

03 Foundation for Value Creation

This section describes our sustainability, priority issues, environment, human capital management and corporate governance, which form the basis for the value co-creation that supports our growth strategy.

Message from the Sustainability Officer



Balancing social value and economic value in our business activities

Toru Matsui, Representative Director, Member of the Board, Executive Vice President

Our Commitment to Sustainability Embodied in “Nitterra”

As a Group, we have managed our business around the concept of sustainability. As our corporate philosophy states, we are committed to creating new value for people around the world by leveraging our best technologies and accumulated experience. Therefore, we always seek to create products and services that help solve social issues.

In April 2023, we changed our English trade name to Nitterra Co., Ltd. “Nitterra” is a combination of the Latin words “niteo” meaning “shine” and “terra” meaning “earth.” This expresses the Group’s desire and stance to become a company that not only contributes to a sustainable society but also brightens the Earth. It is directly related to sustainability. As the Nitterra Group, we will further refine our technologies and ideas to create a competitive advantage as a manufacturing company and contribute to the realization of a more prosperous society.

Toward Evolution of Sustainability Management

In advancing sustainability management, we face the challenge of balancing the value we provide to society with the economic benefits we gain. What contributes to society and positively impacts our business in

the long term can negatively impact our bottom line in the short term. To overcome such dilemmas, we are working to create a framework that uses a method to quantify the non-financial impacts of our various actions. Through this method, we will achieve compatibility between the value we provide to society and the economic benefits we gain. First, we will reflect some cases of the implementation of the method on the climate change measures of the next Medium-term Management Plan. Then we will apply the method to areas other than the global environment, so that all of our Group’s business activities will be underpinned by sustainability.

Accelerate Initiatives to Combat Climate Change

With the goal of achieving carbon neutrality by 2050, we have set quantitative targets for the key themes of our Eco Vision 2030: responding to climate change, expanding environmentally friendly products, conserving water resources and managing waste. As for responding to climate change, each of the major business companies has created and is pursuing its own roadmap. We are on a solid path toward our goal of reducing CO₂ emissions by 30% by 2030 compared to FY2018. However, as the global requirement for climate action has increased from the previous 2°C target to the 1.5°C target, we



recognize the need to further strengthen our efforts by introducing new technologies such as ammonia co-firing and hydrogen co-firing, and by pursuing production processes that are not dependent on fossil fuels.

As a Group, we hope to develop new businesses by combining various technologies through open innovation while leveraging our core technologies. In FY2023, we applied our accumulated fuel cell technologies to develop a reversible SOC^{*1} system that can generate hydrogen from electricity and electricity from hydrogen and air in a single unit. This technology stores excess electricity as hydrogen for use on demand, helping to make efficient use of renewable energy. We also launched the desiccant air conditioner business for supermarkets and drugstores. This air conditioner controls indoor ventilation and humidity to achieve both energy savings and a comfortable indoor environment. In addition, we are promoting the “Regional CCUTM”^{*2} project to create a circular economy with local communities by utilizing our CO₂ capture technology, in which we are conducting a demonstration project to capture and transport CO₂ emitted from the plant and reuse it to grow mandarin oranges in greenhouses.

While developing new technologies and products, we are also working to reduce CO₂ emissions from existing manufacturing operations. For example, we are studying the use of hydrogen combustion for ceramic firing furnaces. We will pursue production processes that utilize clean energy.

Improve Sustainability Around Human Capital

We view our employees as our greatest management resource (human capital) and devote our energy to their development in order to maximize their value. In order to transform our business portfolio, which is a key management priority, we are making significant investments in the transformation of our human capital portfolio.

We are also working to diversify our human resources to enhance our competitiveness as a global company. For example, Nitterra Ventures Company, our new business creation unit, actively promotes people with a global perspective to leadership positions. Diversity is a driver of innovation because it brings together a variety of ideas. In order to achieve this vision, it is essential that we first break down cultural and linguistic barriers.

In terms of employee engagement, overall satisfaction improved from the previous year. I think this is the result of employees becoming more aware of the changes the Company is going through. On the other hand, I understand that they want management to share more information. We will address that in due course.

As a Group, we are also committed to improving sustainability in all aspects of our management, with human capital at the core of our activities. As we expand our business globally, one of the challenges we face is human rights.

We continue to strengthen our human rights initiatives within the supply chain while simultaneously expanding our supplier network. We conduct regular surveys and engage in communication activities to promote understanding of the ideas and actions we are pursuing. We will continue to promote human rights due diligence while keeping an eye on social conditions.

To Grow Sustainably as a Company that Brightens the Earth

It is necessary for us to have a clear understanding of our Group's impact on the external environment. In September 2023, we registered as an early adopter of the Taskforce on Nature-related Financial Disclosures (TNFD) to advance activities related to the growing global need for biodiversity conservation. We will evaluate the impact of our



business activities on the natural environment and the risks associated with loss of nature, and disclose relevant information.

I believe that sustainability management entails fostering a corporate culture where not only management, but also all employees, are aware of sustainability and the resolution of social issues at all times in the course of their work. Our goal is to become a company where everyone naturally says to each other, “Is the business we are doing now worthy of the Nitterra name? Will it brighten the future of the Earth?” To achieve this, first, executive leaders must take the initiative. For example, in preparation for the next Medium-term Management Plan, corporate officers, including younger members, discuss the simulation of social and financial impacts to further raise awareness of this issue.

While clearly communicating the Group's sustainability philosophy and initiatives to our stakeholders, we will challenge ourselves to achieve growth that balances social and economic value. We look forward to your expectation and support for the positive impact that our Group will have in the future.

^{*1} SOC: Solid Oxide Cell

^{*2} CCU: Carbon dioxide Capture Utilization