Activating workplaces based on human resource data • People with diverse attributes active at various stages • Producing "managers who develop people" • Planned development and production of next-generation leaders
Diversifying managerial posts	Promoting DE&I and selective training for female talent development (Raise UP)		
Strengthening management capabilities (the ability to develop people)	Accelerating the development of managers who develop people		
Developing next-generation management talent	Implementing selective training (HAGI/NBS)		
Embedding philosophy: Improving the level of practice for Niterra Way / Shared Values	Dialogue sessions toward embedding Shared Values	[Company] Creating a culture and environment that supports human growth [Employees] Working vibrantly based on the Shared Values	**Building the foundation for human capital management: Fostering a healthy organizational culture** • Collaboration and value co-creation across organizational boundaries • Improving sustainable organizational vitality and reducing risk through investment in physical and mental health (well-being) • Increasing attractiveness by realizing flexible work styles
Health and Productivity Management Initiatives	Making comprehensive medical examinations fully free of charge and strengthening investment in preventive medicine		
Promoting work style reforms	Establishing flexible and easy-to-work work systems, including remote work from remote areas or overseas		

Realization of Vision

[Mid-term Management Plan KGI] Motivation factor items in engagement survey

FY2029: **3.56**

(FY2024: 3.37 → FY2025: 3.42)

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Realization of a dynamic talent portfolio responsive to business changes

1 Introducing Global Grading

(Domestic/Overseas Core Positions)

• Introducing global grading to managerial levels and developing job descriptions

To achieve the business portfolio optimization that our group aims for, it is urgent to transform from the traditional seniority-based and company-led career development into a “professional group” where each individual employee autonomously enhances their high market value expertise. As infrastructure to support this optimization of the talent portfolio, we have developed job descriptions targeting domestic managerial levels as well as core positions in our domestic and overseas Group companies. Moving forward, we will sequentially expand the range of eligible global positions.

By introducing job descriptions, it becomes possible to clearly verbalize the roles/responsibilities and required skills for each position and operate them as a global common yardstick. This allows us to move away from person-dependent placement and build a fair and highly transparent global grading system linked to the value of the position (the magnitude of job responsibilities). Furthermore, this is leading to a renewal of our grading system by abolishing skill qualification systems for managerial levels and unifying them into job grades. This clarification of jobs will serve as a robust business platform to maximize the value-added productivity of the entire organization by balancing talent development that respects individual aspirations with the provision of fair opportunities.

Old System

Job group	Skill qualification	Role grade
Managerial position	M1 (Associate Director)	Rank 1
		Rank 2
		Rank 3
		Rank 4
	M2 (Senior Manager)	Rank 5
		Rank 6
		Rank 7

New System

Job group	Skill qualification	Role grade
Managerial position	G0	Company President / Business Unit Head
	G1	Group Company President / General Manager
	G2	
	G3	
	G4	
	G5	Section Manager or lower
	G6	
	G7	
	G8	

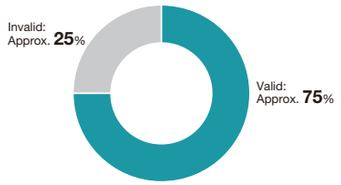
* “M positions” refers to managerial positions.

2 Expanding Internal Job Postings

• Establishing the operation of internal job postings in Japan

To encourage spontaneous volunteering based on each individual’s aspiration (“Will”), we have introduced an internal job posting system. We position this as a key initiative not only to promote employee career autonomy and improve engagement but also to accelerate business portfolio optimization through optimal placement of talent in the right positions. In Japan, this system is already deeply embedded within the organization and is being reliably operated as a mechanism that supports proactive challenges. Using the current system as a foundation, we will promote “post visualization” through the development of job descriptions to further scale up on a company-wide basis. Moving forward, we will further expand the disclosure of target positions in Japan, evolving the infrastructure for fair and transparent challenge opportunities into something even more robust. Furthermore, during the period of the Mid-term Management Plan 2030, we aim to expand this scope to include key positions throughout the entire Group, including core positions overseas, and evolve the system into global job postings, which ensures the optimal placement of the right person in the right position. Specifically, we will establish a system that makes the job duties, as outlined in job descriptions, available internally, thereby enabling employees to voluntarily request transfers. Through this, we will establish an environment where employees can pursue their aspirations and autonomously chart their career paths, which in turn will powerfully drive the placement of the right people in the right positions globally.

FY2025 Internal Job Posting Results



3 Shifting Talent to Growing Businesses

• Formulating strategic manpower planning that balances strengthening current businesses with shifting to new business domains

The biggest theme in the Mid-term Management Plan 2030 is the further strengthening of the automotive components business and the optimization of the business portfolio through the creation of new business domains centered on ceramics. In order to complete this structural transformation with a sense of speed, we previously faced the challenge that management strategy and manpower planning were not strongly linked. Therefore, in FY2025, we newly formulated a strategic manpower plan backcasted from our ideal situation and are currently in the phase of its reliable execution.

To accelerate the talent shift based on this manpower plan, as mentioned above, we will expand internal job postings that respect individual aspirations (“Will”), which are already being reliably operated in Japan, and aim to achieve optimal placement of talent in the right positions, including in growth areas, by expanding employee career options and providing fair opportunities through their evolution into global job posting. Furthermore, we will combine this with the strategic external recruitment of specialized talent to build an optimal talent portfolio across the entire company.

Additionally, to verify whether these various human capital strategy measures are leading to increased corporate value, we have newly introduced value-added productivity as an indicator for improvement. We have set a quantitative target to achieve 1.4 times the value compared to FY2024 for both manufacturing and indirect departments by FY2029. By thoroughly eliminating waste through job clarification and the promotion of DX in operations, we will build a system that produces maximum results with minimum resources. Having employees engage in their work with high job fulfillment (engagement) based on their own aspirations will improve productivity and lead to sustained increases in corporate value.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Quality improvement by strengthening human capital

1 HR Tech: Visualizing and Utilizing Human Resource Information

• Utilizing human capital data through the integration of 360-degree surveys and engagement surveys

To grasp the state of the organization and individuals objectively and quantitatively, and to link these insights to activities that increase engagement, we are promoting the advanced utilization of human capital data through HR tech. To enhance the sense of fulfillment for every individual employee, we have introduced a new engagement survey system and are proceeding with data integration with 360-degree surveys.

Through this data integration, we have quantified and qualitatively clarified the connection between the daily actions (human behavior) of organizational leaders and the engagement (organizational state) of workplace members, visualizing the relationship in which both parties influence each other. Based on these measurement results, we provide feedback to each organizational leader regarding their expected behaviors. Furthermore, we are enriching our training and tool contents to encourage self-reflection and behavioral change. In addition, based on engagement survey results, we conduct workshops where individual employees participate to create a better workplace.

Beyond the above, we will continue to expand the use of human resource data as a foundation for future human resource management, including its utilization for optimal placement.

2 Diversifying Managerial Posts

• Promoting DE&I and selective training for female talent development (Raise UP)

To powerfully drive the business portfolio optimization that our group aims for, it is indispensable to diversify the managers responsible for organizational decision-making. To capture the precise needs of the rapidly transforming external environment and global markets, we must move away from traditional single-minded thinking and maximize the strength of the organization by leveraging deep diversity of experience and thought.

We have already achieved our goal of reaching a 25% ratio of women, foreign nationals, and mid-career hires in managerial positions by 2030. Furthermore, as mid-to long-term milestones, we have set high targets of a diversity ratio of 30% or more for all managers and a female manager ratio of 10% or more in our non-consolidated business by FY2029, and we are strengthening our initiatives.

In particular, regarding the production of female managers, we have continuously implemented the Raise UP program, a training program for the selective promotion of women, since 2019; to date, 41 attendees took the course, and 31 women have become managers and are leading transformation in their respective workplaces. Moving forward, while evolving this selective promotion training, we also plan measures to support success after appointment to management, going beyond just training. Due to these development initiatives and proactive recruitment of mid-career professionals, the ratio of female managers has steadily improved to 5.5% as of the end of April 2026, which is also leading to the correction of the gender pay gap. Additionally, to respond to rapid globalization and incorporate world-standard technologies, we are also strengthening the recruitment of foreign national employees, such as those from overseas universities and international students. In FY2025, four new foreign national employees joined our IT department and are actively contributing by leveraging their expertise. We will continue to thoroughly foster an organizational culture (Inclusive Niterra) where different knowledge and values fuse horizontally, thereby increasing the certainty of innovation creation.

3 Strengthening Management Capabilities (The Ability to Develop People)

• Accelerating the development of managers who develop people

What supports the business portfolio optimization and innovation creation promoted by our group at the field level is the strong will and execution capability of every individual employee. To harness the full potential of individuals with diverse backgrounds and foster an organizational culture that celebrates challenges, it is essential to strengthen the ability to develop people among managers. To ensure this transformation proceeds, we have abolished the traditional skill qualification system for the managers and unified it into job grades (job system). Furthermore, rather than just temporary educational measures, we are creating a mechanism that triggers transformation through daily actions. We have refreshed our evaluation criteria so that they do not simply pursue results alone; instead, by incorporating action processes rooted in the Niterra Way's Shared Value as an evaluation element, we are encouraging a shift toward management where managers themselves stay close to and appropriately support their members' challenges and self-transformation during their daily activities. Additionally, to realize Inclusive Niterra, which turns diversity into strength, we repeatedly conduct diversity training for managers. Through this, we are thoroughly creating workplaces with high psychological safety where unconscious bias is eliminated and anyone can express their opinions as themselves. By driving both the "embedding of philosophy in the field" and "improvement of the workplace environment" as two wheels of a single vehicle through the transformation of managers, we will link this to increased engagement (job fulfillment) and the maximization of value-added productivity for the entire organization.



With an unwavering principle in my heart, passing on learning and resolve to the next generation

A.H.

Supply Chain Planning Sect.
Logistics Dept.
Business Operations Div.

I remember receiving a direct message from management on the first day of Raise UP and initially feeling, "Could someone like me really respond to such strong expectations from the company?" However, through practical learning as a leader in the program and 1-on-1 sessions with management, I was encouraged with the words, "It is not about 'someone like you,' but rather 'because it is you' that certain things can be done." By understanding my own driving force through self-reflection and dialogue with others regarding why I am challenging myself to become a manager, I was able to establish an unwavering principle and the resolve to step into change myself. Now that I have become a manager, I try to pass on what I learned and the experiences of struggling during Raise UP to the next generation. I still have many worries as I strive to ensure that everyone can see how diverse talents are thriving in their respective roles, but I want to continue enjoying the challenge of bringing about change.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

4 Developing Next-generation Management Talent

• Implementing selective training (HAGI/NBS)

It is indispensable to build a leader talent pool that stably and systematically produces next-generation management talent capable of demonstrating resilient leadership and driving transformation even in an uncertain business environment.

To expand this pool in terms of both quality and quantity, we have implemented the global selection program HAGI (Human Assets Global Initiative) and the domestic selection program NBS (Nittoku Business School). In HAGI, which aims to develop future management candidates, talent is selected from division-head levels both domestically and internationally regardless of nationality. Top management personally leads the process, supporting the exploration of their core principle as an executive and the acquisition of practical management skills. To date, we have produced 46 management talents, with 41% of graduates holding key positions at the Corporate Officer level or higher, which directly contributes to strengthening Group management. In NBS, which targets the leader layer prior to HAGI, we polish logical thinking skills and the “mind, skills, and body” (Shin-Gi-Tai) required of a leader, serving as a pipeline for promotion to senior management and candidates for HAGI. Previously, because each program was designed and operated individually, there were challenges in optimizing selection across the board and building seamless development steps. We have now revised this into a continuous end-to-end development measure that connects NBS to HAGI, particularly by shifting the target group of NBS to younger employees to ensure thorough early-stage development. Through this, we will make the quality and quantity of the next-generation management talent pool overwhelmingly robust, pursuing the establishment of global governance and sustained increases in corporate value.



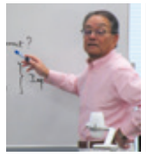
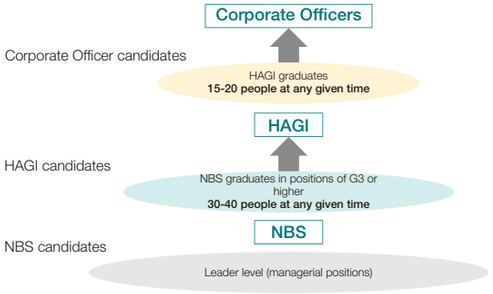
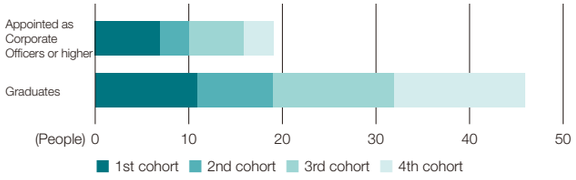




Illustration of development steps



Number of HAGI graduates and those appointed as Corporate Officers or higher





Cultivating leaders who polish their core principles and aspirations as executives and drive Niterra’s transformation

H.S.
Human Resources Strategy Dept., Global Strategy Div.

Under the strong will and commitment of top management, HAGI has built its history as a place to thoroughly train next-generation executives. What is the curriculum that nurtures executives who can think shrewdly and fundamentally in a rapidly changing business environment? We have held numerous discussions and continue to update it while facing our current recognition of challenges.

In the 5th cohort, we focused on a process that fundamentally shakes one’s own assumptions and existing frameworks to pose essential questions. Through sessions experiencing social challenges on the ground and discussions regarding dilemmas without correct answers, we cultivate a “resolve as an executive” that possesses both a sense of the field and a broad perspective.

Using the foundation built in NBS, we will sharpen the core principles and aspirations to lead global management through HAGI. We are confident that leaders who powerfully drive Niterra’s transformation will be born from this integrated training system.

Building the foundation for human capital management: Fostering a healthy organizational culture

1 Embedding Philosophy: Improving the Level of Practice for the Niterra Way / Shared Values

• Dialogue sessions toward embedding Shared Values

For the business portfolio optimization promoted by our group, an organizational foundation where diverse talent with different nationalities and career backgrounds can align their goals and integrate their knowledge is indispensable. The greatest foundation to connect these diverse individuals is the Shared Values of our philosophy system known as the Niterra Way. The Niterra Way consists of our Corporate Philosophy, Corporate Code of Conduct, and Shared Values (Dokuritsu-Jiei (independent spirit), Soshi-Kantetsu (perseverance in one’s original aspirations), Shisei-Shinjitsu (utmost sincerity and trustworthiness), and Shikai-Keitei (universal brotherhood)), etc., and it represents our mission and the manner of action to achieve it. Among these, the Shared Values are the very aspirations at the time of our founding, spun from the historical facts established by our predecessors. Because we believe it is important to return to our roots and make decisions and act based on these Shared Values when challenging unknown territories, particularly during a period of transformation, we are currently promoting measures to embed the Niterra Way. We are layering appropriate embedding measures for each phase—recognition, understanding, resonance, practice, and integration—aiming for a state where all employees resonate with the Shared Values and can use them as guidelines for judgment and action. The core measure is the dialogue sessions regarding the Niterra Way / Shared Values. In FY2025, we first held dialogue sessions among management to discuss and share interpretations in their own words regarding the connection between management strategy and philosophy, as well as how to apply them to their work. Moving forward, we will gradually expand this circle of dialogue to each workplace to build a culture where Shared Values can be discussed on a daily basis.

Furthermore, to ensure these values do not remain mere spiritual concepts but lead to concrete behavioral changes, we have incorporated Shared Values into the decision-making criteria for each HR measure, such as recruitment, development, and evaluation.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

2 Health and Productivity Management Initiatives

• Making comprehensive medical examinations fully free of charge and strengthening investment in preventive medicine

The Niterra Group regards the health of employees as our most important management resource and, under our declaration on health and productivity management, we are strengthening active investments toward improving mental and physical health. As a specific measure, beyond merely maintaining the current 100% medical checkup rate, we have launched an advanced investment in preventive medicine starting in FY2026 through full coverage of comprehensive medical checkup costs. In addition, we are implementing thorough specific health guidance through collaborative health initiatives in cooperation with our health insurance union, providing strong support for gynecological examinations, enforcing complete smoking bans at all domestic sites, offering smoking cessation support by operating in-house clinics, and performing preventive care for mental health issues based on stress checks. This company-led health investment framework has been recognized, leading to our selection as a Health & Productivity Management Brand 2026 and an Outstanding Organization of KENKO Investment for Health 2026 (White 500). We will continue to build a resilient organizational foundation where employees can feel secure and maximize their potential, leading to sustainable improvements in corporate value.

3 Promoting Work Style Reforms

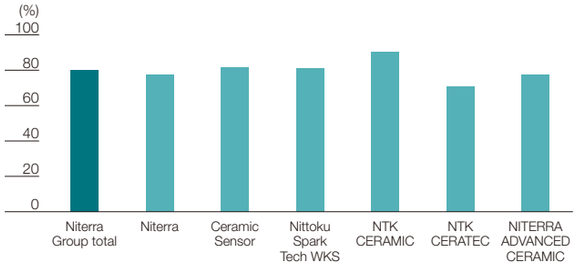
• Establishing flexible and easy-to-work work systems, including remote work from remote areas or overseas areas

To build an environment where diverse talent can thrive, it is essential to move away from uniform working styles and establish a flexible environment tailored to various lifestyles. Under our Work Style Reform Declaration, we promote the design of flexible systems that are not constrained by time or location, simultaneously pursuing the maximization of individual performance and the improvement of engagement.

Regarding improving flexibility of time, we have established the expansion of flextime systems and increased options for shorter working hours (with choices for 1-hour or 2-hour reductions), achieving productivity improvements through work-life balance. Regarding improving flexibility of place, we have institutionalized ways of working that are not restricted by place of residence, such as the introduction of remote area work systems within Japan and overseas remote work systems.

As for annual paid leave, employees have been able to take leave in hourly units since FY2022, and we maintain a high annual paid leave uptake rate of around 80% among all Group union members. This strongly supports the balancing of careers with life events such as childcare and nursing care, prevents the turnover of talented individuals (serving as a retention measure), and creates significant competitive advantages in acquiring and retaining excellent professional talent both inside and outside the company.

Annual paid leave uptake rate (union members)



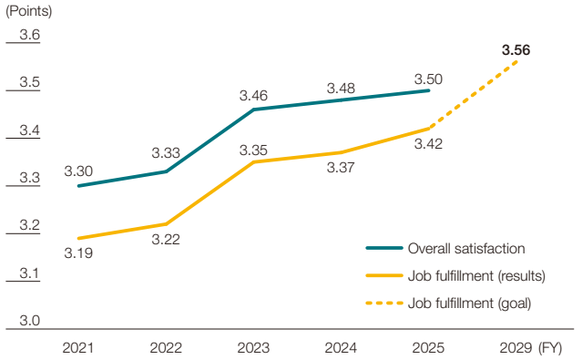
Uptake rate relative to days granted from October 2024 to September 2025

Toward realizing the ideal situation for human capital

We will reliably execute a series of Niterra Talent Management measures across our entire global operations. In particular, to address the company-wide challenge of “embedding of philosophy in the field” highlighted in recent surveys, we will accelerate behavioral changes among all employees by driving two simultaneous engines: daily dialogue activities and the implementation of the new human resource system, thereby fairly evaluating the challenge process based on our philosophy. Through the reliable execution of various Niterra Talent Management measures, we will thoroughly pursue the improvement of our most important compass (KGI): employee engagement (“job fulfillment score”). Until now, compared to “ease of working” (a hygiene factor), there has been a challenge in that our job fulfillment scores were lower than those of other companies. Therefore, rather than merely providing ease of working, we will raise motivation factors such as job fulfillment and loyalty to the company. To increase our scores to be competitive with other companies, we have set a target for the company-wide average score of 3.56 or higher for job fulfillment items by the final fiscal year of the Mid-term Management Plan 2030 (FY2029), and we have been steadily improving the score from the FY2024 result (3.37) to the FY2025 result (3.42).

When the improvement of engagement rooted in each employee’s aspirations bears fruit, individual independent challenges will lead directly to an overwhelming increase in organizational value-added productivity (1.4 times compared to FY2024), which will then be converted into reliable improvements in corporate value. By building a resilient relationship where employees and the Company can continue to grow together, we will achieve the resolution of social challenges and the optimization of our business portfolio, solidifying our 2040 Vision: To be “a company that brightens the Earth.”

Shifts in employee engagement



Current status and goals for the job fulfillment items (on a 5-point scale)

FY2025	Result: 3.42
FY2029	Goal: 3.56

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Human Rights Policy

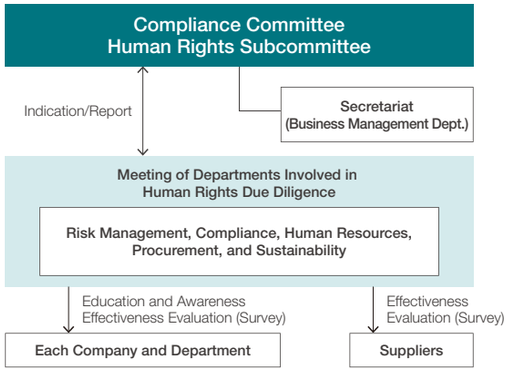
We are working to resolve various social issues to realize sustainable societies. We recognize that as a prerequisite for this, it is important to respect the human rights of people who are affected by our business activities, and that it is essential to continuously fulfill such responsibilities in 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.

Promotion System

Based on our Human Rights Policy, the Niterra Group's various departments and special committees promote responses to human rights issues within their respective domains.

To address the globally accelerating focus on business and human rights, we have held repeated discussions since FY2022 among relevant departments (including risk management, compliance, HR, procurement, and sustainability) to ensure the continuous implementation and improvement of the effectiveness of human rights due diligence. Starting in FY2026, we have established an effective promotion framework under the supervision of the Board of Directors. The Human Rights Subcommittee, established under the Compliance Committee, conducts continuous monitoring and deliberates on/evaluates challenges regarding human rights due diligence; important matters are then reported to and submitted to the Board of Directors via the Corporate Management Committee.



Human Rights Due Diligence

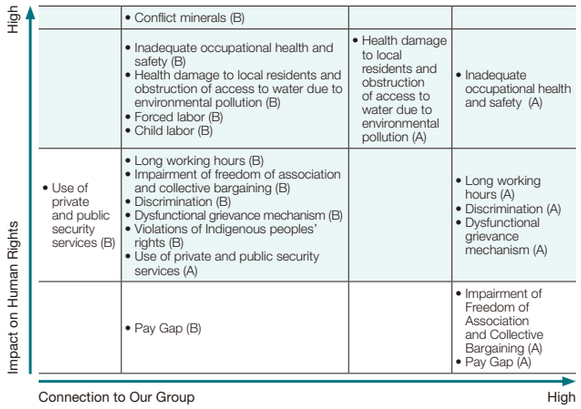
We make efforts to identify, assess, prevent, and mitigate human rights risks related to our business activities.

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.

Human rights risk map

A: Our group B: Supply chain



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 and key initiatives

Our group

Human rights risks in priority areas	Initiatives
Inadequate occupational health and safety	To eliminate lost-time injuries, we are continuously implementing safety measures such as hardware improvements to equipment and thorough risk assessments.
Health damage to local residents and obstruction of access to water due to environmental pollution	To prevent environmental accidents and pollution, we have established voluntary standards based on legal regulatory values and agreements with local governments for air quality, water quality, noise, and vibration at each site, and conduct regular measurements and maintenance.
Long working hours	To prevent long working hours, we have established work rules (such as setting fixed departure days, the general prohibition of late-night work or overtime exceeding 5 hours per day, and ensuring a 10-hour interval between shifts) and are implementing measures such as reducing working hours through labor-management agreements and visualizing discrepancies between PC logs and time stamps.
Discrimination	In the Compliance Guidebook issued to employees and the email newsletter Compliance News Letter, we provide specific examples of what is considered discrimination to raise awareness.
Dysfunctional grievance mechanism	To improve the awareness and effectiveness of the internal reporting system in overseas Group companies, we are promoting it through the Global Compliance Guidebook.
Use of private or public security services	Since security conditions vary by business site and plant, we implement security measures tailored to each specific situation.

Supply chain

Human rights risks in priority areas	Initiatives
• Conflict minerals • Inadequate occupational health and safety • Health damage to local residents and obstruction of access to water due to environmental pollution • Forced labor • Child labor • Long working hours • Discrimination • Dysfunctional grievance mechanism • Violation of Indigenous peoples' rights	We have distributed the CSR and Sustainability Procurement Guidelines to our direct suppliers. Furthermore, we verify the status through regular surveys and provide corrective support through dialogue when improvements are necessary.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

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. As this practice could lead to discrimination, we have discontinued the test in light of international human rights standards. 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 conduct annual surveys targeting the company and group companies and continue to maintain a process for prompt correction and disclosure of any identified cases.

Education and Awareness Activities

In human rights training for Group employees based in Japan, we conduct video screenings and comprehension tests regarding the need to respect human rights, our group's Human Rights Policy, human rights due diligence, and remedies. Additionally, we provide awareness training on gender equality and LGBTQ+ issues through various training sessions and email newsletters.

Surveys of our group and the supply chain

Our group	Compliance awareness survey	• Conducted in Japan once every two years • In FY2024, the focus was placed on follow-up to the FY2023 survey results. • In FY2025, a survey was conducted, and improvement measures based on the evaluation results were continued.
	Human rights and labor survey	• Conducted every year. • In FY2024, the survey was conducted with enhanced questions related to the rights of the child. • In FY2025, a survey was conducted in 32 group companies, and after detailed reviews of those where potential concerns were identified, no significant human rights risks requiring immediate corrective action were confirmed.
Supply chain	Survey administered through the CSR and Sustainability Procurement Guideline checksheet	• Conducted once every two years. • In FY2024, the focus was placed on follow-up to the FY2023 survey results. • In FY2025, a survey was conducted after reviewing the questionnaire, and the scope was also expanded to include suppliers of group companies. Following additional verifications with suppliers whose responses raised concerns, no significant human rights risks requiring immediate corrective action were confirmed.

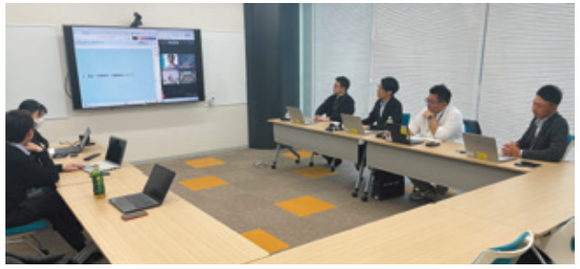
Key initiatives in FY2025

Human Rights Issue	Initiatives	Specific Action
Working conditions and equal opportunities	Revision of the notice of working conditions	We reviewed the content to make working conditions easier to understand prior to employment, adding supplementary information regarding the flextime system and the timing for tendering resignation. We also provided instructions on how to view the referenced internal regulations.
Comfortable workplace environment	Evacuation drills at company dormitories	To ensure employee safety, we made preparations to conduct evacuation drills at company dormitories and housing. These drills are currently being rolled out sequentially.
Responsible procurement of resources and raw materials	Raising awareness of conflict minerals	To increase awareness regarding conflict minerals, we conducted awareness-raising initiatives for the relevant group companies.

Dialogue with Stakeholders

We regularly hold labor-management meetings with the labor union, which represents our employees, to discuss working hours and other matters and maintain ongoing dialogue with departments involved in human rights due diligence. As for our suppliers, we accept consultations through consultation counters and other channels, conducting discussions and taking necessary corrective actions regarding the cases received. For our customers, we disclose the status of our group's initiatives regarding human rights and labor by responding to external audits and surveys conducted by the RSCI and RBA. For residents living near our plants, we exchange views with their representatives, including discussions on whether there are any issues that could threaten their living environment. Additionally, in FY2025, we held a dialogue between an attorney specializing in human rights and the Executive Officer in charge.

▶ Web site MIRAI no ME



Dialogue with labor unions on the topic of human rights

Complaint Handling Mechanism

At our group's sites in Japan, based on the Whistleblower Protection Act, we have established both internal and external contact points for our internal reporting system, the Corporate Ethics Helpline. This contact point supports reports in Japanese and English, is available on holidays and at night, and allows for anonymous reporting; it is available to our suppliers and Group employees. Starting in FY2026, as a measure against job-hunting harassment, we have begun operations allowing job seekers to also utilize our external contact point.

▶ P.86

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Occupational Health and Safety Policy

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

Basic Philosophy

The Niterra Group has many employees in various locations around the world. We believe that it is our responsibility to make continuous efforts to protect the physical and mental health and safety of each and every employee. We contribute to society by providing our employees with a working environment conducive to mental and physical well-being so that employees can continue to work happily and comfortably.

Vision

- Developing "people" who can act safely
  Develop people who are aware of workplace risks and rules and who can act safely on their own.
- Providing safe "work" conditions
  Promote risk reduction and management to provide safe work conditions for workers.
- Creating a safe "working environment"
  Improve and maintain the working environment through work environment measurements and 5S activities.
- "Health" of employees and their families
  Ensure that employees work in a comfortable working environment, and raise health awareness of employees and their families to help them maintain and improve their physical and mental health.

Direction

Zero work-related injuries and illnesses! And Continuation!

https://www.sustainability.niterragroup.com/en/themes/177/

Promotion System

In order to eliminate occupational injuries 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 FY2025, the Central Health and Safety Committee convened twice to report on and discuss activities including responding to occupational injuries, the global health and safety framework, health management initiatives, and safety measures for equipment.

Initiatives for Preventing Occupational Injuries

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 FY2025, we conducted a comprehension test on risk assessment and risk management for all employees.

Disaster occurrence status

In FY2025, 63 injuries occurred within the Group; the breakdown consisted of 31 lost-time injuries and 32 non-lost-time injuries. For companies where major incidents occurred, workplace safety initiatives 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 Reals" Principle—which focuses on actual places, actual things, and actual situations—investigation of similar equipment and operations to develop countermeasures, and reviews of our frameworks.

The frequency rate of all occupational injuries for FY2025 was 0.59 for Niterra Co., Ltd. (1.04 in the previous fiscal year) and 2.58 for domestic Group companies (2.83 in the previous fiscal year). Both Niterra on a non-consolidated basis and domestic Group companies showed improvement compared to the previous fiscal year. However, we view the status of occupational injuries, including those involving Group companies, as an important issue that requires continued improvement. For FY2026, we are working to establish Group-wide management standards, including criteria for "soft" measures addressing residual risks. We will continue to make ongoing improvements to the Group's safety and health management and strive to eliminate workplace injuries moving forward.

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 has consistently remained at 100%. 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 our in-house smoking cessation clinic.

Furthermore, 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.

https://www.sustainability.niterragroup.com/en/themes/201/

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data



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
- Establishing a competitive advantage in technology through intellectual property rights and contributing to the enhancement of corporate value

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

Corporate Officer's Message



Creating "the correct answer" in an uncertain era
R&D that responds to customer needs and proactive intellectual property strategies

Shingo Ito
Corporate Officer
General Manager Management of Technology Div.
Head of Scientific Research Laboratory
General Manager Business Implementation Div.

Organizational restructuring to respond quickly to customer needs and cultivate mid-to-long-term technology seeds

Generally, research and development faces barriers known as the Devil's River*1 and the Valley of Death*2. In the past, our company also faced a challenge where research departments focused too heavily on research itself and failed to fully capture real market pain points, resulting in the diligent creation of things that were not needed in the first place. Furthermore, in recent years, changes have been so drastic that it is not uncommon for customer challenges themselves to change during the development process. We reorganized our organization in April 2025 to break through this situation and work closely with our customers to address their challenges at all times. We have established a two-pronged system consisting of the Business Implementation Division, which captures market voices and handles speedy social implementation through an integrated system including production and quality assurance, and the Management of Technology Division, which conducts thorough basic research with a view toward 10 to 15 years in the future. This has created a mechanism that allows us to respond quickly to immediate needs while nurturing mid-to-long-term technology seeds.

Accelerating development in three focus areas centered on unique ceramic technology

To compete against increasingly complex social challenges, it is essential to clarify our core competencies and concentrate resources in areas where our strengths can be leveraged. We do not pursue things that other companies can do faster or cheaper; instead, we focus on areas where we can create added value by leveraging ceramic technology capable of delivering performance in harsh environments and precise gas sensing technology. For example, a strength of ours is the technology to precisely control the boundaries between ceramic grains (grain boundaries) at the atomic and nano levels. By combining this with analysis, evaluation, and simulations using computational science, we create a competitive advantage that other companies cannot easily follow. Leveraging our strengths in ceramic technology cultivated in the automotive components business, we are currently promoting development in three focus areas (mobility, semiconductors, and environment & energy) by targeting areas where our seeds match customer needs while also incorporating external expertise.

AI utilization of proprietary data and proactive intellectual property to build strong entry barriers

To accelerate development speed, we are also advancing the utilization of AI. The source of competitiveness here is the proprietary data fed into AI. We are accumulating this in a closed environment, including failure data that was previously discarded, to prepare it as a weapon for differentiation from other companies. Furthermore, an intellectual property strategy is vital to ensure that created technologies are converted into reliable business value. We utilize IP landscape to identify customer challenges and construct patent networks based on higher-level concepts backcasted from those challenges. By predicting competitors' moves and securing key technical points, we build strong entry barriers. While walking alongside our customers to provide value quickly, we place importance on a strategy that builds firm entry barriers in terms of intellectual property to link these efforts to revenue.

Talent who do not stop to search for the optimal solution but turn the chosen path into the "correct answer"

While we embrace evolving AI, we believe at this point human "translation" is essential to determine which technology should be used and how to solve the complex challenges customers face. In this day and age, it is difficult to make a perfect prediction in advance and find a perfect answer. However, even if the chosen path falls short of perfection, launching it into the world quickly could allow it to become the new standard. Alternatively, by following up with subsequent initiatives or expanding into other countries, it might ultimately achieve a value that represents the ideal. We need talent who do not stop to search for optimal solutions but instead persistently carry out their chosen answer and transform it into the correct one. By combining the power of people possessing such enthusiasm and execution capability with our long-cultivated technological strength, we will continue to bring positive transformation to society and within the company toward realizing our vision as a "company that brightens the Earth."

*1. The barrier between basic research/technological development and product development/commercialization.
*2. The barrier between product development and business implementation/mass production.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Initiatives to Strengthen Intellectual Capital

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

Through the organizational restructuring in April 2025, we will enhance both the functions of applied/development research (Business Implementation Division) to accelerate the speed of commercialization and basic research aiming for the creation of new technologies from a long-term perspective, thereby pursuing more efficient and strategic innovation. To support this two-pronged system, regarding human capital, we will delve into expertise and foster co-creation with 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

With the goal of reducing environmental impact throughout the entire product lifecycle, we are working to recycle and increase the added value of used ceramics. 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 regenerative and circular society where minimal resources are thoroughly utilized.

2. Pursuing quantum technology to support future social infrastructure

We aim to create innovative innovations that solve social challenges by combining our long-cultivated strengths in ceramic technology with next-generation quantum technology. Currently, we are exploring the establishment of quantum sensing technology that exceeds conventional limits and the feasibility of new key devices that will support next-generation computing and communication infrastructure in collaboration with outside partners. Through this basic research, we will establish our new core competencies for a future 10 to 20 years from now and contribute to the sustainable development of society.



J.K.

Management of Technology Div. Scientific Research Laboratory

Undertaking next-generation material innovation by combining cultivated technology and new knowledge

I am engaged in the research and development of next-generation battery materials called solid electrolytes. To meet the expectations for new energy storage technologies that support social infrastructure, I engage in daily discussions with experts both inside and outside the company and strive for material innovation using experiments and computational science. Research activity is a process of facing questions for which there are no immediate answers and accumulating small discoveries. My goal is to innovate the materials themselves by combining the ceramic technology the company has built up to date with the knowledge acquired through my own research. I will then refine this technology into something indispensable to society and contribute to the realization of a sustainable energy society.

Action Guidelines for Intellectual Property Activities

Action Guidelines

- Further enhance corporate value by conducting intellectual property activities aligned with the product life cycle (PLC) to promote business creation and growth.
- 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 constructing patent networks in accordance with the IP strategy.

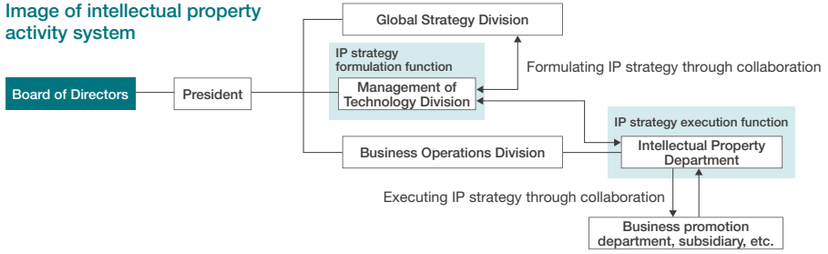
• Strengthening governance systems

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 system

We will establish a new IP strategy formulation capability within the management of technology departments to bolster the formulation and promotion of IP strategies integrated with our overall business strategy while collaborating with the Global Strategy Division, which is the department responsible for formulating management strategies.

Image of intellectual property activity system



PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Intellectual Property Activities by Operating Segment

Automotive components

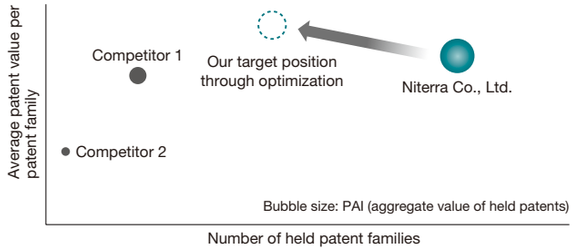
In our automotive components business, which is the pillar of our earnings, we will promote IP mix activities that protect our technologies and expertise in multiple aspects.

Regarding patents specifically, we will secure a competitive advantage over competitors using the patent asset index (PAI) as an indicator, in accordance with activities during the PLC maturity stage. In specific terms, we aim to continue contributing to maximizing profitability by reinforcing patent networks to build a competitive advantage and optimizing our patent portfolio by conducting inventories of unnecessary patents.

Example of activities

- Defense with a superior patent portfolio
- Reinforcement of patent networks to secure competitive advantage
- Inventory of patents related to obsolete or unnecessary technologies
- Brand protection by detecting and eliminating counterfeit products
- Defense through know-how secrecy

Patent asset index (PAI) for spark plugs (as of April 2026)



Our PAI value related to spark plugs maintains superiority over competitors.
We will also promote strategic reinforcement of our patent network while conducting a patent inventory within a range that maintains scores and the number of patent families above those of our competitors.

* 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 with valid legal status (pending applications and patents that have been granted).



Y.N.
Management of Technology Div.

Pursuing proactive and defensive IP strategies with a view toward utilization beyond patents

I am working on formulating the Niterra Group's IP policy and developing optimized IP strategies for each business based on this policy. Specifically, rather than simply turning an invention into a patent, I consider daily how to construct a patent network tailored to the business and how it should be utilized thereafter. I believe that appropriate IP activities are indispensable not only for immediate technologies but also for realizing the Mid-term Management Plan 2030, ensuring the company's sustained growth, and ultimately continuing to contribute to society through technology. Through my work, I will use the power of intellectual property to support new value creation for our group and the realization of a prosperous society.

Component solutions

In the component solutions business, we identify the PLC stage by business and our IP (technological) position relative to competitors to set goals leading up to the end of the Mid-term Management Plan in March 2030; simultaneously, we are promoting the formulation and execution of specific activity plans to achieve these goals.

Additionally, we contribute to multifaceted market research for business promotion through the use of the IP landscape, and we work 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)

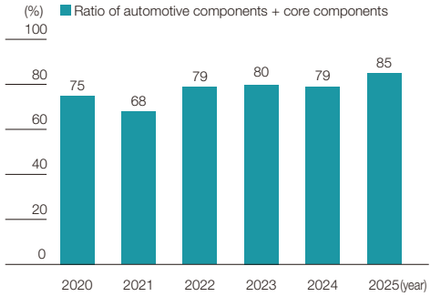
Step 2: Consider what the future should look like in connection with the development strategy

Step 3: Formulate and implement a strategy for realizing the vision of the future (setting IP activity policies and goals, planning activities, etc.)

Step 4: Look back at implementation details

We aim to realize the ideal situation of the component solutions business by repeatedly carrying out the steps above with a sense of speed.

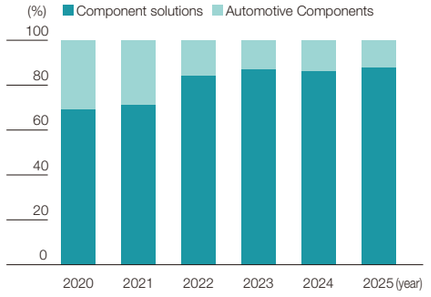
Percentage of new inventors in the component solutions business relative to total new inventors



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%.

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.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Overview of Niterra DX

We formulated Niterra DX as our vision to promote digital transformation (DX) and to achieve our vision and goals established in the Niterra group's Mid- to Long-term Management Plan. We will establish basic strategies for each layer of this plan to transform our operations, business, and existing concepts.

(1) IT infrastructure to support transformation
We will establish flexible, secure, and safe IT infrastructure to support the digital transformation of the Niterra group, encourage synergies between businesses, and support new business growth.

(2) Talent to support transformation
We will develop educational programs for all Group companies and core talent to foster a culture that is open to change and innovation through education and that proactively embraces and utilizes digital technology.

(3) Transformation of operations
We will introduce various work styles in both offices and plants. We will also pursue faster decision-making through data utilization and pursue value creation and productivity improvement through the use of AI and other technologies.

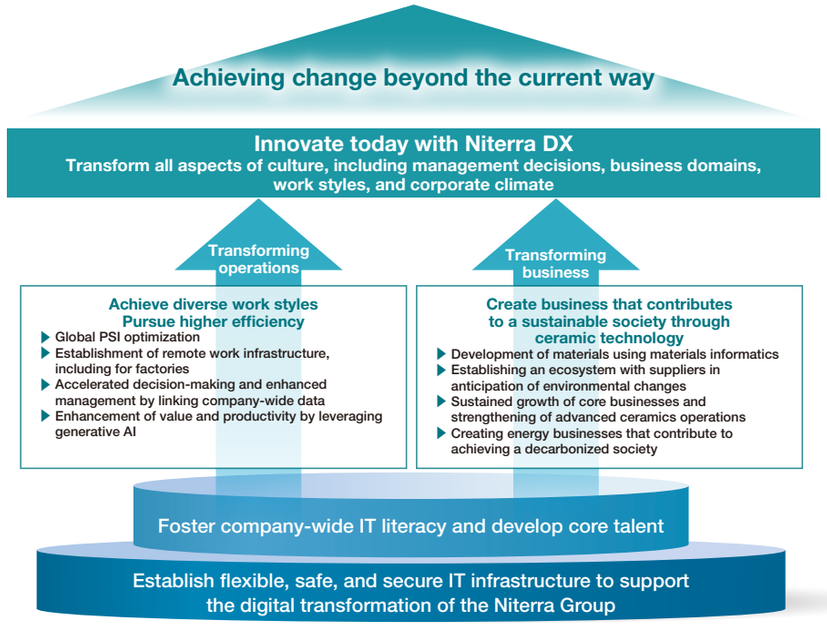
(4) Transformation of business
We will create businesses that contribute to achieving a sustainable society based on Niterra Group ceramic technologies cultivated to date.

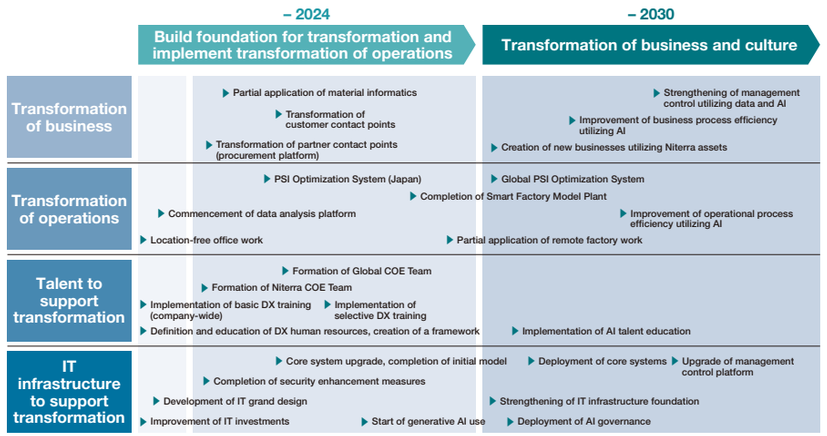
Road to Transformation

Through Niterra DX, we aim to achieve business and cultural transformation by incorporating generative AI under an appropriate governance system, after establishing a solid foundation.

We designated the period up to 2024 as the "build the foundation for transformation and implement transformation of operations" phase, during which we focused on building a foundation through the development of IT infrastructure and data platforms, as well as DX talent development.

In the subsequent "business and cultural transformation" phase, we will promote company-wide transformation by evolving these efforts into operational efficiency via AI and the creation of new businesses.





FOCUS

AI strategy and AI governance

We view AI technology not merely as a means of improving operational efficiency but as an opportunity for AI transformation (AIX) to fundamentally review existing operational processes.

Rather than simply applying advanced technology to existing tasks, we are focusing on the wisdom found at our manufacturing sites, which are the front lines of manufacturing, and the intrinsic value of operations in indirect departments. Working as one company, we are pursuing radical efficiency and improvements in labor productivity to encourage a transformation in how our employees work.

In implementing these tools into actual operations, we also place great importance on protecting our core technical assets and confidential information. We will establish an environment where all employees can use AI safely, including advanced access controls based on the importance of information and a system for pre-evaluating the safety of AI-generated programs.

By mitigating risks associated with overreliance on the latest technology and ensuring a gradual, steady integration into actual operations, we will lead this toward reliable productivity improvements and an increase in mid- to long-term corporate value.

Progress and challenges of initiatives for productivity improvement

The development of our operational foundation is progressing steadily, with the commencement of the data analysis platform and the introduction of a domestic PSI optimization system by 2024.

At our manufacturing sites, model smart factories have begun operations, and the foundation for productivity improvement is being established. Moving forward, the challenge will be to further advance these initiatives and expand their scope. Specifically, we need to expand the PSI optimization system globally and fully promote operational process efficiency utilizing AI. Furthermore, it will be essential to develop AI talent and deploy an AI governance framework to support these efforts.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data



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 global quality assurance system and develop standardized processes suitable for each area to meet 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 establishing 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)

Executive Officer's Message

Evolving manufactured capital that supports business portfolio optimization to serve as a driving force for realizing the Mid-term Management Plan 2030



Yoshitaka Suzuki
Executive Officer
Business Strategy Dept., Global Strategy Div.
CAIRE Inc.

Supporting the improvement of profitability and capital efficiency toward the realization of the Mid-term Management Plan 2030

In the Mid-term Management Plan 2030 (MMP 2030), we plan to accelerate business portfolio optimization by further strengthening our automotive components business, which is one of our strengths, and allocating the cash generated there to the component solutions business and other new businesses. Within this framework, manufactured capital is a vital foundation supporting our business and an element closely linked to our performance. For example, promoting smart factories leads to productivity improvements and cost reductions. Additionally, our production site strategy and supply chain optimization contribute not only to cost reduction but also to the optimization of inventory, leading to an improvement in ROIC through enhanced capital efficiency. Strengthening manufactured capital may at first glance seem like an initiative unrelated to profitability. However, we believe that the source of competitiveness in the manufacturing industry lies in the production floor, and its evolution is a key factor in supporting improvements in profitability and capital efficiency.

Evolution of production systems according to expanding business characteristics and promotion of mid- to long-term production site strategy

Regarding manufactured capital, we believe it is necessary to optimize procurement, quality, and logistics according to the characteristics of each business while strengthening governance across the entire value chain in view of business portfolio optimization. We are transforming from a business centered on automotive components to a portfolio with diverse business domains, and evolving into a system capable of responding to this change is indispensable. However, particularly in the component solutions business, the diversity of product groups made it difficult to distinguish between areas that should be integrated and those requiring responses tailored to different characteristics. Additionally, in new businesses, product development tended to take precedence, often leaving logistics and supply chain design as secondary considerations. Consequently, we reviewed our organizational structure in April 2026, reorganizing and integrating four departments, namely the Business Infrastructure Strategy Department, the Management Department, the SCM Strategy Department, and the Safety & Health Department, into the Business Strategy Department within the Global Strategy Division. This has established a framework where key themes such as procurement, supply chains, and safety and health can be promoted integrally from a strategic perspective.

In recent years, M&A has added new businesses and production sites, expanding our options; therefore, we must determine the ideal mid- to long-term state of our production sites from a Group-wide optimization perspective. We will specifically advance preparations aligned with the investment speed of new businesses, pursuing risk management and profitability improvements tailored to each business characteristic. Looking beyond five years to ten, twenty, and even further into the future of our business portfolio, we will distinguish between what should be integrated and what should be decentralized to optimize our production site strategy.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Smart factories: Key to the evolution of production systems

To optimize our production systems in line with business portfolio optimization and achieve a 1.4x increase in productivity efficiency, the realization of smart factories is an indispensable theme. We recognize that challenges remain regarding data linkage between processes and end-to-end automation and autonomy; we intend to map out the solution for these technical issues in the first half of the MMP period and proceed with full-scale deployment in the second half.

First, in FY2026, we will steadily develop our data platforms as a foundation for realizing smart factories. By organizing and integrating the different processes and data structures of each business, we will reliably build a data utilization environment that enhances productivity and risk response capabilities.

On the other hand, realizing fully autonomous production lines that do not rely on human labor is by no means an easy path. Advanced technical challenges exist in areas such as the implementation of in-line quality checks, the inspection processes that must identify subtle color irregularities and textures characteristic of ceramics, and the transport process, where size, shape, and delicacy vary extremely by product. Essentially, the challenge lies in how to translate human intuition into technology. However, we view this as a vital challenge to open new frontiers in manufacturing. By flexibly incorporating advanced technologies such as AI and persistently repeating on-site verification and challenges even when faced with difficult obstacles, we will move forward with determination toward realizing next-generation autonomous manufacturing that is both efficient and sustainable.



Strengthening sustainable supply chains and risk response capabilities

The standards required by overseas customers, particularly in Europe, regarding social demands such as the promotion of carbon neutrality and respect for human rights are increasing year by year. Being able to respond steadily to these demands can be said to be part of the competitiveness that allows us to continue being chosen as a business partner. Prospering together with our customers and suppliers ultimately leads to the return of value to our shareholders, investors, and society. The prerequisite for this is sustainability compliance.

Furthermore, utilizing DX in manufacturing capital is essential to enhancing risk response capabilities across the entire supply chain. In a world situation of increasing uncertainty, it is difficult to accurately predict when and where risks related to procurement and logistics will materialize. Therefore, in addition to preventive measures such as multi-sourcing, the most important factor is how quickly we can implement countermeasures once a risk materializes. Moving forward, we will expand the data platform development for smart factories into the procurement and logistics domains, linking data on procured items and logistics routes. By accelerating the understanding of the scope of impact and causes when problems occur, we will improve the speed of management decisions and risk responses.

An unwavering commitment to quality and safety even as business domains expand

On the other hand, even as our business domains expand and the surrounding environment changes, our commitment to quality and our approach to health and safety are foundational areas that must remain steadfast as a manufacturer. Although required quality standards vary by final product, our dedication to quality and our commitment to thorough health and safety, or maintaining the ideal state for a manufacturer, remain unchanged.

First, regarding quality, we will strictly adhere to a quality-first (zero-defect) principle to ensure that no defects are produced in any process. The spirit embodied in the words of our founder, Ezoe Magoemon, “Even if only one product in a thousand is defective, the customer who buys it has a 100% defect rate,” will never waver, regardless of changes in eras or business domains. We reaffirm that quality control must be the top priority, especially when promoting optimization that includes production processes.

Regarding health and safety, it is not only a social requirement but also an important theme that aligns with Shisei-Shinjitsu, one of our Shared Values, in terms of facing employees with sincerity while engaging in manufacturing. Serious occupational injuries are management risks that must never occur, as they not only rob employees of their lives but can also instantly damage our very business foundation. Therefore, with legal compliance as a prerequisite, we will eliminate major risks and ensure that thorough risk management is fully functional. Creating this ideal state of manufactured capital and maintaining an honest approach to production provides the foundation for employees to work with peace of mind and for us to deliver high-quality products to our customers. We believe that this business foundation must be protected no matter what happens.

Evolving manufactured capital for the realization of the Mid-term Management Plan 2030 and sustained growth

In advancing our manufactured capital strategy, we emphasize the approach of managing the immediate surroundings while looking toward the distant future. While ensuring that current operations run smoothly, we believe it is important to prepare the foundations and decision-making axes that support investment in growth areas and business expansion in view of future changes in our business portfolio, thereby strengthening governance across the entire value chain.

The development of smart factories and data platforms, along with the strengthening of the supply chain, will serve as a common foundation supporting diverse future business developments beyond immediate productivity improvements. For this reason, it is crucial to proactively establish necessary rules and foundations in anticipation of the future, rather than responding only after challenges materialize.

On the other hand, no matter how much our business structure changes, our commitment to quality and health and safety must never change. While placing these at the core of our manufactured capital, we will protect what must be protected and change what must be changed. By strengthening our manufactured capital with this clear sense of balance, we will make it a driving force for the realization of the Mid-term Management Plan 2030 and sustained growth.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data



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

- CO_2 circulation, CO_2 capture and utilization, and development of solutions for a hydrogen-based society
- Promoting CO_2 reduction by means of internal carbon pricing, internal carbon taxes, and internal environmental funds

Challenges

- Balancing business growth and reduction of CO_2 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

- Based on the recognition that environmental issues, including climate change and biodiversity conservation, are deeply interrelated, we take an integrated approach to these issues through all of our business activities, making particular efforts to reduce CO_2 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.

<Appendix> Niterra Group Biodiversity Action Guidelines https://www.sustainability.niterragroup.com/en/themes/535/

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 FY2025, the Central Environmental Committee convened twice to report and discuss progress on Eco Vision 2030, the promotion of Group governance, environmental incident information, and the progress and future plans for the climate change initiatives response roadmap.

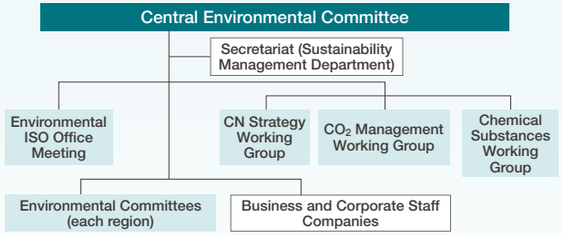
Each internal company manages its own targets on items relevant to business activities and conducts activities integrated with business to achieve Eco Vision 2030 in the future. Meanwhile, we formulate action plans and work to comply with regulations in each region, raise environmental awareness, and 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 nine 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. Niterra Materials, which joined our group in FY2025, has also obtained multi-site certification.

96% of Group employees have obtained ISO 14001 certification.

*Number of companies and employee ratio as of the end of FY2025



PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Eco Vision 2030

Global environmental conservation is fundamental to a sustainable society, and is a key business challenge to be addressed head-on for all stakeholders. On the premise of aiming for carbon neutrality in 2050, we have established "Eco Vision 2030," which shows the vision (or goal) of what we want to be by 2030 and the vision of what we will pursue until 2040. For Eco Vision 2030, the impacts that our businesses and products would have on society and our company were analyzed, and 13 issues that would have a large impact were selected. Among them, the four issues that were considered to have a greater impact—"Responding to Climate Change", "Expanding Environmentally Friendly Products", "Conserving Water Resources", and "Waste Management"—were positioned as the four important issues, and numerical goals were set for them. Each measure is progressing steadily; in particular, because CO_2 reductions in Responding to Climate Change progressed ahead of the original plan, we updated the FY2030 targets for Scope 1 and 2 to more ambitious values in April 2026 to aim even higher. Through the practice of Eco Vision 2030, our group will work together to contribute to the realization of global carbon neutrality and zero emissions.

	Eco Vision 2030 issues	Our vision for 2040	The milestone to be achieved in 2030	Progress up to FY2025
Four Important Issues	Responding to Climate Change	Implementing activities toward realization of a decarbonized society. *Achieving carbon neutrality by 2050	CO_2 emissions reduction compared to FY2018: 46% for Scope 1 and 2, and 30% for Scope 3.	CO_2 emissions reduction compared to FY2018: 33.2% for Scope 1 and 2 8.5% for Scope 3
	Expanding Environmentally Friendly Products	All products contribute to the improvement of the global environment and contribute to making sustainable society come true	Expand Niterra Green Products	· Certified 13 products as Niterra Green Products · Initiated design framework to enhance product environmental contribution (applying LCA from early development)
	Conserving Water Resources	Implementing sustainable business operations in response to global water risks	Water consumption intensity: Keep below FY2018 level	· Water consumption intensity compared to FY2018: 2.6% reduction
	Waste Management	Contribute to a global recycle-oriented society by promoting zero emission	Achieve over 95% effective utilization rate Reduce at least 1% of waste intensity compared to FY2018 Promote 3R (reduce, reuse, recycle) activities	· Effective utilization rate: 96.0% · Waste intensity compared to FY2018: 24.4% reduction
Other Issues	Integration with Management	Continued efforts to address global environmental issues as a business strategy	Address global environmental issues as a business strategy	· Integrated global environmental issues (CO_2 reduction, environment/energy business) into 2030 Mid-Term Management Plan to align with corporate management.
	Globalization of EMS	The entire group is able to share environmental information, and a monitoring and supervision system has been established for all Group companies.	Enhance systems for overseas affiliates to share environmental information and monitor and supervise their activities.	· Strengthened governance under Group Environmental Regulations and built incident reporting lines via environmental conferences and audits with overseas subsidiaries.
	Analysis of Climate-related Risks and Opportunities	Sustainable business growth by analyzing the impact of climate change on our business and incorporate them into our business strategies.	Analyze climate change risks and opportunities and incorporate them into our business strategies.	· Assessed financial impact of climate change based on TCFD recommendations.
	Through environmental compliance (Compliance with environmental laws and eradication of environmental accidents)	We have become a socially trusted company by continuing to achieve zero violations of environmental laws and regulations and zero environmental accidents.	Achieve zero violations of environmental laws and regulations and zero environmental accidents.	· Reinforced prevention and recurrence-prevention mechanisms by deploying incident countermeasures company-wide and checking site-specific risks.
	Greater Environmental Awareness	All employees have a high level of environmental awareness and contribute to making a sustainable society come true.	All employees take environmental education programs and actively engage in environmental conservation activities.	· Conducted Eco Vision training for all employee levels (executives, managers, general staff).
	Management of Chemical Substances	Contributing to the conservation of biodiversity through the continuous management of appropriate chemical substances.	Appropriately manage chemical substances to reduce environmental impact.	· Reduced atmospheric VOC emissions by installing exhaust gas treatment systems.
	Promoting Green Procurement	Implementing environmentally friendly procurement activity to making sustainable society come true.	Achieve 100% introduction of green procurement system	· Strictened chemical substance management and promoted supplier decarbonization by advancing green procurement and revising guidelines.
	Expanding Green Logistics	Our green logistics system develop globally.	Reduce CO_2 emissions by promoting green logistics and optimizing logistics efficiency.	· Improved Scope 3 Category 4 CO_2 calculation accuracy by refining activity data (transport volume × distance) at key overseas sites. · Reduced Scope 3 Category 4 CO_2 emissions by 33% vs. FY2018 by optimizing transport methods.
	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.	· Advanced nature-related disclosures based on TNFD recommendations.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

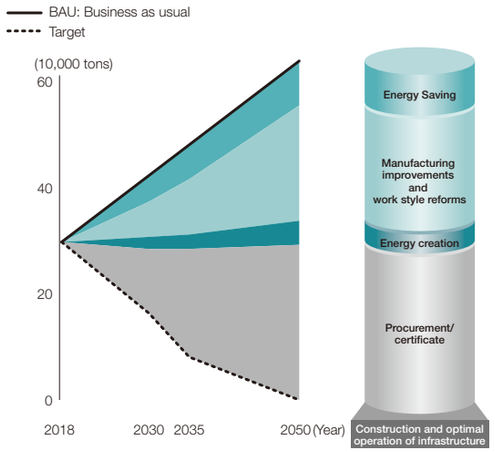
Responding to Climate Change

Our group has established CO_2 emissions reduction targets in our Eco Vision 2030, based on the premise of achieving carbon neutrality by 2050: “FY2030: 46% reduction compared to FY2018 levels” (Scope 1 and 2, revised upward in April 2026) and “FY2035: 71.4% reduction compared to FY2018 levels” (equivalent to the SBT 1.5°C target level of at least 4.2% annual reduction). We are also promoting CO_2 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, CO_2 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 CO_2 emissions and also economic growth.

CO_2 emissions (Scope 1 and 2) in FY2025 were 203,000 tons, a reduction of 31.9% compared with FY2018. We implemented initiatives such as switching to energy-saving equipment, reducing the number of machines by improving productivity, reviewing air conditioning operations for clean rooms, and lowering factory air pressure.

CO_2 emissions forecast



Plan		Examples of measures
Plan A	Energy Saving	**Reduction of standby energy** for production equipment and ancillary equipment (holidays and weekdays) Installation of energy-efficient production equipment (that meets Japan’s Top Runner Program requirements) and **optimization of operation conditions** Optimization of air conditioning supply and exhaust interlock operation and **optimization of conditions** **Renewal and modification** of ancillary and production equipment **Effective use of heat** Reduction of heat dissipation and periodic inspections for energy loss (air leaks, etc.)
Plan B	Improvement of monozukuri and work style	**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.)** **Energy transition** Review of manufacturing methods; consolidation and elimination of processes Utilization of new decarbonization technologies and in-house technologies
Plan C	Energy creation	Introduction of renewable energy equipment (solar power, etc.) and storage batteries; introduction of SOFC and cogeneration
Plan D	Procurement/ certificate	Promotion of electric power procurement (use of electric power with low emission factor); purchase of renewable electricity (including off-site PPA) and environmental certificates (including Niterra Electric Power Company)
System	Construction and optimal operation of infrastructure	Construction of an energy platform and introduction of EMS * Coordination with production planning * Energy management, **continuous improvement, and promotion of optimal control** * Reduction of waste by promoting prevention and predictive diagnosis, and reduction of spare equipment

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.

Through these efforts, we have achieved significant results, with water consumption intensity in FY2024 reduced by 27.7% compared with FY2018. In FY2025, total water consumption for the Group increased to 2.07 million m^3 due to factors such as the replenishment of cooling water for kilns at Niterra Materials, which joined our group. Consequently, water consumption intensity was 5.3 m^3/million yen (a 2.6% reduction compared with FY2018), but we have maintained the target level. We will continue to gradually refine the examination of water usage at each site and work toward further improving water use efficiency.

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 FY2025 was 96.0%, an improvement over FY2024. Our waste intensity was 0.057 tons per million yen, a decrease of 24.4% compared with FY2018. Total disposal volume was 22,470 tons. Due to Niterra Materials joining our group, both disposal volume and disposal volume intensity increased compared with FY2024. On the other hand, the effective utilization rate at Niterra Materials is high, and with further progress in the effective use of resources overseas, the overall effective utilization rate improved and reached the Eco Vision target.

FOCUS

Goals and initiatives for reducing VOC atmospheric emissions

In the Niterra Group, we aim to reduce volatile organic compound (VOC) atmospheric emissions by 50% by FY2030 (compared with FY2021) in order to suppress the emission of VOCs, one of the causes of air pollution.

To achieve this, we are systematically introducing exhaust gas treatment equipment with a removal rate of 90% or more, prioritizing sites with high emissions; in FY2025, one new piece of equipment began operation.

* 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/

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Information Disclosure Based on TCFD and TNFD Recommendations

By taking a multifaceted view of the impact our group's business activities have on the environment, we will integrally accelerate initiatives toward realizing a decarbonized society and conserving biodiversity under our Environmental Policy. To share the progress of these initiatives with transparency and deepen dialogue with our stakeholders, we are continuously expanding information disclosure based on international frameworks.

Regarding climate-related issues, we announced our support for the TCFD recommendations in May 2021 and have expanded disclosure by viewing climate change as a significant management risk and opportunity. Regarding nature-related issues, following our participation in the TNFD Forum in December 2022, we registered as a TNFD Early Adopter in January 2024 and declared that we would provide early disclosure in accordance with the TNFD recommendations. To minimize the negative impact of our business activities on natural capital and ensure the sustainability of the ecosystem services we depend on, we are conducting the analysis while strengthening our initiatives and information disclosure based on the LEAP approach.

	TCFD	TNFD
Governance	• We have established the Central Environmental Committee under the Environmental Advisor (President), with a system where important matters are reported to and supervised by the Board of Directors via the Corporate Management Committee. • Policies regarding climate change and other issues, as well as progress on priority management tasks, are deliberated and reviewed by the Sustainability Committee, an advisory body to the Board of Directors, after which the Board of Directors makes final decisions and provides supervision. • Human rights initiatives are promoted by the Compliance Committee (Human Rights Subcommittee).	
Strategy (risks & opportunities)	• Scenario Analysis: We identified climate-related risks and opportunities across the entire supply chain and evaluated business impacts by assuming "risks related to the transition to a low-carbon economy" occurring on the path to a 2°C scenario and "risks related to physical changes caused by climate change" that would occur in a 4°C scenario. • Business Risks, Opportunities, and Responses: As a result of examining the business environment and responses under 2°C and 4°C scenarios, no critical impacts regarding physical risks were found. Regarding our business, while the ICE business, which accounts for 80% of net sales, is being forced to transform, new needs and markets are expected in areas such as hydrogen to realize a decarbonized society. Therefore, we have designated "Environment & Energy" as one of our focus domains and are promoting the optimization of our business portfolio toward 2040.	• Evaluation of dependencies and impacts: We conducted evaluations covering the entire value chain (upstream, direct operations, and downstream) using ENCORE, a global assessment tool for nature-related issues. • Identification of risks: Based on evaluation results, we identified key risks by organizing the degree of impact and probability using qualitative scenarios, specifically Scenario I (a world where transition progresses and ecosystems recover) and Scenario III (a world where transition stagnates and ecosystems deteriorate). • Identification of priority sites and future actions: We identified areas where "areas of concern" with natural environmental risks overlap with "important regions" of high business importance as six top-priority sites globally (Satsuma Plant, Brazil, three companies in Thailand, and Indonesia). Moving forward, we will progressively conduct further detailed evaluations in stages to increase the resolution of risks and opportunities and implement highly effective countermeasures.
Risk management	• Identification and evaluation of risks and opportunities: We monitor regulatory trends and individually evaluate the impact on each business regarding environmental and ESG-related risks and opportunities, including climate change and biodiversity conservation, and respond accordingly. Company-wide risks are analyzed and evaluated by the Risk Management Committee in terms of impact, probability of occurrence, and status of countermeasures. • Management of priority risks and expansion of scope: Risks requiring focused response are designated as "priority risks," and the committee confirms the status of their reduction. In addition to the environment and human rights, we will also consider biodiversity-related risks moving forward. • Reflection of opportunities in strategy: Key opportunities are confirmed by the Sustainability Committee and reflected in the management strategy or Key Management Priorities. • Coordination with human rights considerations: Recognizing that biodiversity conservation is directly linked to the human rights of local communities and indigenous peoples, The Human Rights Subcommittee continuously monitors the implementation status of human rights due diligence and deliberates on and evaluates related issues.	
Metrics and targets	Target: CO_2 emissions (compared with FY2018) Scope 1 and 2: 46% reduction by FY2030, 71.4% reduction by FY2035 Scope 3: 30% reduction by FY2030 FY2025 results: Scope 1 and 2: 31.9% reduction Scope 3: 8.5% reduction	After proceeding with detailed evaluations of nature-related risks and opportunities (in-depth research based on the LEAP approach) at the identified top-priority sites (Satsuma, Brazil, three companies in Thailand, and Indonesia), we will further consider how to establish metrics and targets to more precisely manage our group's significant nature-related dependencies, impacts, risks, and opportunities.

* For Information Disclosure Based on TCFD Recommendations, please visit our website:
https://www.sustainability.niterragroup.com/en/themes/531/

* For Information Disclosure Based on TNFD Recommendations, please visit our website:
https://www.sustainability.niterragroup.com/en/themes/546/



In-depth risk assessments at Satsuma Plant

Rich biodiversity protected through appropriate environmental management

Y.K.
Sustainability Management Dept., Business Operations Div.

As we proceeded with preparations for nature-related information disclosure, we recognized the need to identify and organize nature-related issues for each individual business location. In FY2025, as part of advancing the LEAP approach, we conducted a detailed risk assessment at the Satsuma Plant (in Kagoshima Prefecture), one of our highest-priority locations.

The plant manufactures spark plugs, one of the Group's main products, in a location blessed with abundant natural surroundings. In this survey, a rich avifauna comprising 36 species was confirmed in the vicinity of Anagawa, a river near the plant where wastewater is discharged, including the crested kingfisher (an environmental indicator species) and the osprey (a near-threatened species). The presence of diverse bird species at the top of the food chain serves as evidence that the region's biodiversity is being richly maintained, demonstrating that the plant's responsible wastewater management is successfully minimizing the impact on the surrounding environment. In addition, the presence of rare species such as Ainsliaea fragrans and Rubus sumatranus has been confirmed on the site. We surmise that the habitat was preserved through herbicide-free green space management practices.

In addition, we conducted a risk evaluation, including an evaluation of water resource utilization and flood risks, and determined that the current level of risk is low. Through these surveys, we were able to compile information on proactive environmental conservation initiatives and their results.



Ainsliaea fragrans
(Photo: Satsuma Plant)

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

Social and Relationship Capital



Vision

- Engaging in ongoing dialogue with shareholders and investors to foster mutual understanding, we strive for sustained 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 sustained 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 collaborations that arise from this and by maximizing mutual benefits.



Stakeholders	Initiatives	FY2025 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 and then responding in detail.	• Held the ordinary general meeting of shareholders in June and conducted a business briefing afterward to create opportunities to hold dialogues with shareholders • Financial results briefings held in May and November • ESG briefing held in February
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.	• Product and technology explanations at exhibitions • Communication at event venues such as races • World's leading market share in spark plugs and oxygen sensors *FY2024 results • Global sales presence: Approx. 140 countries • Authorized distributors: 370 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.	• Procurement policy briefing session held in May • Conducted periodic evaluations and recognized outstanding suppliers • Followed up on the survey conducted using checklists (approximately 920 companies surveyed, 71% response rate) • 12 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.	• 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 189 participants for environmental plant tours • Community clean-up activities with a total of 214 participants • A total of 20 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.	• Regularly published on the web-based company newsletter • Labor-management council meetings held as needed • Received 125 consultations and reports through the internal reporting system • Conducted an employee engagement survey



Continuing to Lead the Market with a Strong Local Team

E.N.

Niterra do Brasil Ltda.
General Manager, OEM Sales

My view of Niterra's journey in Brazil shows our commitment to combining top technology with real value for customers. Our leadership in spark plugs goes beyond technical excellence; it is based on a strong local factory that provides fast, strategic support for the national market's needs.

Our status as an original parts supplier (OEM) creates a level of trust that we bring with hard work to the Aftermarket. Our main advantage is our people—a specialized sales and technical team that works closely with distributors, shops, and mechanics. This active presence makes the NGK brand a vital partner for the success of everyone who keeps the Brazilian automotive industry moving forward every single day.

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data

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.
- We aim to build a stable procurement system to prepare for changes in the external environment, such as geopolitical risks, natural disasters, and pandemics
- 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.

<Appendix>
Niterra Group Responsible Mineral Procurement Guidelines
https://www.sustainability.niterragroup.com/en/themes/525/

Promotion System

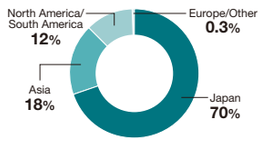
The Niterra Group is committed to working with our diverse suppliers in order to meet society's expectations throughout our entire supply chain. We are also committed to promoting responsible procurement with consideration for issues such as human rights and the environment. To that end, our Procurement 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

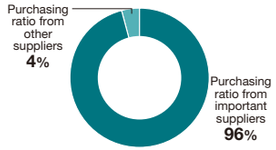
The Procurement Department takes the lead in thoroughly managing our suppliers who make up the supply chain. In doing so, we place significant emphasis not only on quality, technology, price, and delivery times but also on sustainability perspectives such as environmental, social, and governance (ESG) 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.

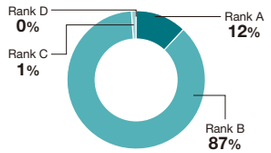
Procurement amount composition ratio by country/region



Purchasing ratio from important suppliers



Significant suppliers ratio by level
(FY2025 annual evaluation results)



Promotion of Sustainability Procurement

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

In FY2025, 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 FY2025, we expanded the scope of the survey to approximately 920 regular suppliers, receiving responses from 71% of suppliers (the equivalent of 86% 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 CO_2 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/

PROLOGUE
01 Value Creation Story
02 Growth Strategy
03 Capital for Improving Corporate Value
Financial Capital
Human Capital
Respect for Human Rights
Occupational Health and Safety
Intellectual Capital
DX Strategy
Manufactured Capital
Natural Capital
Social and Relationship Capital
Sustainable Procurement
04 Corporate Governance
05 Data