



NIPPON SEIKI
Integrated Report

2022

Philosophy and Policies

Management Philosophy System



Management Philosophy

To contribute to the prosperity of society
by providing high-value products and
services from our customer's point of view.

Corporate Culture

「Essentials, Reality, Simplicity and Speed」

Create a corporate culture that embodies the aspects of
“Essentials, Reality, Simplicity and Speed” and become a “strong and robust company”

Vision

Facing the future Challenge & Change for 2030

The Nippon Seiki Group aims to be a total solution company that provides safety, security and excitement to people around the world through technology.

Technology

Product Development Technology

> Technology to develop products that meets high-grade functional requirements by understanding customer requirements and market needs, combining hardware design technology (mechanical/electronics hardware/optical design, etc.) and software technology (system/program design, etc.), and coordinating with customers.

Evolution of core technologies

> Technologies which enable the global supply of high-quality, low-cost products by possessing manufacturing technology for resin-based parts (compounding, molding, printing, painting, etc.), mounting and assembly technology for printed circuit board artwork and electronic components, and design/manufacturing technology for production equipment and molds, and utilizing these technologies at the Group's production bases.

Innovation of Lifestyle

> Technology to collect, process, and share information by function (management information, sales/design/engineering/manufacturing/purchasing/quality information, etc.), as well as technology to accumulate and analyze information and reflect it in business strategies.



Total Solution

Innovation of Perceptual Assist

> To provide safety, security, and excitement to society by continuously evolving functions that pick up information that people cannot directly perceive and transmit it in a timely and appropriate manner through their five senses.

Evolution of core technologies

> Continue to create innovation through evolution, provide technologies that meet market demands, and co-create solutions to the problems faced by the customers by evolving and combining the three technologies owned by the Group and the individual technologies that make up the three technologies.

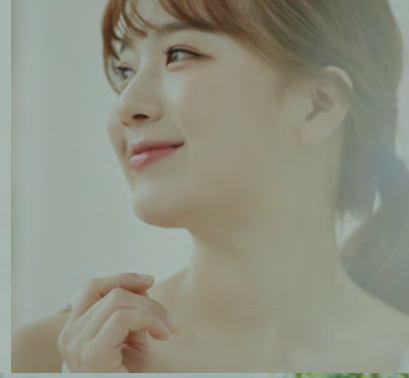
Innovation of Lifestyle

> To provide new products and services that replace taken-for-granted habits and behaviors, thereby creating more time in people's lives and enriching their lives.

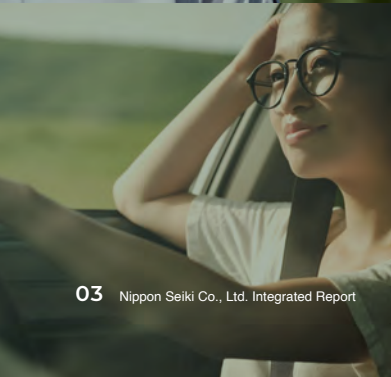
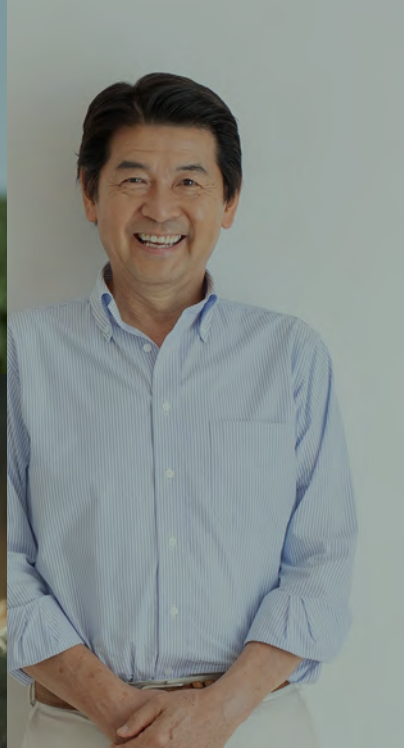
Sustain and Improve Quality

Awareness Change

1. Focus on cost improvement
2. Critical of the current situation, challenge reform
3. Speed up judgment and execution
4. Have the spirit to lead the organization
5. Change your perspective and ideas, and take on challenges
6. Systematize and improve organizational strength



Safe, Secure and Inspiring
Everyone



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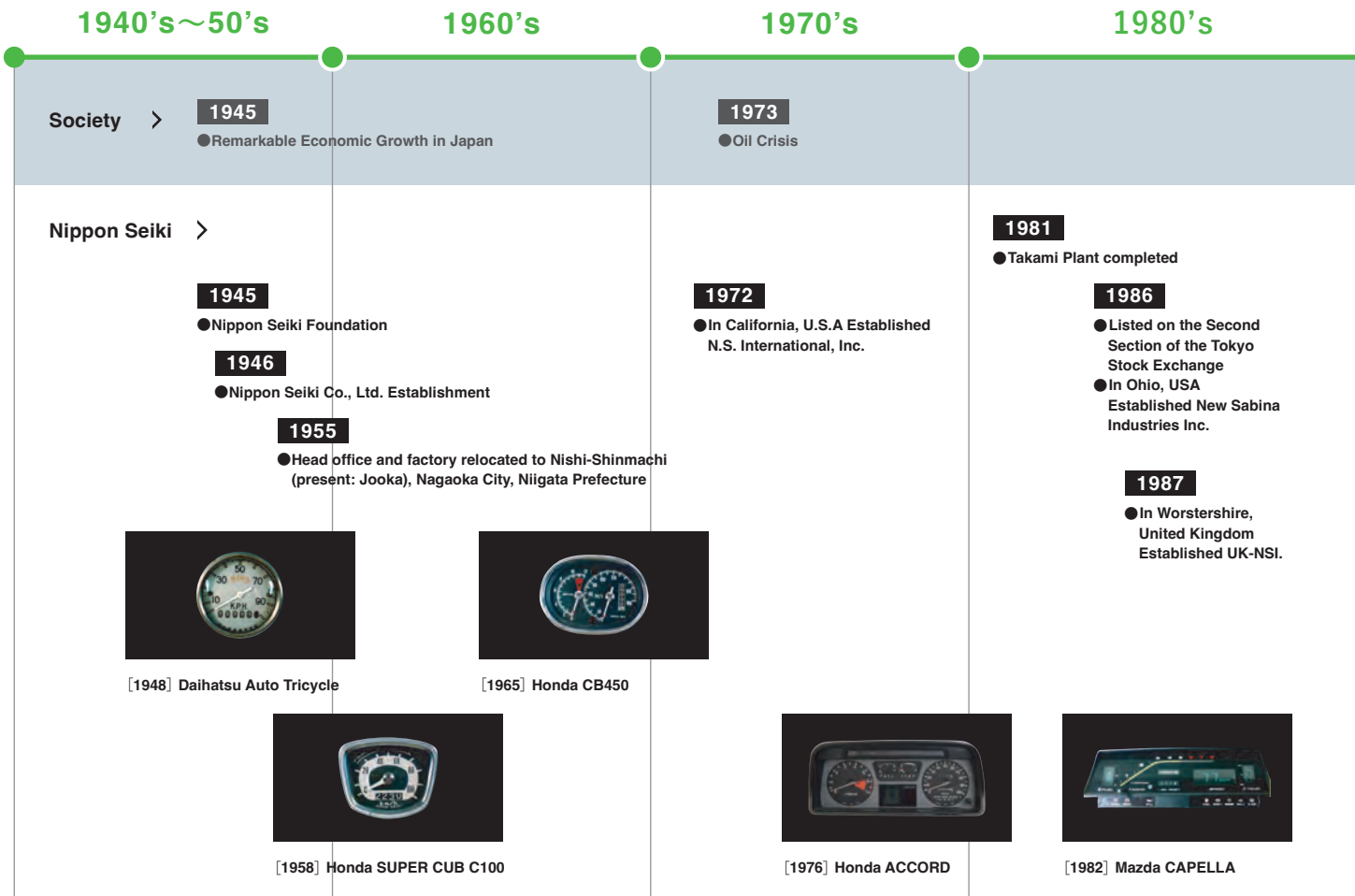
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Forward-Looking Statements

The data and future forecasts in this report are based on information available as of the date of publication of this report, and may be affected by various factors. Actual results may differ materially from forecasts. Therefore, we ask that you refrain from relying entirely on these forward-looking statements. In addition, we are based on the new situation, the incidents of the Shoho (General News) and so on.

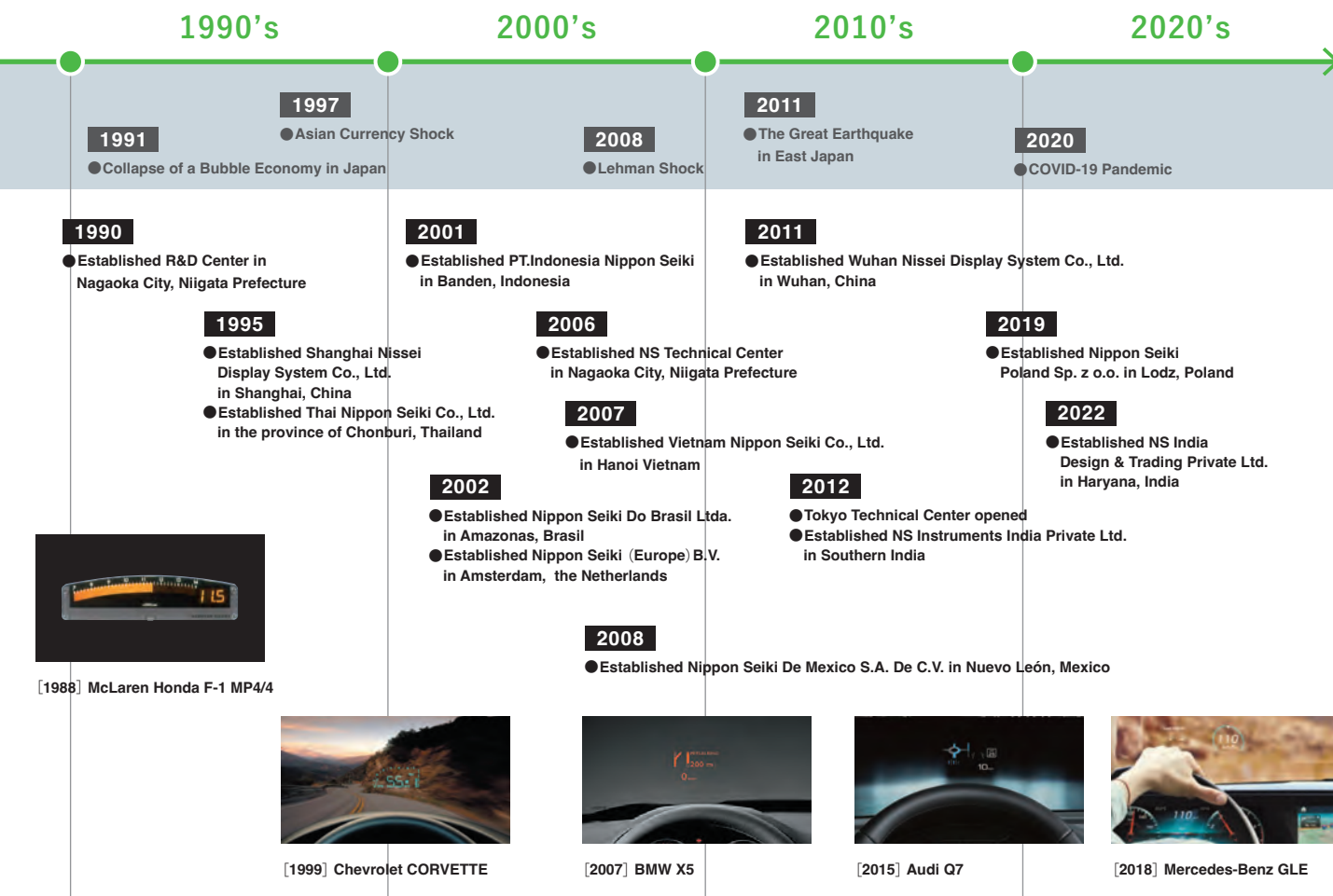
We are not responsible for updating these future predictions.

Nippon Seiki Group History



Circumstance and Corporate Value Change

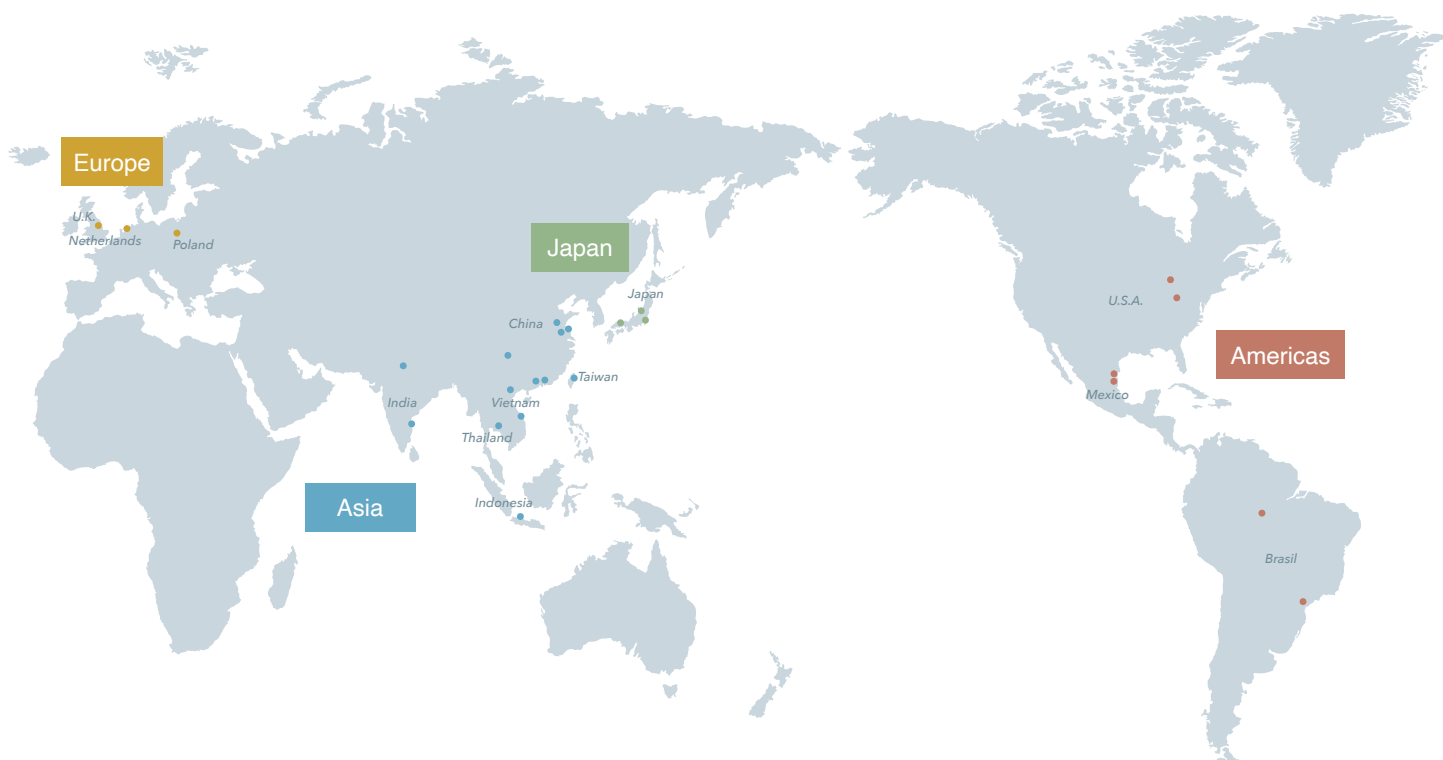




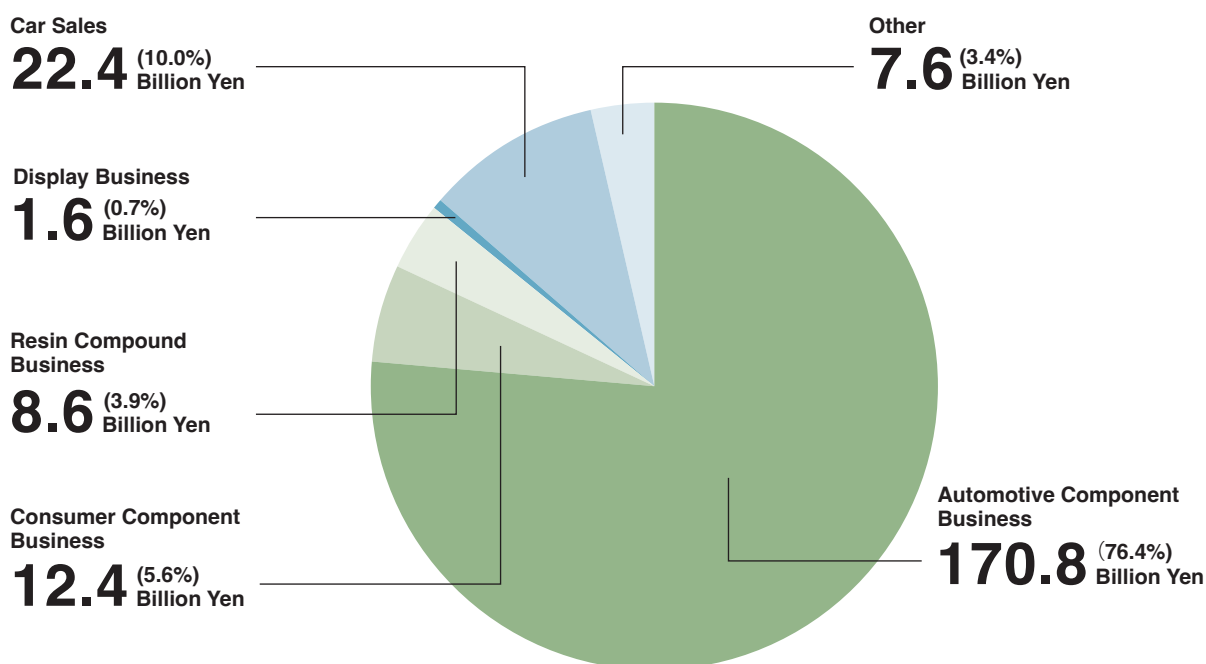
Sales & Number of Employees by Region (Sales:truncation)



Nippon Seiki Group Network



Sales by Business Segment (Sales:truncation)



Summary of Financial Results

Fiscal year ended March 2022 Financial Results

In the economic circumstance surrounding Nippon Seiki group in FYE March 2022, there was progress in normalization from the COVID-19 and signs of economic recovery, but concerns over stagnation intensified in the pace of economic recovery, including inflation due to disruptions in logistics, supply and labor shortage. Russia's invasion of Ukraine on February 2022 has spurred an increase in energy prices, and concerns about economic stagnation have intensified further. In our group to rising costs for logistics and procurement of parts and materials and the re-spread of the new corona virus Due to a variety of factors, including a review of production plans by automobile manufacturers, the future outlook remains uncertain.

In revenue for the fiscal year under review, 223,621 million yen (up 3.1% year on year), Operating loss: 4,276 million yen (in the previous fiscal year)

Operating income of 3,900 million yen) and loss attributable to owners of the parent was 5,180 million yen (compared to profit attributable to owners of the parent of 517 million yen in the previous fiscal year).

In the Automotive Components segment, net sales was 170,818 million yen (up 3.6% year-on-year), and operating losses of 5,857 million yen (2,982 million yen in the previous fiscal year), motorcycle instruments and general-purpose instruments increased. Sales of Consumer Components business was 12,444 million yen (up 5.6% year on year), due to an increase in sales of air-conditioning and residential equipment controllers, etc. But operating income was 138 million, down 13.8% from the previous fiscal year. In the resin compounding business, sales of plastic materials decreased, resulting in revenues of 8,626 million yen (down 2.6% from the previous year) and operating Profit of 421 million yen (down 60.4% from the previous year). The display business saw a decline in LCD products and sales revenues amounted to 1,614 million yen (down 4.8%

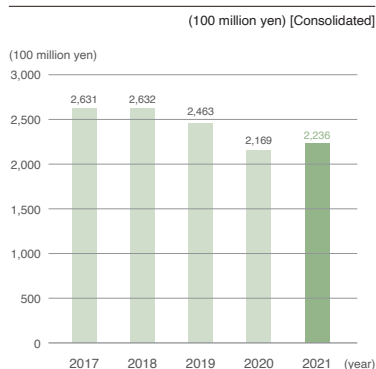
year on year). However, an operating loss of 95 million yen (compared with an operating loss of 1,253 million yen in the previous fiscal year) was recorded due to the recording of a reversal of provision for compensation loss of 654 million yen. In the automobile sales business, sales revenue increased 6.8% to 22,427 million yen and operating income increased 21.3% to 957 million yen due to an increase in new car sales. In Others, revenue was 7,689 million (down 12.5% year-on-year) due to a decrease in information system services, etc. Operating income was 520 million yen (up 89.3% year-on-year).

We will accumulate and evolve a broad range of advanced specialized technologies, focusing on the design and manufacturing technologies for automotive instruments and other products for the future. At the same time, we will place greater emphasis on cost reduction activities in order to realize sustainable profit generation, and build a leaner corporate structure that is less wasteful.

Financial and Non-Financial Highlights for the Year Ended March 31, 2022

Financial

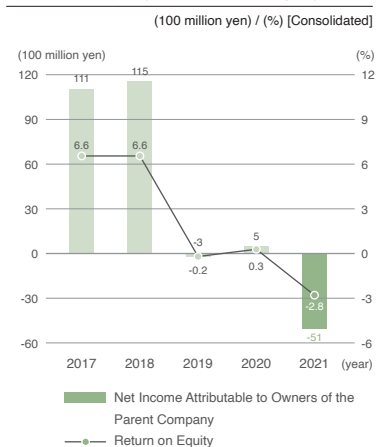
Revenue from sales



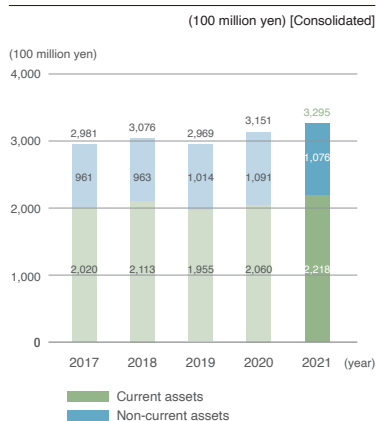
Operating Profit / Operating Profit Ratio



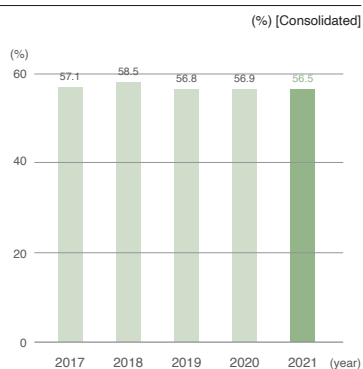
Net Income Attributable to Owners of the Parent Company / Return on Equity



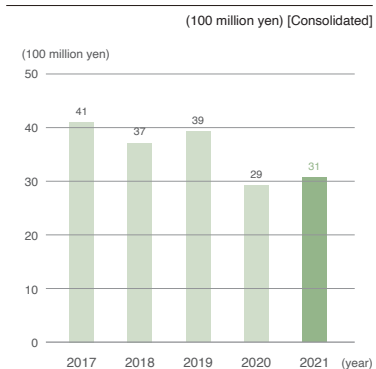
Current assets / Non-current assets



Capital Adequacy Ratio



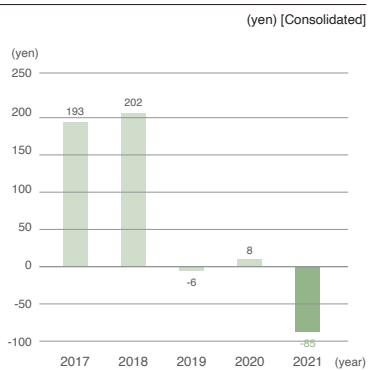
R&D Expenses



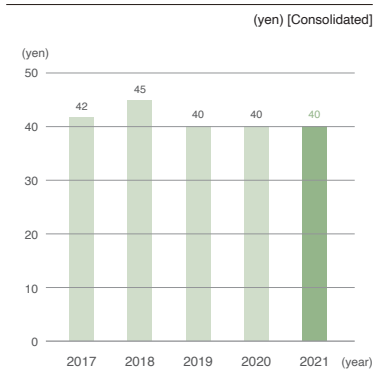
Capital Investment / Depreciation



Net Income per Share

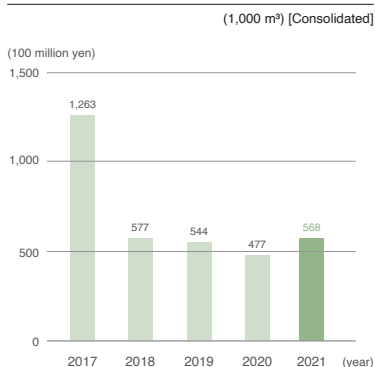


Dividends per Share

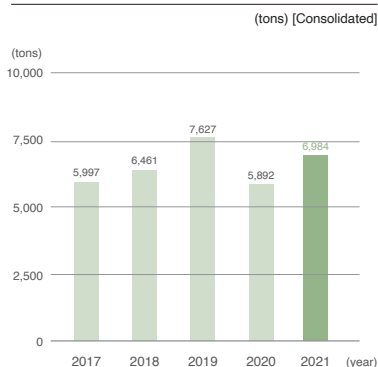


Environment

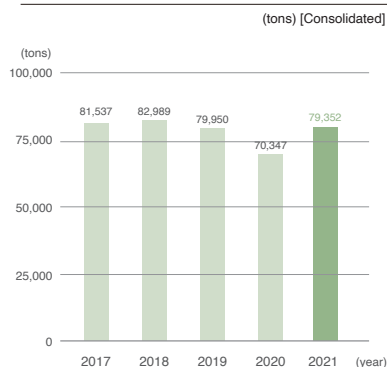
Water Emissions



Waste Emissions

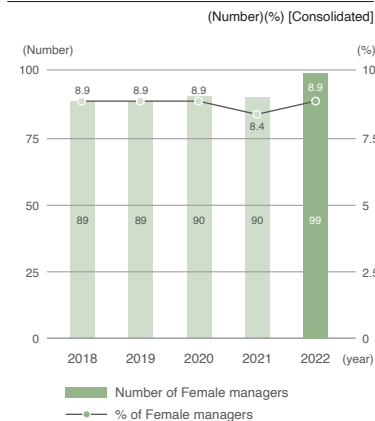


CO₂ Emissions



Social

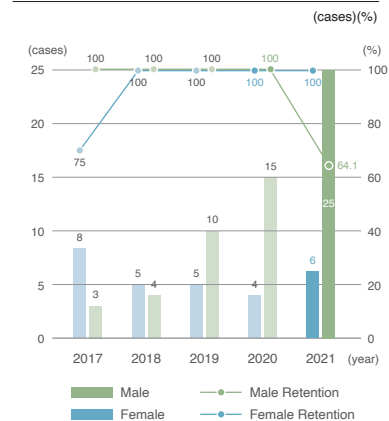
Female Managers



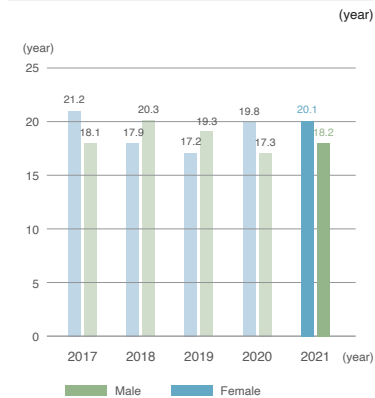
Employees with Disabilities



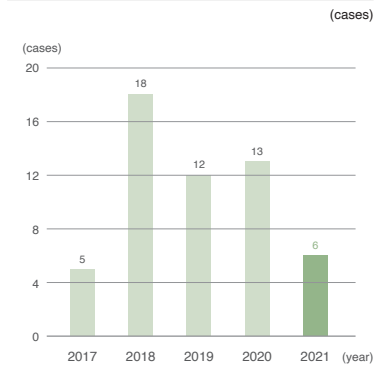
Employees Taking Childcare Leave / Retention



Average Length of Employment

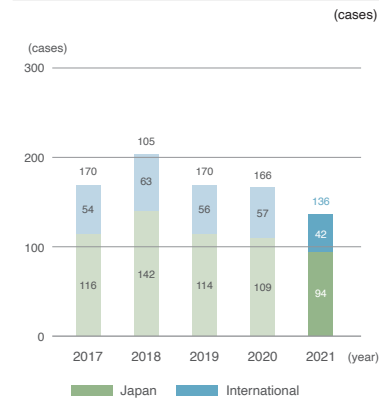


Number of Occupational Accidents



Governance

Number of Patents Obtained





Tackling corporative innovations by maneuvering with both lean management and challenge

Where we Nippon Seiki go for - Stand on our customers side by returning to the starting point -

Since June 2020, being appointed as the company president, I have been steering the company management under the harsh conditions due to the covid-19 pandemic. And still, this impact remains worldwide.

Under such circumstances, Nippon Seiki Group drew up a medium-term business plan starting from the fiscal year 2021 to go ahead with an innovative change to become a lean company. In addition, we raised a new management vision named, “Facing the Future – Challenge & Change – for 2030”, meaning to challenge for the future without fear of changes. Also we articulated

“Aiming a total solution company supplying security, safety and sensation to the people in the world by our technology” and adopted it as our slogan.

Then, what are we Nippon Seiki aiming for towards the future 2030? What problems are we going to solve? Now, we would like to go back to our origin: It is to stubbornly implement our corporative mission, “To contribute the prosperity of our society by supplying highly valued products and services from the customers standing point”. We will cultivate our technologies and by expanding and evolving them, it will create highly



TOP MESSAGE

value-added products and services.

Let's keep in mind the phrase "from the customers standing point", which nowadays is the concept of "market-in".

In order for Nippon Seiki Group to keep the advantageous position as well as making a strong showing in the marketplace, it is vital to stand on the same level as our customers and users. In our main business domain, the automotive parts business, we will continue improving our products for solving the social problem, "Zero traffic accidents".

We will also accelerate the promotion through the activities of carbon neutral and resources recycling as an opportunity or business chance to meet the social requirements of sustainability. The annual in-house business incubation competition for materializations of new ideas now goes into its third year and new businesses are starting to bloom.

Next Page 

Message from the President

Organization and human resource update adapting to changes

Nippon Seiki started producing automotive meters soon after the company establishment in 1945 and up until today, we have been supplying our products and services to our customers worldwide. Also, to further support the driver's safe driving, as the results of research and development over a long period, we have now reached the mass production of the head up display (HUD*) since the first order in the 1990's. Now, our meters and HUD both have grown and take an important role in the market worldwide.

*HUD: A system that can transparently display several information on the windshield or other places within a driver's eyesight such as vehicle speed, warnings, navigation etc

However, the vehicle industry is now in the transformation era symbolized as "CASE" and "MaaS". We have to update and/or change the ordinary businesses based on the "market-in" conception even more. If we stayed in a narrow-minded vertical organization, prioritized our own conveniences, and repeated producing and selling ordinary products and services on a "product out" attitude and conceptions, we would lose customer satisfaction in the future.

Therefore, in the medium-term business plan, we will also work on reforming our organization, human resources, and evaluation system to enhance and foster the

mindset, "not to satisfy the current status, but to challenge innovation", for all of us on a daily basis.

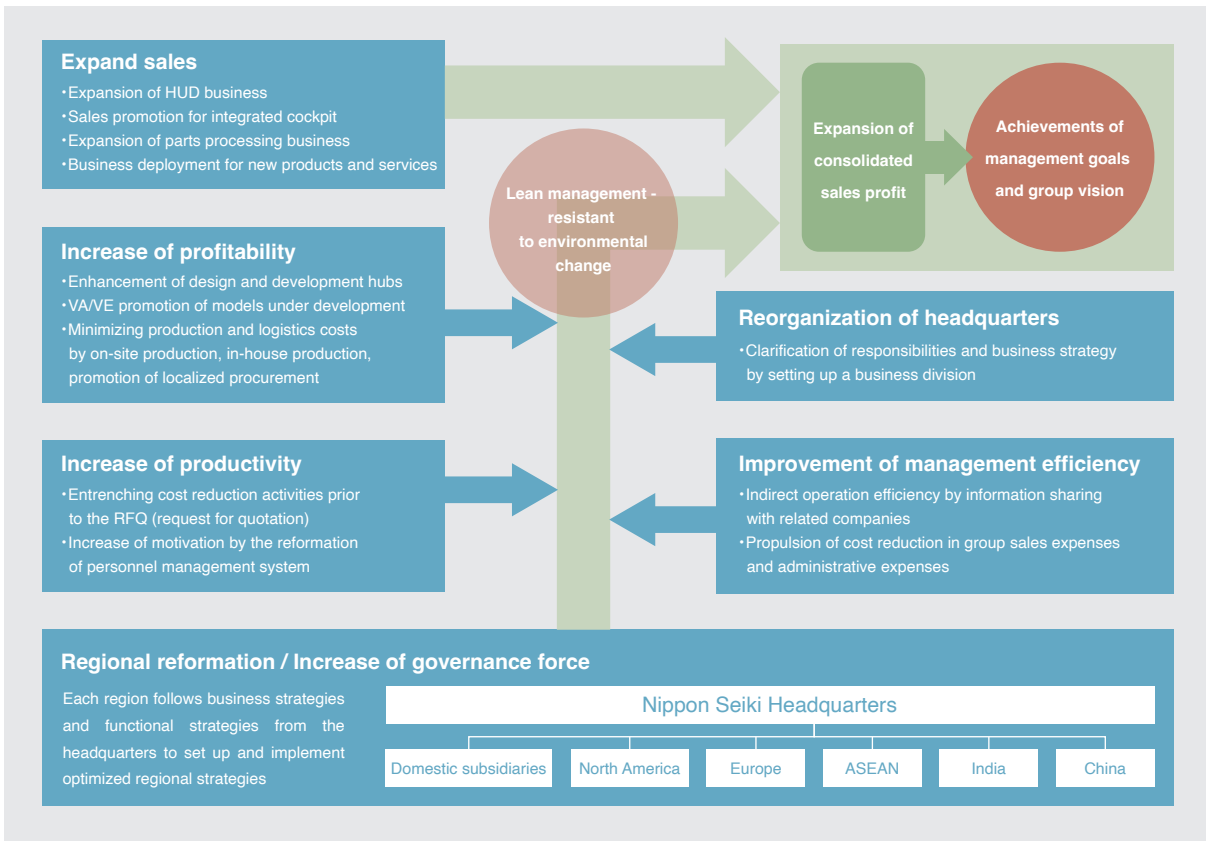
A look-back of the preceding term and management stance for this term

In 2021, as the first term of the medium-term business plan, we had several huge impacts due to the covid-19 remaining from the preceding term. These are tight supply of electric parts such as semiconductors, price increase of parts and logistics due to citywide lockdowns all over the world causing production adjustment or reduction. Nippon Seiki Group made a desperate effort trying not to stop the supply chain of our customers and sustained the trust building. However, we incurred red figures financially and considering all things, we have decided to postpone the planned 2023 objective, as the third term of the medium-term business plan, "Consolidated turnover 270 billion yen, Consolidated operating profit 13.5 billion yen (Operating profit ratio 5%)" until the next term in 2024.

Schemes for achieving management goals

As shown right, our schemes for achieving our management goals are mainly composed of six pillars. First, in terms of sales expansion, we continue to focus on HUD





sales promotion. Not only the expansion of sales for vehicle makers, but we tackle the promotional activities for increasing the recognition of HUD worldwide. We aim to develop our own branded HUD retrofit to vehicles and promote it through the “HUD Prevailing Project” started in the previous term.

We also aim to independently develop HUD for Kei-cars (light motor vehicles), which are in the volume-zone category in domestic Japan, to permeate and prevail it there. Not only is HUD equipped as a standard specification by vehicle makers, but also HUD can be mounted freely by the car owners’ choice. For the recognition of HUD mounted on actual vehicles to many people, we will promote it by increasing the opportunities for HUD trial experience. In addition, we try to foster parts processing business of optical parts and precision parts as a new pillar for business expansion: those are born and raised by being brushed-up technologies in this business domain.

As for the contents of lean management, there are five main pillars: increase of profitability, increase of productivity, reorganization of headquarters, improve-

ment of management efficiency, and regional reformation/ increase of governance force.

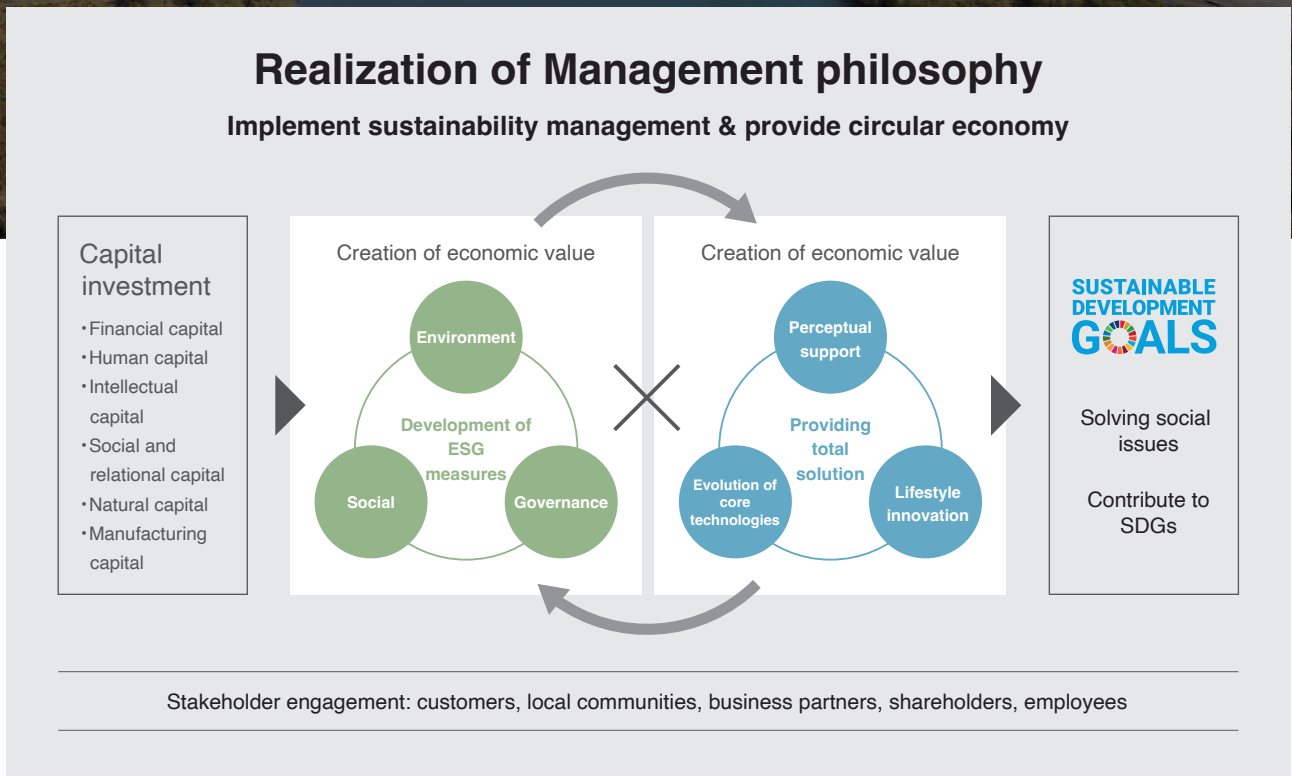
We do not want to use the current hardship of management environment as an excuse but wish to attain the goals of the medium-term business plan by ourselves with improving corporate culture to become a lean body. We will move forward to solve social problems through our products and services, which can make people feel safe and secure as well as give them the impression based on the mindset of market-in by reinforcing each business baseline i.e., automotive parts business as well as consumer parts business, resin compound business, vehicle sales business, and service business. Please look forward to the future of the Nippon Seiki Group.

Representative Director President
President Executive Director

佐藤 浩一

Nippon Seiki Group Sustainability Policy

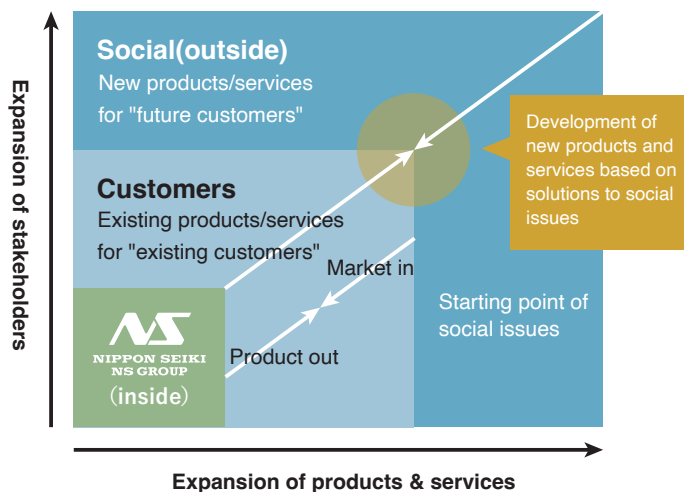
We will pursue the realization of a sustainable society by solving social issues and emphasizing dialogue with all stakeholders through corporate activities that balance social and economic value based on our management philosophy and group vision.



[Shared value creation framework adopted by Nippon Seiki Group]

Outside-In Business Approach

Nippon Seiki Group will work to realize the development goals of SDGs while taking an Outside-In Business Approach to contribute to society through its core business, based on the concept of CSV (Creating Shared Value), which aims to achieve both business development and solutions to social issues by leveraging our strengths.



Relationship of Our CSR Important Themes and SDGs 17 Objectives

The figures in the table are those related to the activities of our group from the 169 targets (1.1-17.19) of the SDGs.

ESG	Important CSR theme	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Business activities	Improving Safety by Increasing the Number and Rate of HUDs Used			3.6														
	To reduce the burden on drivers due to the evolution of HMI									9								
	Reduction of materials by reducing the size and weight of products									9.4								
	Solutions to regional issues through collaboration between service businesses												12.8					
	Creation of new service businesses									9.b								
Environment	Environmental Management System						6.6	7.2 7.3	8.7	9.4		11.6	12.5	13.1 13.2		15.1		
	Global warming prevention [electric power]							7.2 7.3										
	Prevention of global warming [heavy oil]							7.2 7.3										
	Prevention of global warming [city gas]							7.2 7.3										
	Water conservation (water supply and sewerage)						6.6	7.2 7.3										
	Reduction of Waste Emissions / Reuse / Recycling												12.5					
	Circular economy									9.4			12.5					
	Develop eco-friendly products												12.8					
	Chemicals / Management of chemical substances in products			3.9														
	Promotion of green procurement								8.7				12.4					
	Measures against climate change (CO ₂ emissions)												11.6	13.1 13.2		15.1		17
	Emergency Response (Strengthening BCP Response)														13.1			
Conservation of biodiversity																15.1		
Society	Diversity Inclusion / Human Rights / Gender/Disabled					5.c			8.5		10.2							17
	Work-Life Balance / Reform of work style / employee satisfaction								8.1 8.5									
	Health management			3.d														
	Increasing productivity amid declining birthrate and aging workforce								8.1 8.3	9.1								
	Occupational Health and Safety Management Systems								8.2 8.5									
	Fostering and Education of Personnel with Autonomous Thinking				4.4									13.3				
	Quality Management System									9								17
	Supply chain management									8.7								16.2/16.3 16.4
Governance	Contributing to the Community (Global & Domestic)				4.1 4.7	5.1			8.3 8.9	9.2	10.2		12.b	13.1		15.1		17
	Compliance																16.1/16.3 16.5	
	Information Security									9.c								
	Corporate Governance / Internal Control System																16.3 16.5	
Our group's efforts				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

Value creation process

The essence of a company is the creation of common values. Our group will make use of a variety of capital (management resources) to promote our business and enhance our corporate value by providing value to our customers, shareholders, investors, employees, communities and other stakeholders. Created value increases capital and establishes the foundation for further development.

Capital to Use

Financial Capital

Sound financial base with sufficient capital in terms of both quality and quantity

Human capital

Corporate culture that emphasizes Change, Diversity, Health and Challenge

Intellectual capital

To accumulate comprehensive strength and advanced expertise as a manufacturing company, and to collaborate within the group
Integration of diverse functions and capital expenditure

Ability to respond to customer needs through advanced manufacturing technologies accumulated through this specialized know-how

Social and affiliated capital

Excellent and Strong global customer network

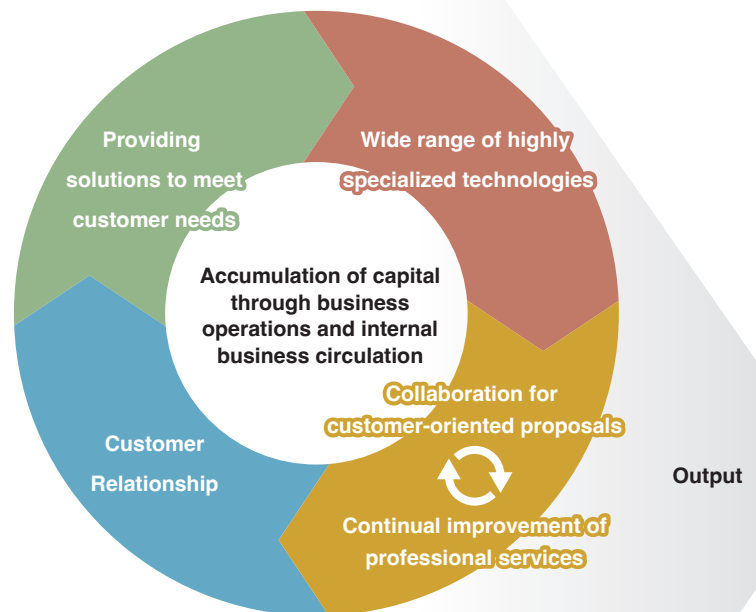
Natural capital

Environment, ecosystem, and ecology

Manufacturing capital

Facilities, equipment, and infrastructure for manufacturing products and providing services, etc.

Business Model for solving social issues (creation of positive impact)



Management Foundation Supporting Business Models

•Governance •Risk management •Compliance

Social and economic environment

Geopolitical changes in the political economy, an increase in new areas of automotive industry CASE response, an increase in safety demands, expectations for high-value-added products, reforms in car ownership, the prolongation of the low interest rate era, and corporate governance reforms

Circulation and

Materiality

Strengthening and Sustainable Expansion of Operations

Five Business Pillars

- Automotive components business
- Consumer products business
- Resin Compound business
- Automobile sales business
- Service Business

- Key word for business**
- ▶ Global
 - ▶ Manufacturing
 - ▶ Network
 - ▶ Regional
 - ▶ Retail

To Stakeholders
Maximizing the value provided

- Customers
- Business
- Employees
- Shareholders
- Society

Creation of common value [CSV]

Creating value for society

Realization of the SDGs

Economy
Improvement of affluence

Society
Improvement of well-being

Nature
Maintaining stocks of natural capital

Conversion to capital
Financial capital / Human capital / Intellectual capital / Social and Affiliated capital / Natural capital / Manufacturing capital

Expansion of Capital

Management

Materiality

Materiality-specific process

- In selecting materiality -

In order for a company to carry out sustainable activities, it is necessary to coexist organically in terms of its impact on society and corporate value. The impact of the matrix on social contribution on the vertical axis and corporate value on the horizontal axis are divided into four major categories

Compliance area in a soft law

At present, these are issues that are not yet sufficiently addressed or new issues that need to be addressed as social contribution activities.

Compliance area in a hard law

There are many issues that have been addressed so far. It is an indispensable and important matter that serves as the foundation for our corporate activities.

Impact materiality area

The Group's social and business-oriented impact materiality is grouped into two categories: social issues to be solved through business activities, and social issues to be solved in response to the expectations of stakeholders.

Stakeholder communication area

We are still working to this end and will continue to do so in the future.

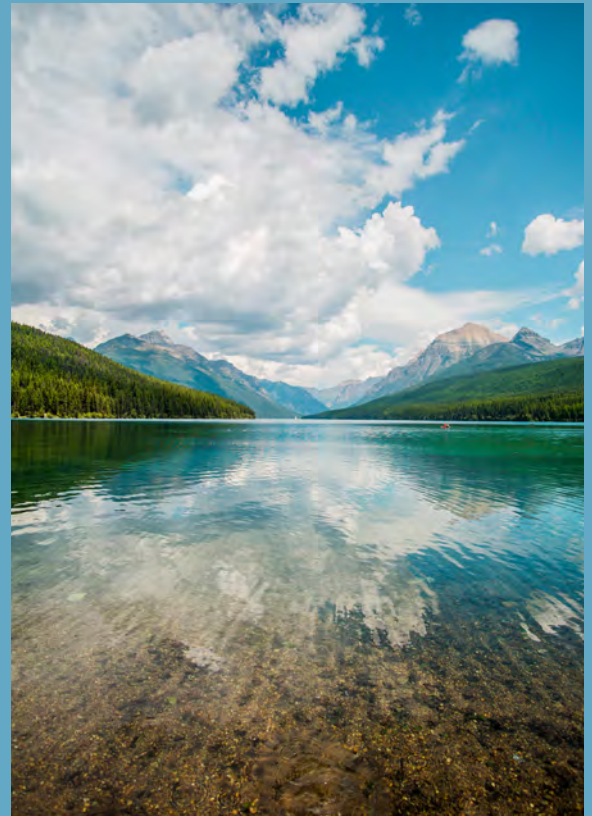
Extremely Important

Social Impact

Important

Compliance area in a soft law

- Peace and fairness, elimination of inequality and fair trade
- Support for poverty, human rights, NGOs, and NPOs
- Gender equality
- Conflict prevention, poverty and the eradication of hunger
- Global environment (ocean, atmosphere, and forests)
- Innovation of Industrial Fundamentals
- Safe and secure mobility society
- Professional volunteers to contribute to society
- Ethical business (ethical consumption, corporate style)



Compliance area in a hard law

- Legal compliance, governance, risk management
- Employment creation, education and training, occupational health and safety
- Energy saving, recycling

Important



Impact Materiality

Social issues that should be resolved through the five in-house businesses

Automotive Component Business

Providing a Safe and Secure Car Life

- ① traffic accidents Prevention
Improvement of visibility of HUD and meters, popularization and penetration of HUD products
 - ② environmental conservation:
Energy conservation through downsizing and weight reduction
 - ③ Conservation: Use recycled materials
 - ④ Sustainable supply chains:
Green Procurement, Responsible Mineral Procurement and BCP*
-
- Promoting the spread of HUD, which contributes to the prevention of traffic accidents through side-sight driving
 - Improvement of mountability of HUD in cars by miniaturizing HUD to promote HUD
 - Safe driving and the pleasure of driving by reducing the burden on drivers (HMI evolution, integrated cockpit development, development of next-generation sensors)

[▶P21-22]

Consumer Parts Business

Innovation of technology base

- ① Proposing and providing comfortable lifestyles (easy-to-use products)
 - ② To respond to, propose, and provide new lifestyles (Development of New Products)
 - ③ environmental conservation:
Energy saving by weight reduction (compact and thin), use of recycled materials
 - ④ Sustainable supply chains:
Green Procurement, Responsible Mineral Procurement and BCP*
-
- Providing Comfortable Products through Relationships with OEM Manufacturing of High Quality, High Performance and High Reliability
 - We propose and provide new products that respond to social and industry changes and needs, such as the corona outbreak, the declining birthrate and the aging of society, and the digitalization.

[▶P23-24]

Plastic Compound Business

Realization of a circular economy

- ① Responding to and contributing to the technological advancement of customers
 - ② Proposing materials solutions that take the environment into consideration
 - ③ environmental conservation:
Energy conservation by contributing to the weight reduction of products
 - ④ Conservation: Use recycled materials
-
- Build a business (recycling business) that responds to climate change related fields through technological innovations in the materials field
 - Improving customer satisfaction in a wide range of fields, including high-performance resins and clean resins (acquisition of management system certification, expansion of sales to new business partners)

[▶P25-26]

Automotive Sales Business

Realization of a well-being car life

- ① To propose and promote new sales in response to social changes and social needs
 - ② Improving the quality of life of customers
 - ③ Close relationships with local communities and contributing to them
 - ④ Customer Satisfaction and Improvement of Convenience (Collaboration with Other Industries, Creation of Subscription Opportunities)
-
- Offering products and services that respond to changes in society (mobility society), and offering various opportunities for sales and use of mobility
 - Development and expansion of one-stop services for community-based car life (new cars, used cars, services (inspection, inspection) and insurance)

[▶P27-28]

Service Businesses

Realization of a well-being and the creation of effective time

- ① To offer ease of use and comfort (pursuit of convenience and comfort)
 - ② Eliminating complications and solving problems (promotion of efficiency)
 - ③ Providing Risk Preparation and Reliability
 - ④ Close relationship with the local community, contribution to the local community, and new lifestyle proposals
-
- Outsourcing business processes Efficiency of society through BPO (Business Process Outsourcing)
 - Support for digital transformation (DX) of customers and society
 - Realizing affluent lifestyles by proposing new services tailored to local

[▶P29-30]

Social issues to be solved in response to stakeholder's expectation



Utilization of Human resources

- Fostering the Next Generation Leaders and Raising Awareness
- Diversity
- Occupational Health and Safety

[▶P35, 39-40]



Monozukuri / Environment

- To ensure product quality
- Improving productivity
- Sustainable supply chain
- Responding to Climate Change
- Energy conservation and recycling

[▶P33-34,36]



Coexistence with Society

- Promotion of health management
- To contribute to and interact with local communities

[▶P41-42]



Governance / Compliance

- Promotion of compliance and compliance
- Compliance with the Compliance Action Guidelines
- Enhancement and evolution of information security management
- BCP*Business Continuity Plan management
- Intellectual Property Protection

[▶43-46]

* BCP: Business Continuity Planning

Stakeholder communication area

- Employee engagement
- Donations and volunteers
- Health management
- Disaster prevention support, cleanup activities, and tree-planting activities
- Nagaoka fireworks, folk dance flow, and support for NPOs
- Regional exchange programs (soccer classes, on-site visits)



Extremely Important

Impact on Corporate Value

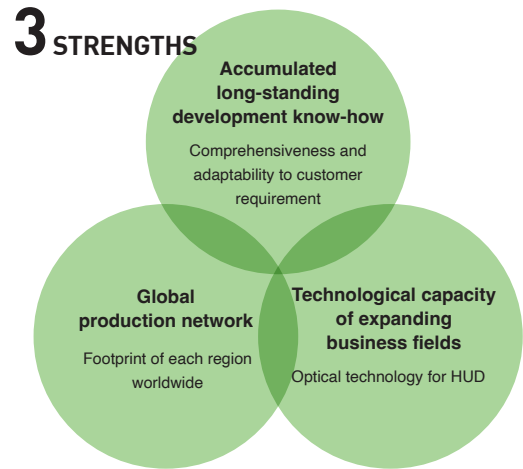
Automotive parts business

We continue producing our products by accurately conveying the continuously changing information to the driver, pursuing the improvement of convenience and comfortability, and paying meticulous attention to every single part.

With our eyes focused on the environmental changes and technology progressions, we will play our role of protecting people's safety and security, running as the top leader of meter developers.

01 Strength of automotive part business

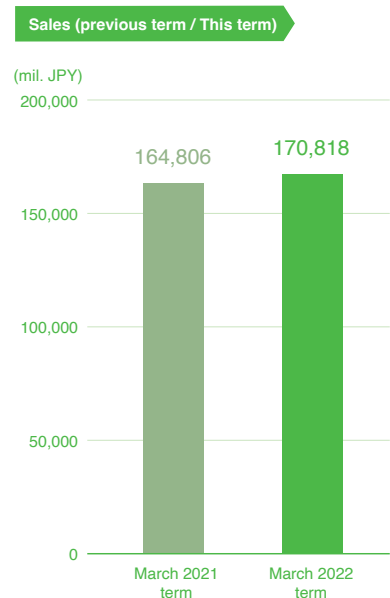
Meters and sensors for vehicles and motorbikes being produced and sold worldwide: this is the core business of our group. In recent years we have focused on HUD (Head Up Display), which projects information such as speed and navigation onto the windshield in a car. We also supply substrate mounting service for other automotive parts makers. Various information can be monitored by the sensors, and they are conveyed to a driver through optimized forms shown on the meters. In this way, we contribute to safety drive and, at the same time, create the impression of driving.



02 Summary of March 2022 term

Although the sales were on an upward trend together with economic recovery worldwide after the covid-19 pandemic, severe conditions had continued due to several circumstances such as cut in production of vehicle makers caused by the shortage of parts, especially semiconductors; price increase of energy; and material cost increase of parts.

Under those circumstances, we continuously tackle the reinforcement of competitiveness by the technology development of the next generation cockpit, expanding HUD business, and strengthening the organization of design and development etc. As for the HUD, which takes an important role of next-generation cockpit, we have started production in China, where it is the first time for our group to construct a plant: we are expanding our production sites. Our groups are aiming to create new values by flexibly coping with the changes that are encompassing us and constructing business structures that are being looked forward to.



Achievable SDGs goals through the activity



03 External environment

[Opportunities]

- Popularization of integrated cockpits
- Tightening the regulations of supporting device for safety drive
- Increasing demand of EMS due to electric vehicles
- Expansion of demand for vehicles and motorbikes in newly developing countries

[Risks]

- Acceleration of the movement toward reorganization of the vehicle industry and cross-industrial alliance
- Change in consumer sentiment (from possession to sharing)
- Increased competition in market due to software-computerized vehicles
- Taking in new entrants from consumer electronics industry

04 Growth strategy

Bearing in mind the supply of safety and security to the society, we work on maximizing customer satisfaction in each business domain: meters, HUD, sensors, and automotive EMS. As for meters, we will drive forward the technical development of integrated cockpits in-cars, as well as the reinforcement of cost competitiveness of meters for motorbikes in India/ASEAN regions. Specifically, for the further popularization of HUD, as well as strengthening its competitiveness, we tackle development of miniaturized and simplified specification for the future, and in parallel, we

will develop high-end products by making use of our AR/VR technologies. In addition, not only producing outside Japan, but we will accelerate to form a localized volume production process including production design and procuring parts.

Electric vehicles are expected to be expanding in the future; with our quality and adaptability which have been cultivated in automotive industry, we continue to progress the core technologies such as expansion of automotive EMS business and product developments by the combination of sensors and systems.

KPI

- (1) HUD dimension
- (2) Number of developments of next generation sensors / new sensors
- (3) Number of patent applications
- (4) Recycling rate of resin parts of the meter
- (5) Proportional ratio of local procurement

TOPIC

New production plant in Poland is completed, and volume production of HUD has started.

For the increase of production capacity, a new plant in Lodz, Poland is completed and has started volume production since April 15th, 2022. Higher production efficiency as well as reductions of both logistic cost and stocks are expected there in Europe where customers are expanding; we are trying to further strengthen business competitiveness. The new plant has the highest clean level "Class 7" among HUD production plants in our group.

In addition, this new plant is operated by 100% renewable energy in electric power that our group has made for the first time. With our own unique technology, we aim to achieve and spread the superior quality of our products to lead the market.



Consumer parts business

As for consumer parts business, we have made use of the technologies cultivated in the automotive business, and have been developing, producing, and selling products such as home appliances, office equipment, controllers for industrial equipment, and operation units as interfaces between human and machinery.

01 Strength of consumer parts business

We efficiently, smoothly, and comprehensively support customers under the partnership by supplying “optimizing” technology that have been cultivated to meet customer needs. With our technology cultivated by the automotive parts business as well as continuous process from designing to production, we meet various customers’ requests globally and supply reassuring products with excellent quality, performance, and reliability. New value combined with production/technology based on the current business performance will be supplied aggressively together with our own branding development.

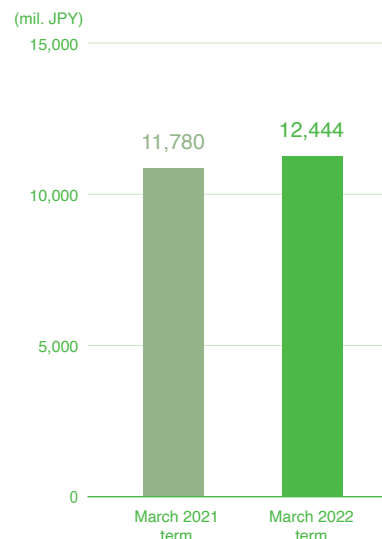
3 STRENGTHS



02 Summary of March 2022 term

The so-called “stay-at-home demand” due to Covid19 continues and thanks to that, the orders of the products for home appliances remained favorable. However, the shortage of semiconductors worldwide as well as that of electrical parts has cast a shadow on our production. And as a result, the sale was a slight increase compared to the previous term. To suppress the supply shortage to the customers as much as possible, we will intensively replace shortage parts with other alternative parts. In doing so, we will try to minimize the influence on consumer parts business.

Sales (previous term / This term)



Achievable SDGs goals through the activity



03 External environment

[Opportunities]

- Acceleration to adopt all-electric parts/products
- Change in roles of office equipment (Expansion of multifunction machine)
- Vigorous demand of capital investment in newly developing countries
- Change in home appliance demand due to climate change

[Risks]

- Unstable procurement under the shortage of semiconductors
- Unclear trend of demand for post-Covid19
- Change in global strategies by home appliance and office equipment makers
- More strict regulations of environment and energy conservation worldwide

04 Growth strategy

By improving quality as well as productivity of all the processes such as sales, development, design and production, we aim to supply values that can contribute to maximize the value, to be market-oriented high quality, and to improve QOL to our customers. Making use of sensing technology and data analyzing/application technology, which are our core technology, we will develop new products grasping the change of customer demand in the future. Accordingly, we intend to expand the business not only in the BtoB but also in the BtoC domain, and further increase customer satisfaction.

By the increase of profitability as well as the

expansion of production/sales business for our flagships: air-conditioners and operation panels for office equipment, in addition to the marketing promotion, we will try to expand the business to our existing customers. We also aim to enlarge our business domain by utilizing our group assets which have been developed by the worldwide production sites/processes and automotive parts businesses. As for new market development and new product development, we will defy the boundaries of the current business and existing products: we will fuse together with various fields, customers, and technologies to propose newly value-added products.

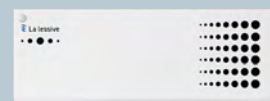
KPI

- (1) Number of orders in the new business domain
- (2) Number of new products released into the market

TOPIC

Development of air sterilization equipment

Last year, we released a carbon dioxide measurement apparatus called "CO₂ Lamp" into the market, which can be utilized to prevent Covid19 infection from spreading through the visualization of ventilation timing. Followed by the CO₂ Lamp, this year we have developed an air sterilization equipment made by the use of ultraviolet and now preparing to release it into the market. As a thin-type product design concept, it is handy and can be put in various places. We will continue focusing on developing new products applied by the core-technologies cultivated so far.



 La lessive

Resin compound business

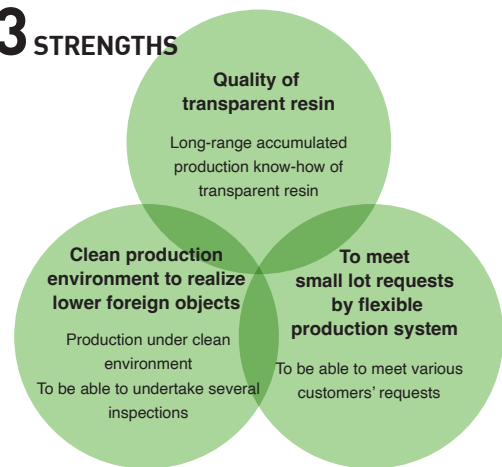
Business of coloring process for high functional resin materials of transparent resin (for vehicles, LED lights, lenses, and medical use etc.) is developing.

We have established the integrated processes from mold production to forming, printing and surface finishing for various sizes from large-sized parts to precision parts, and we expand the business in Japan, Thailand, China and other countries.

01 Strengths of resin compound business

In resin compound business, the sales of high functional plastic materials and high value-added products like optical products with super low foreign substances utilized by the advantage of our strengths are further promoted acceleratingly for constructing a stable revenue base. We will try to contribute to maximizing customer's product values by meeting the needs of light-weight vehicle body (as the replacement of metal to plastics) due to the global environmental change as well as proposing the solutions for the use of environmentally-friendly plastic materials.

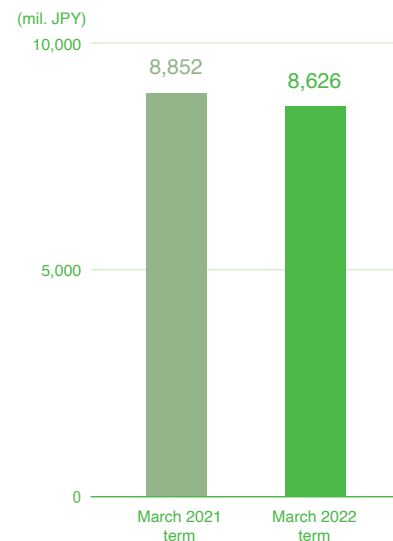
3 STRENGTHS



02 Summary of March 2022 term

Due to Covid-19 infections spreading again and following the revising production plans of vehicle makers as well as the influence on the supply shortage of semiconductors, our business in the year 2021 was again under very harsh conditions. In spite of the conditions, the inquiries and trials for our specialty, "transparent and lower foreign matters materials", have been an upward trend, and so we are trying to expand this business. In addition to this, the needs of bio-resins and recycle material compounds have also been increasing; we will approach this business linked with Nippon Seiki Group's recycling activities. Under the variable circumstances, we will continue to differentiate from others by brushing up our manufacturing technologies of our specialty, "transparent and lower foreign matters materials"

Sales (previous term / This term)



Achievable SDGs goals through the activity



03 External environment

[Opportunities]

- Technologies of transparency and lower foreign objects, and environment
- Extensive makers and large number of deals with trading companies
- Expansion of using recycled products
- Increased demand of highly functional resin due to the trend of light weight in electric vehicles

[Risks]

- Unstable orders of automotive applications
- Unclear trend of demand for post-Covid19
- Unstable orders of optical products
- Increase in oil prices



04 Growth strategy

We will engage in quality improvements as well as the promotion of recycling activities in order to maximize the values of our products and services mainly driven by “transparency, cleanliness, and small-lot productions” which are the Nippon Seiki Group’s strengths. As for quality improvements, we will differentiate from our competitors by the promotion of acquisition of the certifications such as GMP and HACCP that are known as controlling systems for maintaining safety and quality for medical products and foods, and consequently, customer satisfaction will be improved. In terms of recycling activities, one is to obtain the items of contract manufacturing from customer’s recycling activities. The other is to expand the use of recycling products in our group.

KPI

- (1) Number of new accounts of clean items (including GMP required items)
- (2) Promotion of recycling activities in each company

In the future, light-weight vehicle body due to proliferation of electric vehicles will be required. In addition to this, the needs for high functional resins having its functions of thermal resistance, light resistance, and impact resistance as the replacement of heavy-weight glasses and metals will be risen. Therefore, we will maintain the current market share of clean resin in optical lenses and will also penetrate into the high functional resin market in which the demand is expected to grow.

The worldwide demand for resin compound has been further risen. In this circumstance, we will continuously evolve ourselves by utilizing our strengths and drive into new markets.

TOPIC

Expansion of recycling

The demand of recycling materials to be used for products has been increasing. Therefore, Nippon Seiki Group has engaged in homogeneous materials recycling as well as mixed inhomogeneous materials recycling. Also, we conduct outsourcing recycling processing business: the micro foreign matters adhered on wasted materials, which are collected by resin makers, are removed by our specialty technologies of “clean” and “filtration” (or percolation filtering) to reclaim them as clean compounds. We promote our SDGs activities by focusing on recycling resins that come into each region where our groups are located as much as we can. By doing so, the recycling materials can be circulated in each region.



Car sales business

Group companies conduct new and used car dealership, car-rental and car-sharing business

Group companies

HONDA Yonrin Hanbai Nagaoka Co., Ltd.

Sales business for HONDA cars in Niigata

Niigata MAZDA Co., Ltd.

Sales business for MAZDA cars in Niigata

CAR STATION Niigata Co., Ltd.

Sales and used-car business for SUZUKI / DAIHATSU cars in Niigata

MAZDA mobility Niigata Co., Ltd.

Operations of TIMES CAR in Niigata (Car-rental and car-sharing business)

01 Strength of vehicle sales business

Our market widely covers all areas of Niigata prefecture. We have an overwhelming number of customers, and our financial base is strong and stable. In addition, we have been tackling to strengthen after-sales service as well as to construct a next generation of sales system utilizing the Internet and digital technology next generation type sales system. As a professional team fostered by the ample education system, these are aiming for obtaining customer satisfaction more than expected.

For solving several problems in our society, we always try to create new values by foreseeing the movement of the future market demand as well as social values, applying community-based and customer-oriented sales approach, and being innovative.

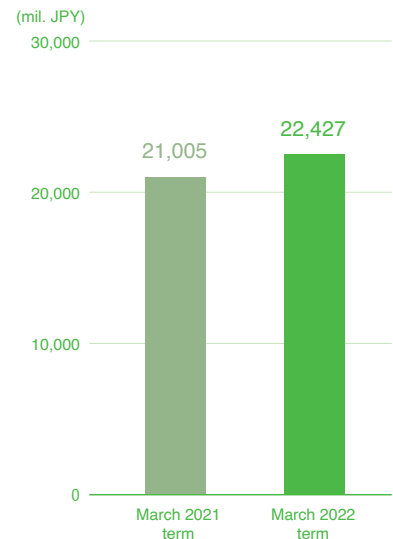
3 STRENGTHS



02 Summary of March 2022 term

From the worldwide shortage of semiconductors due to Covid-19, vehicles could not be shipped to our customers even if we had received orders (contract) during the first half of 2021 which started in April. However, when the second half had started, the production and supply began recovering thanks to the covid vaccination which was proceeding forward, and consequently, the order level came back to around 80% compared to two years before. Under such circumstances, each vehicle sales company mainly fortified and focused on profitability of used-car sales, car maintenance, car insurance, and handling charges. In parallel, they strived to conduct the improvement of operation efficiency as well as operation rationalization. Each major vehicle company we have dealt with has announced their medium-term plan for releasing new vehicle models. Under the EV paradigm as well as subscription movement, they have started focusing on stable production and tackled things like further value-added proposals, development of new ways of purchasing, investment with foreseeing the future, and fostering human resources.

Sales (previous term / This term)



Achievable SDGs goals through the activity



03 External environment

[Opportunities]

- Arrival of a new form of perception by CASE
- Active new function development and new sale method development
- Great alternative business opportunity due to EV paradigm

[Risks]

- Market shrinkage due to lower population of juvenile
- Increase the burden of investment to CASE
- Influence of Covid-19 pandemic, international conflicts, and semiconductor shortage
- Delay in following up infrastructure and regulations
- Concerns about the unpopularity of job seekers in this industry

04 Growth strategy

KPI

- | | |
|--|------------------------------|
| (1) Number of customers gained | (4) SG&A sales ratio |
| (2) Residual value setting sales ratio | (5) Indirect personnel ratio |
| (3) Base profit cover rate | |

The arrival of a new form of perception by CASE as well as a new lifestyle led by decreasing population, digitalization and Covid-19 pandemic are now asking us to find matching services. In these circumstances, we will establish our business scale and its domain in the vehicle sales business. Furthermore, we will endeavor to raise the degree of customer satisfaction for each and every customer.

In terms of the expansion of business scale and domain, we will acquire and establish new businesses by the hybrid deployment: the investment for restructuring stores located in advantageous places and consumer lock-in by IT. We will exploit M&A and accelerate alliance deployment, and try to enhance functionalities that we lack, and to gain additional regions where we supply our services.

For increasing the degree of customer satisfaction, we will offer optimized proposals by piling up the data of customer information as well as promoting IT and giving feedback to new product developments. Moreover, we will promote complex stores which work together with different types of business to improve the degree of customer experiences and conveniences.

We will thoroughly evaluate the strengths that we currently possess and the strengths that we can build up potentially, and then consider how the market trend changes as well as how the customer needs increase. These are the ways in which we try to raise genuine customer satisfaction.

TOPIC

Private brand of Car Station Niigata Co., Ltd. "COCO Select" Kashiwazaki newly opened

Vehicle production has been stagnating in recent years due to the worldwide shortage of semiconductors as well as shutdowns of production plants due to Covid-19 pandemic. On the other hand, the demand of vehicles as a commuting way for avoiding the 3Cs (closed spaces, crowded places, close-contact settings) has continued and in such, the Car Station Niigata's private brand "COCO Select" Kashiwazaki has newly opened. By selling both new cars and used-cars to meet the market demand flexibly, we will expand our vehicle sales business.



Service business

Our service businesses have provided wide ranging services for the customers worldwide as well as in the domestic Niigata prefecture.

We offer optimized solutions to meet customer needs from wide ranging system configurations. To maximize customer satisfaction, we promote the communications and operation improvements by foreseeing the market needs and social values in the future. Our know-hows from various service businesses can create new values and then we will try to offer both profitability and social problem-solving.

01 Strength of service business

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3 STRENGTHS

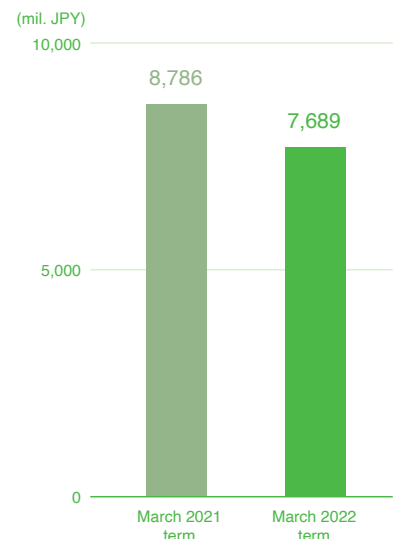


02 Summary of March 2022 term

In terms of IT related demand, business process outsourcing (BPO) was active for both non-public companies and municipal corporations due to the change in lifestyle habits which has become settled. On the other hand, as for logistics and services, because world economy was not fully recovered due to the influence of the Covid-19 pandemic and the restriction of both vehicle parts logistics as well as human activities continued, the demand was not fully recovered and consequently the services we should have supplied stagnated. As a result, the sales amount decreased in comparison with the previous term.

We will reinforce the functions related to the whole value-chains such as new products and services met with customer needs which are deeply reflected on the state of society, and direct recommendations based on customer data.

Sales (previous term / This term)



Achievable SDGs goals through the activity



03 External environment

[Opportunities]

- Arrival of new lifestyle habits
- Change of consumer's lifestyle
- Sustainable business development needs
- Socioeconomic productivity and hospitality & society

[Risks]

- Demand of deoxidation in logistics services
- Changes in energy supply structure
- Changes in industrial labor structure
- Concerns about the unpopularity of job seekers in this industry



04 Growth strategy

In the midst of the arrival of the new lifestyle habits due to Covid-19 and the diversity of market needs to services, we will focus on maximizing our strengths by tackling sustainable business deployment and social problem solving.

As for food services and retailing businesses, we will maintain the supply amounts of existing products and services, and try to expand the business by developing new products, exploring new agencies, and reinforcing sales activities. By grasping the needs of now and the future in a timely matter, we will endeavor to solve local and social problems

In regard to information system service

businesses, we will promote Business Process Outsourcing (BPO) to non-public companies and municipal corporations to meet the changes in operations due to the new normal era. By applying the system that we have developed, "visualization" will be made available, and it will be utilized for the effective use of human resources, converging human resources to core business operations, and quality operational transactions.

We will expand the services for problem-solving and proposal-based sales to meet targets. By making use of those various and extensive services, we will solve local, social, and environmental problems.

KPI

- (1) BPO sales of individual demand
- (2) BPO sales of public demand
- (3) Retailing products
- (4) Number of sales agency stores dealt with in domestic Japan

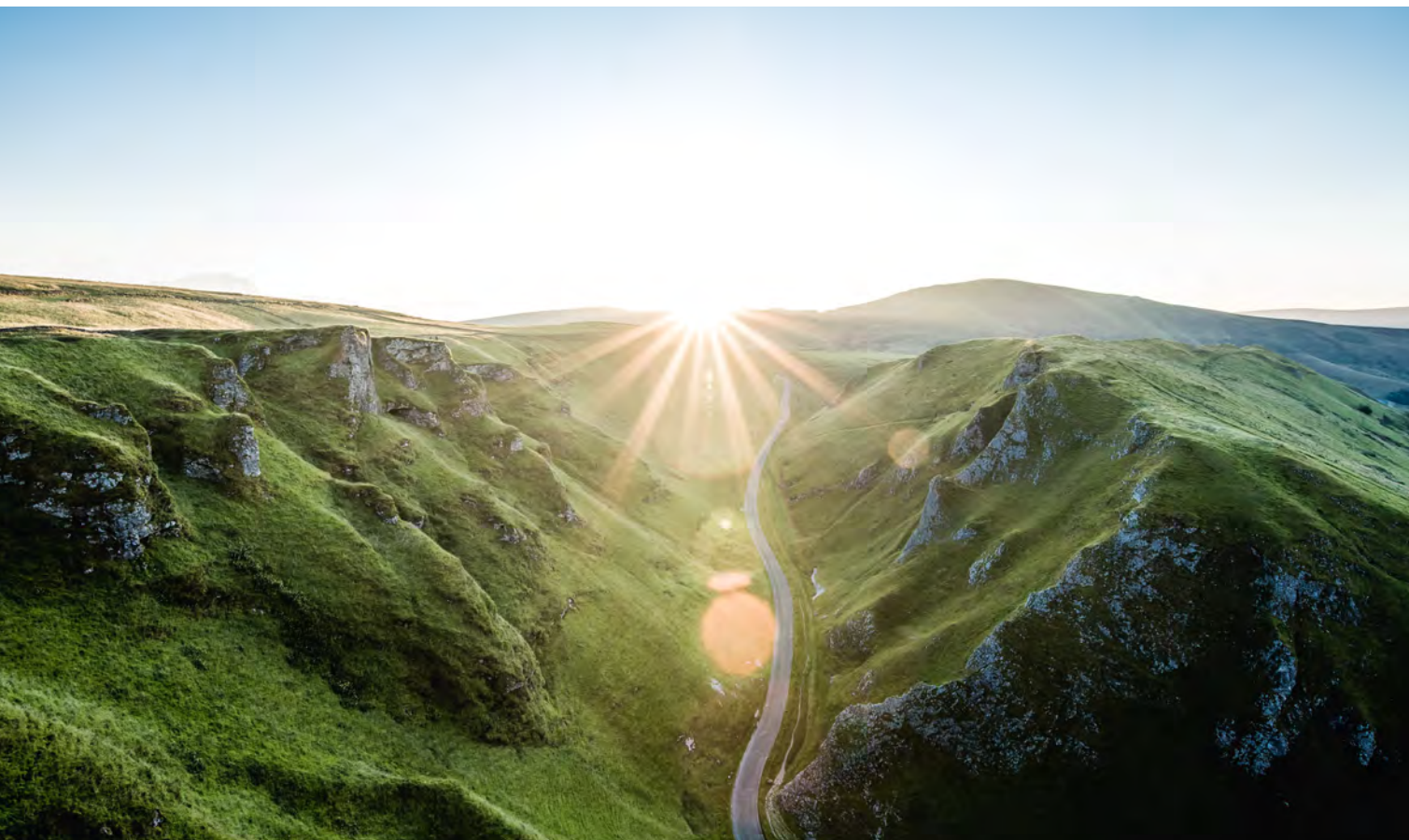
TOPIC

Official partner of ALBIREX NIIGATA

Nissei Service Co., Ltd became an official partner of ALBIREX NIIGATA/ Support the team through food services to the best of our ability.

Nissei Service Co., Ltd has a business consignment of cooking and operation for the clubhouse restaurant "Orange Café" from where the top professional players and the players in the academy for fostering future professionals replenish their nutrition. We will strongly support the team for their goals playing in the J1 League.





Nippon Seiki Group ESG Policy

Nippon Seiki Group believes that the sustainable development of society is essential for enhancing corporate value over the medium to long term and for expanding the provision of social value to stakeholders.

In order for society to develop with sustainability, it is necessary for our company, not only to pursue short-term profits, but also to proactively address environmental and social issues from a medium-to long-term perspective. To achieve this, strong corporate governance is a prerequisite.

By continuously approaching these issues, we believe that solving environmental and social issues will lead to the sustainable development of society. At the same time, we believe that this will lead to an increase in corporate value and medium-to long-term sustainability.

Our group consider not only financial information but also non-financial information such as ESG (environmental, social, and governance) factors, and constructively engages with stakeholders.

We aim to achieve both medium-to long-term social development and business expansion.

When investing, we place emphasis on the perspective that ESG is an expansion of business opportunities, in addition to the perspective that ESG, which has been common in the past, is a restraint of business risks.

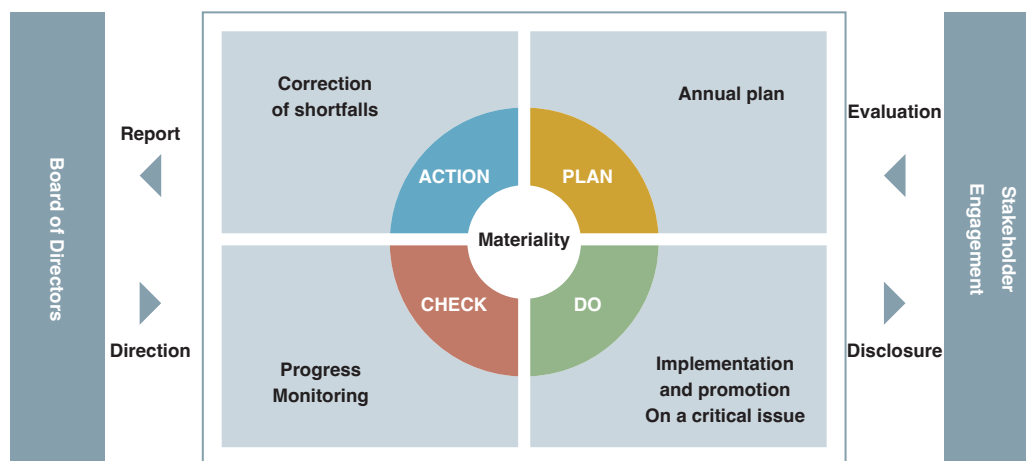
"The perspective of ESG is a restraint of business risk" is the perspective of being aware of environmental or social risk factors, what measures are being taken in response to such factors, and what impact do you have on financial stability.

"The perspective of expanding business opportunities" is the perspective of whether we can capture changes in social needs from environmental and social perspectives and link them quickly to value creation, thereby strengthening our competitiveness and enhancing our corporate value over the medium to long term.

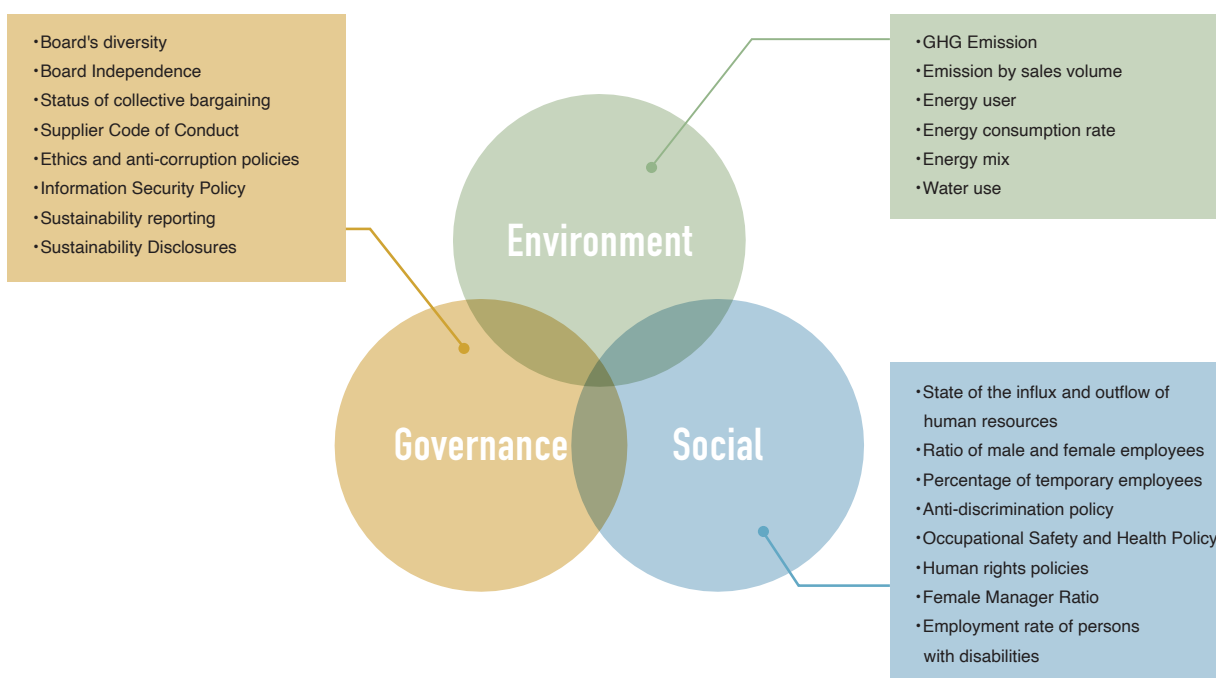
ESG Management of Nippon Seiki Group

In order to lead our initiatives to materiality into corporate value improvement, we will manage ESG related indicators based on our management policies and business strategies.

We will incorporate identified materiality into our strategies and plans and implement P DCA cycles.



Nippon Seiki Group's ESG Management Indicators



Basic Vision toward the Environment

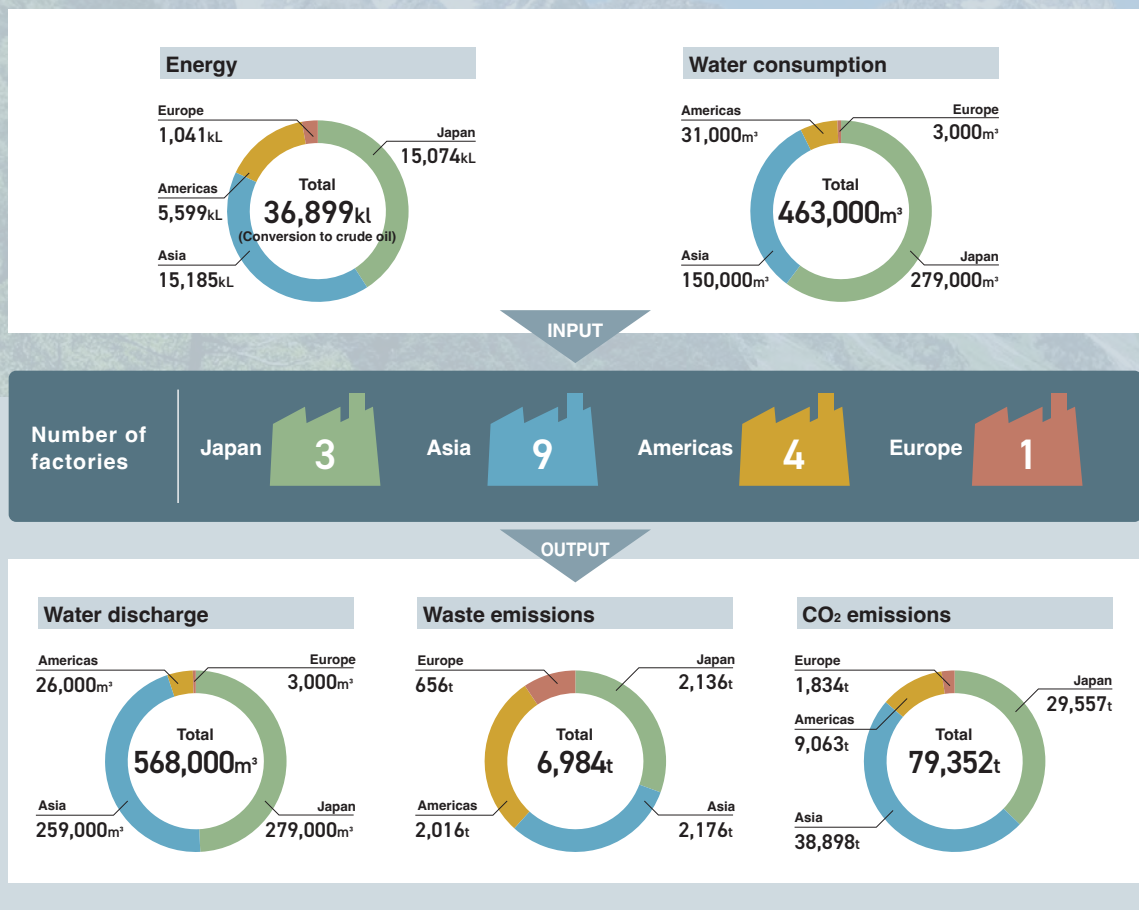
Nippon Seiki group has established the Basic Environmental Policy, and has positioned global environmental issues as an important management issue. With the aim of realizing a safe and sustainable society in harmony with the environment, the Group is making continuous improvements to achieve the realization of the Basic Environmental Policy as well as its environmental objectives and targets. In the production activities of our manufacturing plants in Japan and around the world, we are developing our business on a global scale to provide safety and security to society. We will leverage the design and production technologies we have developed over many years with flexibility to enhance our comprehensive manufacturing capabilities through synergies. At the same time, we will integrate the environmental management system of ISO 14001 (2015 version) into our business activities on a global scale and promote activities to reduce environmental impact.



Environmental Declaration

We regard the realization of a sustainable society as an important management issue and will continue to provide high-value products and services to realize a safe and secure society in harmony with the environment through business activities that value "ambition," "society," "customers," and "people."

Environmental Impact of Nippon Seiki Group



The Eighth Environmental Target 2020-2022

We set environmental objectives and targets every three years and continue to promote activities to reduce environmental impact. The results for FY2021 are as follows.

Action themes	Item	Subjects	FY2021 Targets	FY2021 Results	Evaluation	Trend
Prevention of global warming	Electric power	All manufacturing operation	1.0% reduction (per unit of production) (base year 2020)	11.8% reduction	○	➡
		All indirect departments	1.0% reduction (electricity consumption) (base year 2020)	Up 0.7%	×	➡
	Heavy oil	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2020)	36.4% increase	△	➡
	City gas	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2020)	Increased 13.6%	×	➡
Conserving Water Resources	Water supply	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2020)	3.0% reduction	○	➡
To reduce, reuse, and recycle waste	Amount released	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2020)	Up 35.5%	×	➡
	Recycling rate	Entire company	99.90% or more	99.86%	×	➡
Develop eco-friendly products	Environmental factors for products	Design division	For each product group Improvement of product environmental indices	All eight themes are implemented, with an average achievement rate of 97%	○	
Proper Management of Chemical Substances	Containing products Management of chemical substances	Design division	Establishment of a system to guarantee non-inclusion of RoHS2 additionally banned substances	Two themes were developed, all of which achieved 100% target.	○	
	Handling management	Relevant division	Control and education of use of PRTR-designated substances	Developed in all six themes, with an average achievement rate of 83%	△	
Promotion of green procurement		Procurement-related departments	Environment for suppliers Improvement of performance evaluation	Three themes were developed, all of which achieved 100% target.	○	
Global environment Performance improvement	CO ₂ emissions	TQM Promotion Office	To gather environmental data from domestic and international affiliates	Continue to collect common environmental data from manufacturing affiliates	○	
Emergency response	Strengthening BCP compliance	Risk Management Related departments	Strengthening our ability to respond to natural disasters	Implementation of simulation test for BCP	○	
Conservation of biodiversity	Environmental Conservation	General Personnel Affairs Department	Implementation of activities related to biodiversity conservation	Conducted environmental conservation activities outside the company (discontinued in the previous year)	○	

○ : Target achieved △ : Reduction/improvement over the previous year, but target not achieved × : Worsened from the previous year and target not achieved

[Initiatives Related to the Achievement of Environmental Targets]

Endorsement of the TCFD Recommendations

In September 2022, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures Task Force. The TCFD is an organization established by the Financial Stability Board (FSB) in response to the G20 request to consider how to disclose climate-related information and how to deal with financial institutions.

In conjunction with this announcement, we also participated in the TCFD Consortium, which is a forum for participating companies and financial institutions to discuss. The Nippon Precision Machinery Group has established a sustainability policy and regards addressing climate change as one of its most important management issues.

In the medium-term management plan, we are working to address sustainability issues and reduce environmental impact. We will continue to promote information disclosure based on TCFD proposals and contribute to the realization of a sustainable society.



Use of Renewable Energy

We are working to reduce the environmental impact of our business sites, and have installed solar power generation systems at our business sites in Japan and overseas. For example, since this year, we have been expanding the use of renewable energy by installing solar panels on factory buildings at Thai Nippon Seiki Co., Ltd.

Nippon Seiki Poland, which began mass production in April 2022, has 100% renewable power consumption at its factories since its start-up.

We will promote various measures to reduce CO₂ emissions and realize carbon neutral emissions in the future, including energy supply.



Photo: Solar power generation system (Thai Nippon Seiki)

Social Initiatives

Basic Concept of Social Initiatives

Nippon Seiki group will not focus only on improving inorganic production efficiency, but will strive to conduct business operations in accordance with our group's management philosophy, based on compliance with laws and regulations and respect for the human rights of employees.

We will also contribute to the development of a sustainable society through management of human resources, safety, and quality, as well as activities that contribute to local communities.



Safety management policy

Based on the "Respect for Human" philosophy of safety, we will realize our management philosophy through our global and diverse business activities, including the development, design, procurement of materials, manufacturing, sales, and quality assurance of products and parts, and through these activities, we will strive to improve and promote continuous and aggressive initiatives for risks and opportunities related to occupational health and safety, with the aim of eliminating occupational accidents.

Click here for details



Occupational Safety and Health Management System

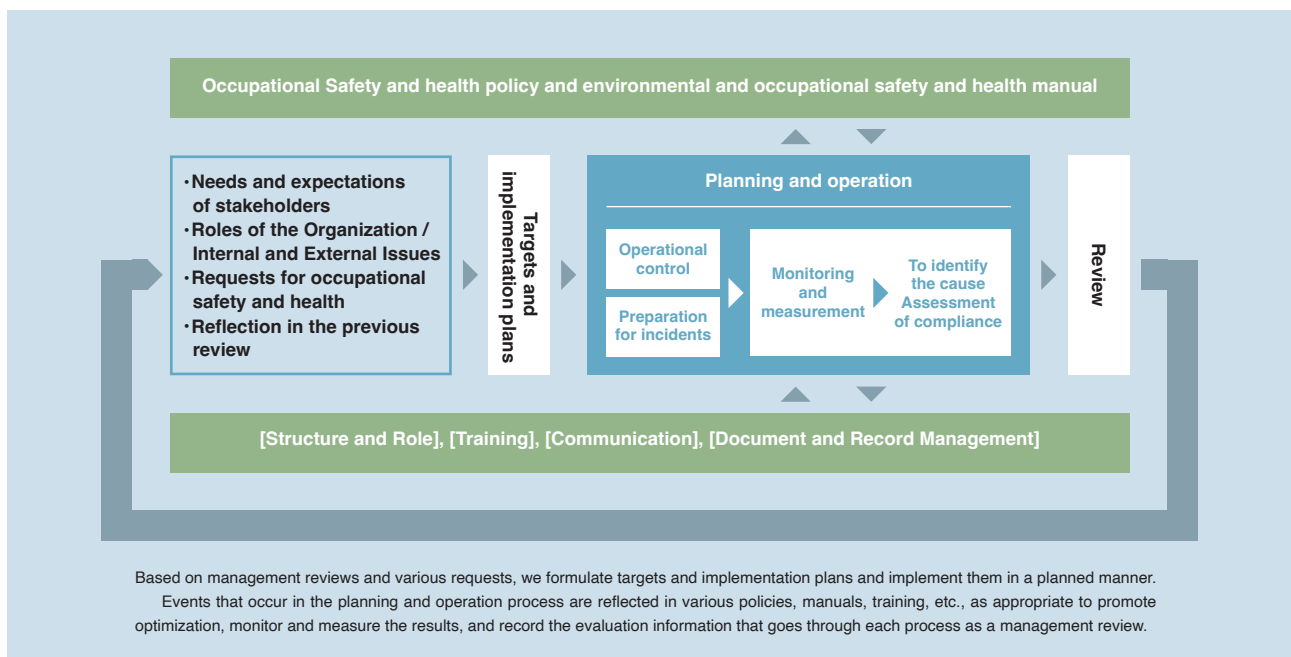
In August 2020, Nippon Seiki acquired the Occupational Safety and Health Management System (ISO 45001) certification and complied with the process.

We have established the Environmental and Occupational Safety and Health Manual, established the Occupational Safety and Health Policy and the Health and Safety Objectives, and created an environment in which all employees can work safely and healthily. In each division, occupational health and safety-related items are included in the plan at the beginning of the fiscal year, and occupational health and safety activities are promoted systematically.

In addition, as a company-wide organization, we hold regular company-wide secretariat meetings in which safety and health committee members from each business site participate to share information on the status of safety and health activities at each business site, good practices, and improvement cases, thereby raising the level of the company as a whole.

We have also established a system for sharing information with domestic and overseas Group companies, and will continue to improve our occupational health and safety management.

Occupational Safety and Health Management Process



Quality Management Policy

Nippon Seiki group is committed to meeting customer requirements and establishing the industry's highest quality and technology based on the concept of "quality first" in all activities of planning, design, development, manufacturing, and sales of electronic and mechatronics products, including automobile, consumer and display products in accordance with the following items.

Click here for details



Quality Management System

Based on our Group Management Philosophy and Basic Quality Policy, we are developing TQM activities from the customer's standpoint to provide safety and security to earn the trust of society.

As for the quality management system, in fiscal 2017, the head office adopted the Automotive Industry Quality Management System Standard, an international standard.

We have completed the transition to a quality management system compliant with (IATF 16949) and integrated it with our business processes. Group companies completed the transition to IS O 900 1 (2015 version) and I ATF 169494 in fiscal 2020, and are working to improve their products and services by deploying unified standards globally based on the concept of quality first.

The processes that support the activities of the quality management system start with the management philosophy as shown below, and the various strategies are clarified, and the vectors of the group and its employees are aligned and operated in a planned manner. The results of implementation are reviewed, fed back, and adapted to change. Communication and education tools such as management documents, education, and training support these activities.

In the future, we will further adapt our businesses to the evolution of industry and automotive technology. Aiming to establish the world's highest quality and technology, we will pursue quality that meets customer expectations while making continuous improvements.



Responsible Mineral Procurement

In conflict areas and high-risk areas, our group will conduct responsible procurement activities to avoid the procurement of parts and materials containing minerals such as tin, tantalum, tungsten, and gold, which may affect human rights violations including support for armed groups, child labor, bribery, money laundering, tax evasion, and environmental destruction.

We conducts surveys on supply chains using internationally recognized tools such as the Conflict Mineral Report (CMRT) provided by RMI.

Social Initiatives

Social Contribution Activities

Participation in and support of local festivals

Nagaoka City in Niigata Prefecture, where the Nippon Seiki Headquarters is located, was the victim of many World War II air raids. Every year in August, Nagaoka City holds the Nagaoka Festival with prayers for lasting peace. Nippon Seiki group participates in the dance festival and sponsors the Nagaoka Fireworks Festival, which is one of the largest in Japan, in order to contribute to the local community.



Sports promotion / regional revitalization

With Albirex Niigata Ladies, we visit local elementary schools to hold soccer events and career education on the theme of "Creating a bright future and fostering human resources who can contribute to society." Our employees are also involved in the planning and management of events, contributing to the local community and developing human resources.



Creation of regional cooperation through university collaborative classes

We conducted industry-academia collaboration classes with the Nagaoka University of Art and Design, a local public interest university.

Under the title of "Proposal for daily necessities design (attempt to visualize information at home)," students try to design tools for daily use at home "to make invisible using Nippon Seiki's sensing technology." For students, this was an opportunity to communicate their ideas to the world in cooperation with local companies.



Response to Regional Issues

Providing car-sharing services To local universities

Our group company, Car Station Niigata Co., Ltd., "Coco Select Nagaoka Store," provides a flat-rate car sharing service for students of the neighboring public interest university, "Nagaoka University of Art and Design." At the university, most students do not own private cars, and there are many students who graduate without having the opportunity to come into contact with the local environment outside of the university's neighborhood, even though there are restrictions on going out or moving around due to COVID-19. Through our group's car sharing service, students will be able to lead a fulfilling university life.

We will continue to provide assistance.



NS Computer Service Programming School

Our group company NS Computer Service Co., Ltd., opened a local programming school, P.G.camp, in Nagaoka City.

We aim to revitalize the IT industry in local communities by providing opportunities to use ICT to teach IT skills to children and fostering IT technicians. This school is developed by a internal new business ideas competition.



Community Contribution Activities by International Subsidiaries

[NS Instruments India Private. Ltd. (NSIP)]

Many Japanese companies are operating in the industrial park in Sri City, Andhra Pradesh state in southern India, where NSIP is located. There are several underdeveloped public schools in the the SriCity Industrial Estate. In some situations, students sit on the concrete floor of the classroom and study. Upon learning of this situation, the SriCity Japanese Business Liaison Committee held discussions and decided to donate study desks from Japanese volunteer companies as part of their CSR activities. The students and school officials were very pleased, and I realized the importance of this activity.



HANS NEWS SERVICE TIRUPATI

AS part of its corporate social responsibility (CSR), the Sri City Japanese Companies Group (SJC) donated students' desks and benches worth of Rs 2 lakh to the government junior college, Satyavedu, in a function held at the college premises on Thursday. Handing over the desks to Principal B Anil Kumar, chairman of SJC Hirano said that this was the 5th consecutive year of their CSR initiative. They have been donating study desks and benches, school bags and library books to government schools in the vicinity. He assured all support to the educational activities in government schools and colleges.

Commenting on the CSR initiatives of SJC, Sri City MD Ravindra Sannareddy appreciated the generosity of Japanese companies and said that the focused approach on improving the infrastructure of government schools in the area has resulted in a visible increase in overall enrolment of children and higher pass percentage.

[PT. INDONESIA NIPPON SEIKI (INS)]

Indonesia is one of the world's leading Muslim regions, with Muslims accounting for 87% of the total population. One of the teachings of Islam is the Zakat. This is the teaching that Muslims must allocate a percentage of their wealth to provide for the poor and needy. As part of its CSR activities, INS makes various donations to neighboring residents and local governments. One of them is the sacrifice of goats to neighboring residents at the annual Idul-Adha (sacrifice festival). In addition, we donated chairs and desk partitions and masks to the police station, raised funds for victims of flooding, and held events for local elementary school students.



Improving Workplace Environment

Work Style Innovation

Nippon Seiki's growth depends on the success of its diverse workforce.

We create an environment in which each employee can demonstrate his or her individuality and ability regardless of age, gender, race, nationality, or disability. We are also enhancing various systems to help employees at various stages of their lives achieve a good work-life balance.

Supporting Employees' Work Life Balance

We aim to be a company in which all employees maintain a balance between work and family life, and continue to work while demonstrating higher performance with higher motivation. Our goals are to encourage employees to take annual paid holidays, reduce overtime work hours, raise awareness and understanding of the work-life balance system, maintain the ratio of women hired at 10% or more, and encourage men to take childcare leave or shorten working hours for childcare.

As part of these efforts, we have certified companies that promote the creation of a work environment that enables employees to balance work with family care and childcare.

We are registered as a Happy Partner Company, a unique initiative supported by Niigata Prefecture. In addition, we are promoting the further advancement of women, and in fiscal 2021, we were certified "Eruboshi" as being at the third stage. "Eruboshi" is a certification mark that is issued to companies that are excellent in terms of the status of the promotion of women's advancement.



Supporting Diverse Work Styles

We are promoting the creation of a work environment that accepts diverse work styles by deepening understanding of work-life balance through the workplace. In particular, we have established a variety of systems to create a comfortable working environment for employees at various stages of their lives, including pregnancy, childbirth, childcare, and nursing care.

Flexitime System, Hourly paid holiday system

The Flexitime System and the Annual Paid Leave System for Hours, which have been established with the aim of promoting work styles and autonomous working styles that suit each employee's own lifestyle, provide greater flexibility in working styles.

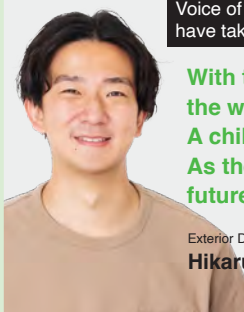
Telework system

Employees can telework (telecommuting, satellite office work, and mobile work) if they wish to obtain workplace approval. The purpose of this system is to reduce physical and mental burdens on long-distance commuters and to improve work efficiency and productivity by enabling them to maintain high concentration.

Shorter work hours

Until the child turns 3 years old, you can apply for exemption from overtime work and you can choose to work 6 hours shorter hours until the child turns 12 years old. We are working to create an environment in which the child-rearing generation can balance work and family after returning to work.

Voice of the employees



Voice of employee who have taken childcare leave

With the support of the workplace, A child's growth As they felt in the near future Thank you.

Exterior Design Department
Hikaru Kurashina

We took childcare leave when the second child was born. This was triggered by the company's move to encourage male employees to take childcare leave, as well as by the fact that they are raising children while their first child is still in service.

When employees consulted their supervisors about taking childcare leave, they sought their advice in a forward-looking manner, and received

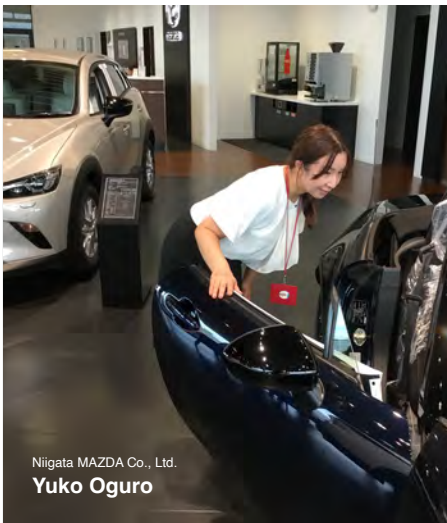
careful follow-up from the start of childcare leave to the end of the leave. Basically, childcare leave is taken. I decided to take care of my son. I bathed during the day, breastfed, and changed diapers. Despite a short period of time, I was able to experience the daily growth of my son, who was not able to do during the first child. My wife, parents and I are pleased to take childcare leave.

Human Resource Development

Internal Recruitment System

In fiscal year 2021, we launched an in-house job posting system to support employees' careers by making use of the experience and knowledge they have gained in the company to take on new challenges.

In fiscal year 2021, the first year of the program, 11 employees were transferred to new workplaces. The Challenge Teams Member, which is responsible for cross-organizational projects without transferring personnel to other workplaces, carried out activities on three themes, totaling 16 persons.



Niigata MAZDA Co., Ltd.
Yuko Oguro

Introduction of employee who used Internal Recruitment System

I worked at Nippon Seiki's headquarters until last year, but now I work as a sales representative at the Group's automotive sales companies.

I applied for the in-house job posting system, and now that three children have become independent, my desire to work hard and build a new second career has grown stronger. This in-house job posting system has made it easier for employees to take on the challenges they want to take on.

No sales experience in the past, so, it is often challenging for me to work in my current position, but I feel rewarding and enjoyable when I am formulating, planning, and operating a strategy to attract customers, or when I have achieved the results.

I am confident that I have taken the first step. In the future, I will strive to improve our sales skills and contribute to the Nippon Seiki Group from a different perspective.

Idea contest

Nippon Seiki Group holds business idea contests to encourage employees to voluntarily create new business ideas, to revitalize the workplace, and to enhance the sense of participation in management and to contribute to the sustainable development of the Group.

The business idea contests had been held five times (three times at the head office and two times at Nissei Service Co., Ltd. and N S Computer Service Co., Ltd.), and the program has been commercialized by N S Computer Service Co., Ltd. (See page 37)

Voice of the employees

Voice of the
idea contest secretariat

**I felt directly
the passion
for the idea and
the enthusiasm
for its realization.**

Product Planning
Mizuki Otuka



I am Otsuka of the idea contest secretariat. I have been involved in the management of this contest for the second consecutive year.

This time, we incorporated the 3C analysis elements into the application form to allow us to conduct surveys and analyses of our ideas at the time of the proposal. The difficulty of applying has increased, but because of the positive efforts of our employees, we have

improved the quality of our ideas. Many of the proposals are researched and planned carefully. I felt enthusiastic about my ideas.

I feel that the idea contest is a valuable opportunity for all employees to present their ideas. We will continue to run this contest so that it will become a new product for Nippon Seiki.

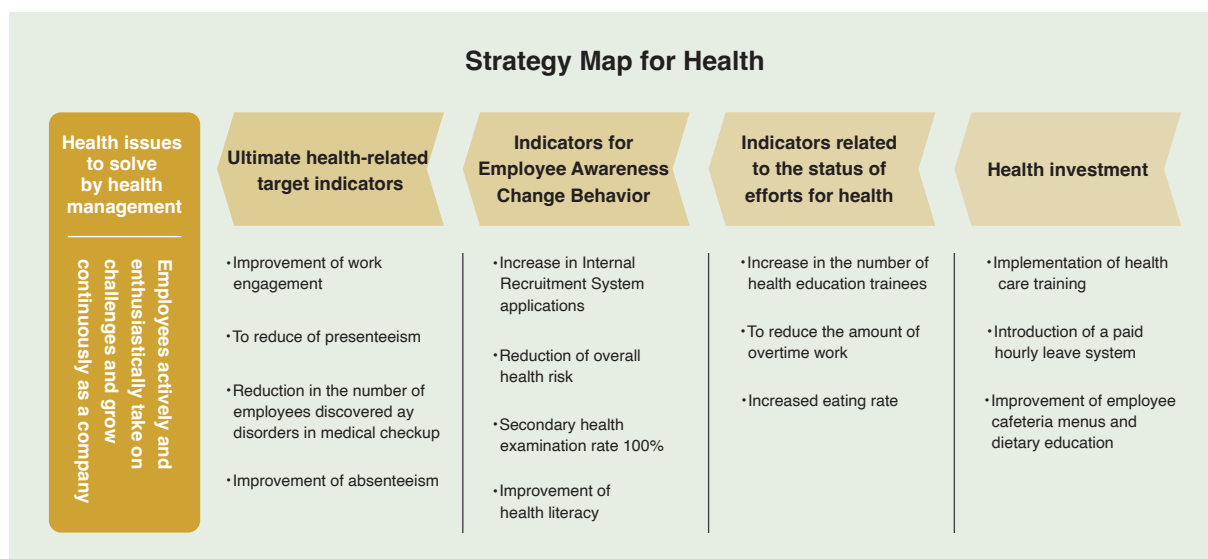
Health Management

Vision of Health Management

In order to achieve our management goals and group vision, the Group recognizes that it is essential for employees to take on challenges with enthusiasm and motivation. Accordingly, the Group is promoting reform of health management and working methods in its medium-term management plan for the period from 2021 to 2023.

Nippon Seiki Group Health Declaration

In order to realize our management philosophy, it is essential that employees and their families are healthy and happy both mentally and physically. The Nippon Precision Machinery Group is actively supporting its employees so that they feel healthy, energetic, fulfilled, and challenged, and contributing to the realization of a safe, secure, and sustainable society.



NEWS

Health Management Related Commendations

In recognition of our efforts and attitude toward health management, we received the "2022 White 500 Excellent Healthy Management Corporation" award from the Ministry of Economy, Trade and Industry and the "Governor's Award of the Corporate Award for Promoting Health Management" from Niigata Prefecture in 2021. In addition, our group companies, Honda Automobile Sales Nagaoka Co., Ltd. and Nisshin Service Co., Ltd., were certified as Health Excellent Corporation 2022 (Large-Scale Corporations).



3rd from the right: Kenjiro Hashimoto lieutenant governor,
4th from the right: Koichi Sato Nippon Seiki president

Main Activities

Nippon Seiki's health management emphasizes the creation of a system that encourages employees to enjoy themselves and act in a natural manner. We are also working with local communities to create a model that can be widely used in society.

Health Management Promotion Support Team

In fiscal year 2021, we established the Health Management Promotion Support Team to enable employees to participate in the promotion of health management. We are promoting health management with a variety of ideas from employees' perspectives through the examination of measures and the planning and operation of events. In fiscal year 2021 we produced a voluntary "Greetings Promotion Video" featuring employees from all over the world to foster a spirited and lively corporate culture.



Members of the Health Management Promotion Support Team



Greetings Promotion Video

Voice of the employees

Comments from Health Management Promotion Members

Creating a working environment with a good atmosphere, We will continue to improve work performance!

Exterior Design Department
Naoto Narahashi



Based on the experience of product development that I had struggled in the past, in addition to upgrading my own skills, I carried out "Skill Map Review Activities" within my department to support human resources education and work assignment. I applied for this activity with the aim of spreading this belief and initiative throughout the company. The main activity was the production of videos with greetings. Thanks to the members of the interna-

tional affiliates who appeared in video, I think that this was a video that encouraged many people to greet and encourage them to greet more. Through active greetings and communication, I hope to create an atmosphere in which employees and project members can work comfortably while encouraging a good atmosphere within the company to become a valuable proposal for customers.

Activity 1

Collaboration with the local community at the employee cafeteria

The cafeteria conducts food and nutrition education activities in collaboration with local organizations and companies. We provided menus using attractive local ingredients, such as a dietary life promotion committee idea menu, rice/egg/marmalade jam made by students of Nagaoka Agricultural High School in Nagaoka City, set meat substitute meat from NEXT MEATS, sake cakes from sake breweries and Yoshino River in Nagaoka City, etc.

As well as G OOD LUCK COFFEE in Nagaoka City for mental health and relaxation.

Coffee Serve events were held to provide coffee. We will promote employee health promotion and regional revitalization through our employee cafeteria.



GOOD LUCK COFFEE Event

Activity 2

To consolidate the habit of taking exercise



In order to enable employees to be aware of physical activities in their daily lives, we post a calorie sticker and an in-house walking map on our stairs. Radio gymnastics and muscle training videos are also introduced in the monthly health newsletter created and distributed by the Health Management Office. We are working to create a system that encourages employees to learn about nature and exercise habits, and to raise their motivation and awareness of health.



In-house staircase calorie sticker



Internal walking map

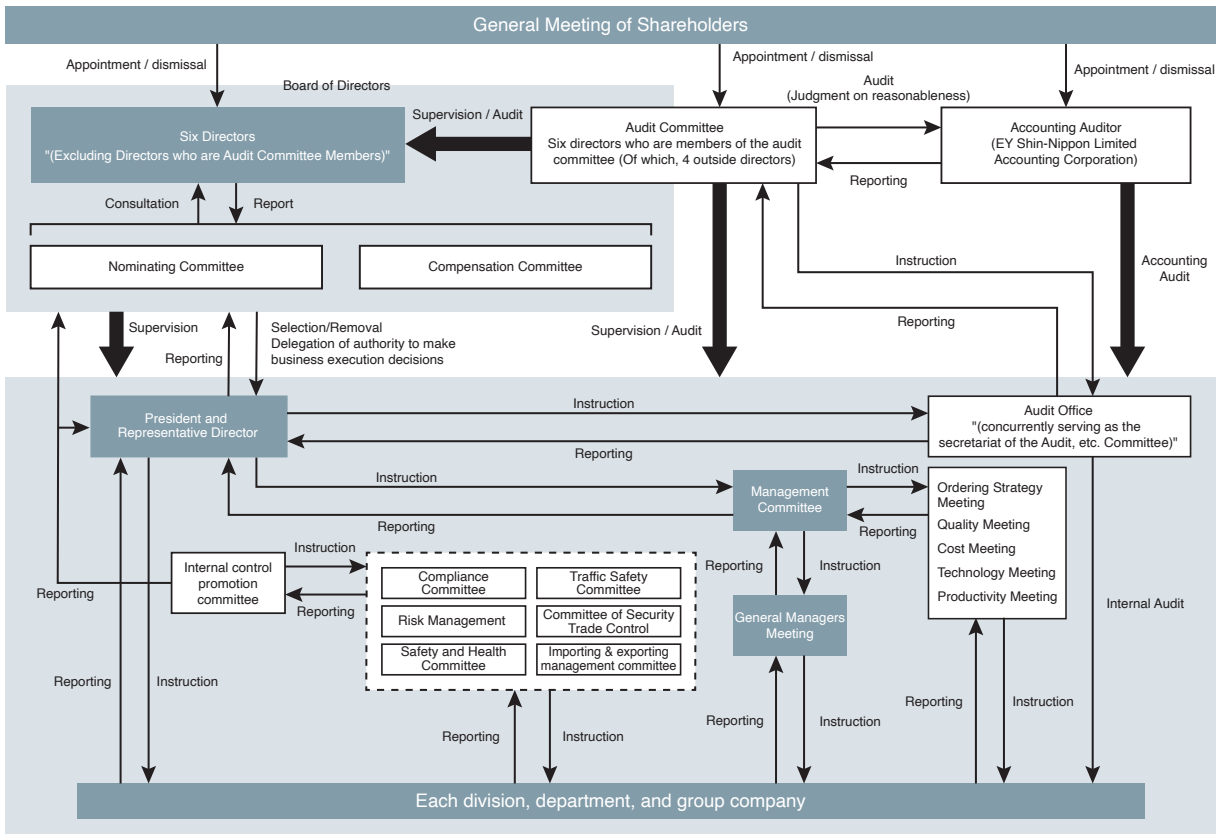
Basic Corporate Governance Concept

We place importance on relationships of trust with our shareholders, employees, customers, business partners, creditors, local communities, and other stakeholders. In addition, in order to achieve sustained growth and increase corporate value over the medium to long term, we will provide appropriate information disclosure, including non-financial information, and support transparent, fair, prompt and

decisionmaking by directors and others.

We recognize that realization of a corporate governance system and constructive dialogue with shareholders are the most important issues. We will continue to strive to achieve sustained growth and increase corporate value over the medium to long term.

< Diagram of Corporate Governance and Internal Control System >



< Composition and main roles of each organization >

Organization	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee
Members	Chair person 12 (8 internal, 4 external)	Chair person 6 (2 internal, 4 external)	Chair person 5 (2 internal, 3 external)	Chair person 5 (2 internal, 3 external)
Main role	<ul style="list-style-type: none"> Basic management decision-making and oversight of business execution Appointment of the representative director Decisions on important business operations (including decisions on matters entrusted to the president and director) 	<ul style="list-style-type: none"> Audit of directors' duties / Supervision Statement of Opinions on Designation and Remuneration, etc. of Directors Who Are Not Audit Committee Members 	<ul style="list-style-type: none"> Deliberate on matters related to the appointment and dismissal of directors, and report to the Board of Directors 	<ul style="list-style-type: none"> Discussion of policy regarding remuneration of directors and individual remuneration amount Report to the Board of Directors

[The Board of Directors Effectiveness]

Evaluation of the Board of Directors effectiveness

Evaluation process

Every year, we analyze and evaluate the effectiveness of the Board of Directors as a whole by conducting a questionnaire survey of the directors who comprise the Board of Directors, reviewing the results by independent directors, and reporting the results to the Board of Directors.

Summary of evaluation results

As a result, we confirmed that the effectiveness of the Board of Directors as a whole was secured in the previous fiscal year.

Nevertheless, there is a need to enhance discussions on management issues that we face.

We also recognized the necessity of compiling basic information as a management indicator and the necessity of enhancing discussions for the next generation, and we will make efforts to improve the effectiveness of the Board of Directors.

[Election of Directors]

Nomination policy for director candidates

When nominating candidates for the Board of Directors, the Nominations Committee, which is chaired by an independent outside director and constituted by a majority of independent outside directors, shall consider the experience, abilities, and achievements of the Executive Officer in a comprehensive manner, and in the case of re-appointed directors, the nomination shall be made after considering the contribution of the re-appointed directors to the performance during their term of office.

Regarding candidates for outside directors, please express your opinions from an external objective point of view by making use of (1) knowledge and experience as an expert to the formulation of

management strategies and plans and the execution of important operations (2) reflecting in the decision-making process of the company, management team, controlling shareholder, etc.

We select and nominate candidates based on a comprehensive assessment of the international perception, expertise, and background of candidates indispensable for the future development of our group, based on the roles we expect of outside directors, such as ensuring that conflicts of interest do not arise between the Company and the Board of Directors, and reflecting the opinions of shareholders and other stakeholders.

Nomination of candidates for director as audit committee members

Knowledge that enables us to appropriately fulfill the roles required of the Audit Committee when nominating candidates for the Board of Directors who are members of our Audit, etc.

Nominations are made after comprehensively considering knowledge, experience, abilities, and personal achievements.

< Board Composition and Skill Matrix >

			Corporate management	Manufacturing and production technologies	Research, development and design	Marketing sales	Accounting and financial taxation	Corporate Governance	ESG Sustainability	Global experience	Human Resources Development	IT DX
Koichi Sato	Inside company		◎		◎	○				◎		
Masatoshi Azuma	Inside company		○		◎		○	○			○	○
Yuji Osaki	Inside company		○			○				○		
Keiichi Nagano	Inside company		○		◎					◎		
Kazuhiko Murayama	Inside company		◎			◎				◎		
Masahiro Yoshihara	Inside company		◎	◎						◎		
Haruhiko Otaki	Inside company	Audit and Supervisory Committee	○					◎				
Tatsuya Nagai	Inside company	Audit and Supervisory Committee						◎		○		
Etsuo Saiki	Outside company	Audit and Supervisory Committee						◎				
Eiko Tomiyama	Outside company	Audit and Supervisory Committee				◎			◎			
Ryuichi Shimamune	Outside company	Audit and Supervisory Committee					◎	○				
Kiyoshi Suzuki	Outside company	Audit and Supervisory Committee	◎	○	◎							○

Items of skill recognized as having abundant knowledge and expertise are marked with ◎.

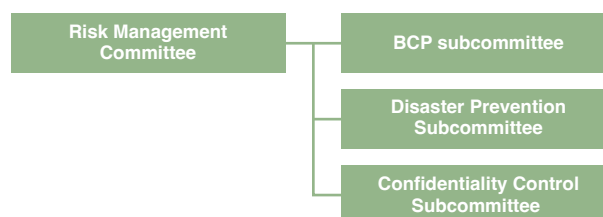
[Directors' Remuneration]

Officer classification	Total remuneration, etc. (million yen)	Total amount by type of remuneration, etc. (million yen)			Number of officers targeted
		Fixed remuneration	Variable remuneration		
			Incentive fee	Stock-based compensation	
		Basic fee	Performance-linked bonus	Stock compensation-type stock options	
Director (Excluding Audit Committee Members and Outside Directors)	161	115	36	9	7
Audit committee members (excluding outside directors)	39	39	-	-	2
External Director	31	31	-	-	4

[Risk Management]

Risk Management System

We have established a Risk Management Committee to reduce and respond to various risks in our business operations. The Risk Management Committee consists of the BCP Subcommittee, the Disaster Prevention Subcommittee, and the Confidential Information Management Subcommittee. The BCP Subcommittee and the Disaster Prevention Subcommittee formulate business continuity plans and reduce disaster risks, and the Confidentiality Management Subcommittee implements information security measures.



Basic Concept of BCP

In recent years, earthquakes, fires, explosions, wind, snow, and flood damage have occurred one after another in countries around the world, and pandemic (a new type of coronavirus) has spread throughout the world. Since it is expected to have a significant impact on the maintenance of the supply chain, it is necessary to determine what measures are being taken to deal with the risks and bottlenecks of stopping business activities. It is also necessary to formulate and implement a business continuity strategy that can be implemented in order to avoid a "loss of management" in the event of an accident.

In order to prevent the suspension of business operations due to disasters such as fires, earthquakes, wind, snow, and floods, and infectious diseases, the Group is narrowing down important operations and promoting the formulation of business continuity plans.

In the event of a disaster, accident, or incident, the President and Representative Director takes the lead in deliberating measures to minimize losses, the possibility of business continuity, and the risk of delivery to customers.

Information security management

Our group is working on global and safe information management by building an information security management system (ISMS) and continuously maintaining and improving information security, including employee education. In particular, we consider customer information, sales information, technical information, and personal information to be important information, and implement appropriate security measures to protect such information from risks such as leakage, loss, destruction, and falsification.

In the area of IT security, in response to the recent rise in cyber attack risk, we have introduced a more robust defense system, including the introduction of next-generation virus countermeasure tools throughout the Group. In addition to internal systems, we are working to maintain and improve our security standards by obtaining certification for information security, called TISAX, from the German Automobile Manufacturers Association in Japan and Europe, and by complying with Japan's Automotive Cyber Security Guidelines. In addition, we have established and operated a system that responds to the standardization of measures (ISO/SAE21434) in response to heightened product safety awareness in the automotive industry, and are steadily implementing cybersecurity measures for our products.

[Intellectual Property]

Basic Concept on Intellectual Property

We promote intellectual property activities based on our basic policies of securing beneficial rights, ensuring intellectual property safety, and strengthening the utilization of rights.

To secure beneficial rights, we seek and evaluate patentable inventions, acquire rights from highly valued inventions, and promote the creation of a foundation to advance business superiority. In addition, to support the acquisition of orders, we will promote the acquisition of rights corresponding to the countries in which we

distribute our products and to our competitors.

"Ensuring Intellectual Property Safety" manages intellectual property risks by conducting patent research in accordance with the development and design phases.

As part of our efforts to strengthen the use of rights, we are promoting verification of other companies' products. When the use of our rights is confirmed, appropriate use of rights such as licenses is made.

[Compliance]

Basic stance on compliance (compliance declaration)

The Nippon Precision Industries Group strives to be a corporate group that is even more trusted by society by placing importance on compliance in its management, complying with laws and ethics as a responsible member of society, and practicing sound corporate activities.

With the Compliance Code of Conduct and directors We aim to be a corporate group that is trusted by society by each and every employee acting in accordance with their action guidelines. We will also contribute to the prosperity of society by providing high-value products and services that satisfy customers.

Compliance Promotion System

We have established a Compliance Committee under the Representative Director to promote compliance, and appoint a Director or an executive officer with an official title as the Compliance Officer. The Compliance Committee is responsible for establishing a company-wide compliance system, identifying problems and issues, and conducting awareness-raising activities.

The committee deliberates on important issues related to violations of the law and promotes continuous improvement.

In addition, the Directors in charge of operations and Executive Officers analyze compliance risks specific to each business division and take countermeasures to continuously improve the quality of these risks.

Compliance Training and Education

We have included the Compliance Declaration, the Internal Reporting System, and the Compliance Code of Conduct in the TQM notebook carried by all employees, and are working to educate employees about the meaning of compliance and to publicize it.

Based on the annual activity plan of the Compliance Committee, compliance training for new employees, compliance training for managers by corporate lawyers, and distribution of educational materials (quarterly).

These measures are implemented by all group companies. In

addition, we are working to prevent recurrence of compliance incidents occurring at Group companies by sharing information with the Compliance Committee and the General Affairs Manager of each company.

In addition, we are working to raise awareness of legal compliance by holding antitrust law training for sales departments and employees on overseas assignments, and holding annual training for all employees to prevent insider trading.

Whistleblowing System

In accordance with the Whistleblower Protection Act, we have established an internal reporting system that accepts reports from employees, including affiliated companies, who are aware of improprieties, at internal and external contact points (attorneys), protects whistleblowers, and implements appropriate investigations, corrections, and preventive measures.

Confidential information may be kept anonymous to the person in charge.

We are strictly protecting whistleblowers by imposing obligations. In addition, the Compliance Committee is responsible for the internal whistleblower hotline. The Compliance Committee mandates the submission of reports on certain serious cases to outside directors, and prohibits the involvement of interested parties in cases. In this way, the fairness and independence of the whistleblower hotline is ensured.

INTERVIEW

Kiyoshi Suzuki, outside director: his talks about Nippon Seiki in the future



Q1 What do you think are the advantages of Nippon Seiki Groups?

As a supplier of meters for vehicles and motorbikes, we are proud to be a worldwide market share leader. We are the company that is vital for our customers and our extraordinary products gain customers' trusts. A meter is one of the parts that a driver's eyes mostly see. The reason why the meters have been produced and become advanced is because we have been seamlessly producing quality products. These days, especially, the product power of HUD is derived from the strength of our originality.

To further expand the advantage, overwhelming product planning is required. We should not weaken this advantage by assigning a priority to meet tough cost reduction requirement from the market. Car makers' strategies have been switched from the ordinary unified

platform strategies focusing on cost performance to individual power hybrid strategies: Nippon Seiki seamlessly needs to make product plannings which overwhelm other meter companies and are highly recognized by customers in the future.

Our global network being built over a long period is also thought to be our advantage. This advantage cannot be built in a short term: hence it seems to attract our customers since it is the gift of many years of the manufacturing history in Nippon Seiki. In the future, however, for taking swift actions globally, we need to grasp the problems which occur at each site in a timely manner. To do so, it is required to reinforce the cross-function at each site more in order to correct the unbalance as well as to enhance risk management at each site. Each site is facing various problems and responding to them at all times. It is important that the Nippon Seiki headquarters need to show the cross-function ability to take measures to these problems in an inter-disciplinary way.

Q2 What do you think are the challenges for Nippon Seiki Groups?

Cost reduction is the thing that we have mostly been struggling with these days. The external environmental changes are quicker than ever before, and all the other vehicle parts suppliers have had a hard time as well. This is because half of a car production cost is the supplier's cost and therefore, we expect to continue to receive a strong request for cost reduction from car makers. For reinforcing the cost reduction, we need to set up a high-goal and in order to achieve this, all the sections such as technology development, production, and purchasing need to work together as it is quite hard to do it in the way by simply piling up practical figures collected from each section. Cost is evaluated by figures, and for the materialization, those figures should have clear milestones. In addition, although our company has a strong tendency of being a vertically divided organization, in a short-term basis, I think it necessary to let the cost-controlling sections horizontally have the authority for their actions.

In a long term, we need to pursue not only cost reduction, but the increase of the quality of products and operations. For solving out such issues, the employees' experiences in the field are mandatory. To do so, we should never neglect the future human resource strategy. In addition to conventional education, it is required to conduct re-training for digitalized operation and have younger employees play active parts in the field. We are determined to accomplish our purpose, namely, to foster employees in ten-year units. Because of the current hardship, younger employees' abilities to improve and challenge things are necessary and now it is a chance to foster the employees which plays an important role for the future Nippon Seiki. How to polish the individual ability of our employees will be the sources for a long-term competitiveness. As a global company, it is also required to proactively approach the recruitment to have excellent human resources in each country. To globalize for cost competitiveness purpose is vital, but our human resources are also required to cope with the globalization. Especially, human resources for IT engineers in Japan have been depleted: I am wondering if we should consider recruiting globally.

Q3 Taking the current external environment into consideration, please let us know what you are expecting from the executives for gaining company values.

We see the economy stagnation due to Covid19 in the past few years, the accelerated demand of carbon neutral, progression of CASE, the shortage of semiconductors: there are big changes said to be happening once in a few decades throughout the world. The external environment encompassing us has largely changed more than before. All the things happening now in the world are unforeseeable and are expecting to continue.

I would like the executives to keep their eyes open and focus on collecting information at all times. You cannot see the movements in the world without raising your perspectives. It is vital that we look at the big picture of the world trend with a bird's view, as well as pay attention to customer trend in order to enhance the awareness of problem and crisis.

President Mr. Sato has consistently sent his message "transformation to lean management" to the whole company since his appointment. This is quite important and is exactly what this company needs now. Presently, our company has faced several difficult problems. To overcome these problems, it is essential that we once again go back to the origin for the pursuit and extraction of the root causes of the problems. In addition, when the employees constantly start thinking of what the lean management is, their awareness of the problems will be surely raised. Moreover, the most important thing is to take action. We are in the era where the environment changes very quickly: I think that new corporate culture will be emerged by thinking outside the box and taking swift actions in each business section. I think that the stubbornly honest actions like "do not start without beginning" and "do not stop once you begin" for everything are the driving force to clear a path for Nippon Seiki's future.



Consolidated Financial Statements

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	March 31, 2021	March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	41,650	24,796
Trade and other current receivables	40,475	40,502
Other current financial assets	70,779	78,001
Inventories	45,557	69,577
Other current assets	7,558	8,991
Total current assets	206,020	221,870
Non-current assets		
Property, plant and equipment	69,827	67,125
Goodwill and intangible assets	8,734	8,097
Trade and other non-current receivables	452	455
Other non-current financial assets	26,872	27,931
Deferred tax assets	2,376	3,193
Other non-current assets	905	879
Total non-current assets	109,167	107,683
Total assets	315,188	329,553
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	33,721	40,432
Short-term loans	56,965	56,047
Other current financial liabilities	2,386	1,897
Income tax payables	953	1,315
Short-term employee benefits	4,467	4,817
Provisions	1,542	778
Other current liabilities	1,077	1,329
Total current liabilities	101,114	106,618
Non-current liabilities		
Long-term loans	12,802	13,084
Other non-current financial liabilities	3,417	3,064
Long-term employee benefits	3,954	4,091
Provisions	85	184
Deferred tax liabilities	6,903	7,331
Other non-current liabilities	381	304
Total non-current liabilities	27,544	28,061
Total liabilities	128,658	134,679
Equity		
Common stock	14,494	14,494
Capital surplus	4,455	4,438
Retained earnings	157,449	149,946
Treasury stock	(1,045)	(1,014)
Other components of equity	3,869	18,392
Equity attributable to owners of the parent	179,222	186,257
Non-controlling interests	7,307	8,616
Total equity	186,530	194,874
Total liabilities and equity	315,188	329,553

Consolidated Statement of Income

(Unit: Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	216,926	223,621
Cost of revenue	(184,090)	(187,514)
Gross profit	32,835	36,107
Selling, general and administrative expenses	(30,015)	(38,362)
Other income	1,553	1,329
Other expenses	(473)	(3,350)
Operating profit (loss)	3,900	(4,276)
Finance income	2,489	3,053
Finance costs	(190)	(176)
Profit (loss) before tax	6,199	(1,399)
Income tax expense	(4,961)	(3,143)
Profit (loss) for the year	1,237	(4,543)
Profit attributable to:		
Owners of the parent	517	(5,180)
Non-controlling interests	720	637
Profit (loss) for the year	1,237	(4,543)
Earnings per share attributable to owners of the parent:		
Basic earnings (losses) per share (Yen)	8.97	(85.88)
Diluted earnings (losses) per share (Yen)	8.95	(85.88)
Profit (loss) for the year	1,237	(4,543)
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of tax:		
Gains(losses) on financial assets measured at fair value through other comprehensive income	3,291	(8)
Remeasurements of net defined benefit liabilities (assets)	(133)	140
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	3,157	131
Items that may be reclassified to profit or loss, net of tax:		
Foreign currency translation adjustments	6,375	15,480
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax	6,375	15,480
Other comprehensive income (loss) for the year	9,532	15,612
Total comprehensive income for the year	10,770	11,069
Comprehensive income attributable to:		
Owners of the parent	9,428	9,467
Non-controlling interests	1,341	1,601
Comprehensive income for the year	10,770	11,069

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the year ended March 31, 2021

(Unit: Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2020	14,494	6,056	159,508	(6,289)	4,250	—
Comprehensive income						
Profit for the year	—	—	517	—	—	—
Other comprehensive income (loss)	—	—	—	—	3,291	(126)
Total comprehensive income (loss)	—	—	517	—	3,291	(126)
Transactions with owners						
Dividends paid	—	—	(2,291)	—	—	—
Share-based payment transactions	—	16	—	—	—	—
Purchase of treasury stock	—	—	—	(0)	—	—
Disposal of treasury stock	—	(1,617)	—	5,244	—	—
Transfer from other components of equity to retained earnings	—	—	(126)	—	0	126
Other	—	—	(158)	—	—	—
Total transactions with owners	—	(1,600)	(2,576)	5,244	0	126
As of March 31, 2021	14,494	4,455	157,449	(1,045)	7,542	—

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the parent		
	Foreign currency translation adjustments	Total			
As of April 1, 2020	(9,418)	(5,167)	168,601	6,227	174,828
Comprehensive income					
Profit for the year	—	—	517	720	1,237
Other comprehensive income (loss)	5,746	8,911	8,911	621	9,532
Total comprehensive income (loss)	5,746	8,911	9,428	1,341	10,770
Transactions with owners					
Dividends paid	—	—	(2,291)	(256)	(2,547)
Share-based payment transactions	—	—	16	—	16
Purchase of treasury stock	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	3,627	—	3,627
Transfer from other components of equity to retained earnings	—	126	—	—	—
Other	—	—	(158)	(5)	(164)
Total transactions with owners	—	126	1,193	(261)	931
As of March 31, 2021	(3,672)	3,869	179,222	7,307	186,530

For the year ended March 31, 2022

(Unit: Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2021	14,494	4,455	157,449	(1,045)	7,542	—
Comprehensive income						
Loss for the year	—	—	(5,180)	—	—	—
Other comprehensive income (loss)	—	—	—	—	(8)	124
Total comprehensive income (loss)	—	—	(5,180)	—	(8)	124
Transactions with owners						
Dividends paid	—	—	(2,412)	—	—	—
Share-based payment transactions	—	14	—	—	—	—
Purchase of treasury stock	—	—	—	(0)	—	—
Disposal of treasury stock	—	(30)	—	31	—	—
Transfer from other components of equity to retained earnings	—	—	124	—	(0)	(124)
Other	—	—	(34)	—	—	—
Total transactions with owners	—	(16)	(2,322)	31	(0)	(124)
As of March 31, 2022	14,494	4,438	149,946	(1,014)	7,533	—

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the parent		
	Foreign currency translation adjustments	Total			
As of April 1, 2021	(3,672)	3,869	179,222	7,307	186,530
Comprehensive income					
Loss for the year	—	—	(5,180)	637	(4,543)
Other comprehensive income (loss)	14,531	14,647	14,647	964	15,612
Total comprehensive income (loss)	14,531	14,647	9,467	1,601	11,069
Transactions with owners					
Dividends paid	—	—	(2,412)	(283)	(2,695)
Share-based payment transactions	—	—	14	—	14
Purchase of treasury stock	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	0	—	0
Transfer from other components of equity to retained earnings	—	(124)	—	—	—
Other	—	—	(34)	(8)	(43)
Total transactions with owners	—	(124)	(2,433)	(291)	(2,725)
As of March 31, 2022	10,858	18,392	186,257	8,616	194,874

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Year ended March 31,2021	Year ended March 31,2022
Cash flows from operating activities:		
Profit (loss) before tax	6,199	(1,399)
Depreciation and amortization	11,299	11,916
Impairment loss	78	3,090
Interest and dividends income	(1,437)	(1,481)
Interest expense	190	169
(Gain) loss on sale of property, plant and equipment	52	81
(Increase) decrease in trade and other receivables	(782)	4,063
(Increase) decrease in inventories	1,225	(19,577)
Increase(decrease) in trade and other payables	(3,335)	773
Increase (decrease) in provisions	(646)	(765)
Increase (decrease) in retirement benefit liabilities	103	179
Foreign exchange losses(gains)	(1,091)	407
Other, net	941	(906)
Subtotal	12,796	(3,447)
Interest and dividends received	2,065	1,524
Interest paid	(178)	(170)
Income taxes paid	(4,084)	(3,284)
Other, net	—	(60)
Net cash provided by operating activities	10,599	(5,437)
Cash flows from investing activities:		
(Increase)decrease in time deposits, net	746	(369)
Purchase of property, plant and equipment and intangible assets	(10,074)	(7,473)
Proceeds from sale of property, plant and equipment and intangible assets	235	572
Purchase of investment securities	(3,782)	(69)
Proceeds from sale of investment securities	2	1,175
Increase in loans receivable	—	(7)
Collection of loans	10	110
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(120)
Payments for acquisition of businesses	(126)	—
Payments for investments in associates	—	(1,334)
Other, net	(19)	(2)
Net cash used in investing activities	(13,007)	(7,518)
Cash flows from financing activities:		
(Decrease) increase in short-term loans, net	(100)	3,000
Proceeds from long-term loans	10,040	7,040
Repayments of long-term loans	(4,100)	(10,755)
Repayments of lease obligations	(1,938)	(2,075)
Dividends paid to non-controlling interests	(353)	(296)
Net decrease (increase) in treasury stock	3,627	0
Dividends paid to owners of the parent	(2,291)	(2,411)
Net cash used in financing activities	4,883	(5,498)
Foreign currency translation adjustments on cash and cash equivalents	2,516	1,601
Net increase (decrease) in cash and cash equivalents	4,992	(16,853)
Cash and cash equivalents at beginning of year	36,657	41,650
Cash and cash equivalents at end of year	41,650	24,796

Directors



7 Haruhiko Otaki 5 Kazuhiko Murayama 3 Yuji Osaki 2 Masatoshi Azuma 4 Keiichi Nagano 6 Masahiro Yoshihara 8 Tatsuya Nagai
11 Ryuichi Shimamune 9 Etsuo Saiki 1 Koichi Sato 10 Eiko Tomiyama 12 Kiyoshi Suzuki

1 Koichi Sato

Representative Director,
President Chief Executive Officer

Apr. 1985 Joined Nippon Seiki Co., Ltd.
Apr. 2006 Vice President NS International, Ltd.
Jun. 2011 Director
Jun. 2013 Managing Director
Apr. 2017 Senior Representative Director
Jun. 2019 Representative Director
Jun. 2020 PRepresentative Director, President CEO (Present)

2 Masatoshi Azuma

Managing Director

Apr. 1984 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer,
Engineering Headquarter Automotive Instrument
Design Supervision dept. Deputy Senior Manager
and HUD Engineering dept. Senior Manager
Jun. 2018 Senior Operating Officer
Jun. 2020 Managing Director (Present)
Apr. 2021 Chief of Corporate Management Headquarter
Region in Charge: ASEAN/Taiwan(Present)

3 Yuji Osaki

Managing Director

Mar. 1982 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer
Oct. 2016 Senior Manager of Business Supervision dept. 1,
Business Headquarter
Apr. 2018 Chief of Sourcing Headquarter
Jun. 2019 Senior Operating Officer
Jun. 2020 Managing Director (Present)
Jun. 2022 Chief of Sourcing Headquarter, in charge of
Sensor/EMS/Parts Business Headquarter,
Quality Assurance Headquarter,
Consumer Business Headquarter,
Region in Charge Japan (Present)

4 Keiichi Nagano

Managing Director

Apr. 1989 Joined Nippon Seiki Co., Ltd.
Nov. 2016 Director, Nippon Seiki (Europe) B.V.
Apr. 2020 Operating Officer Instrument Design Headquarter
Jun. 2020 Senior Operating Officer
Jun. 2021 Director
Jun. 2022 Managing Director, Chief of Automotive System
Design Headquarter In Charge of Engineering
Headquarter Region in Charge: Europe (Present)

5 Kazuhiko Murayama

Director / Senior Operating Officer

Apr. 1985 Joined Nippon Seiki Co., Ltd.
May. 2015 Managing Officer, Nissei Display Sales and
Development Co., Ltd.
Apr. 2019 Operating Officer Business Headquarter International
Business Supervision dept.
Apr. 2021 Chief of Automotive Business Headquarter
Jun. 2021 Senior Operating Officer
Jun. 2022 Director/Senior Operating Officer, Chief of Automotive
Business Headquarter In Charge of HUD Business
Headquarter, Instrument Business Headquarter
Region in Charge: Americas (Present)

6 Masahiro Yoshihara

Director / Senior Operating Officer

Sep. 1985 Joined Nippon Seiki Co., Ltd.
Oct. 2016 Shanghai Nissei Display System Co., Ltd.
Apr. 2021 Operating Officer
May. 2021 Chief of Production Engineering Headquarter
Jun. 2022 Director/Senior Operating Officer, Chief of
Production Engineering Headquarter
In Charge of Production Headquarter,
Region in Charge: China (Present)

7 Haruhiko Otaki

Director (Auditor)

Apr. 2003 Joined Nippon Seiki Co., Ltd.
Jun. 2013 Operating Officer
Apr. 2015 Chief of Sourcing Headquarter
Jun. 2015 Senior Operating Officer
Jun. 2018 Auditor
Jun. 2019 Director (Auditor)(Present)

8 Tatsuya Nagai

Director (Auditor)

Mar. 1982 Joined Nippon Seiki Co., Ltd.
Mar. 2003 Senior Manager Corporate Planning dept.
No. 2006 Senior Manager Business Promotion dept.
Apr. 2014 Senior Manager Internal Audit Office
Jun. 2018 Auditor
Jun. 2019 Director (Auditor)(Present)

9 Etsuo Saiki

Outside Director (Auditor)

Apr. 1979 Registered as an Attorney
Apr. 1979 Joined Kiichi Sakai Attorney Office
Apr. 1983 Opened Sakai-Saiki Attorney Office
Apr. 2002 Niigata University Faculty of Law Affiliate Professor
Apr. 2003 Niigata Regional Court Civil Mediator
Apr. 2004 Niigata University Practical Law Associate Professor
May. 2009 Chairperson Asahi Niigata Legal Office (Present)
May. 2015 Auditor
Jun. 2019 Director (Auditor)(Present)

10 Eiko Tomiyama

Outside Director (Auditor)

Apr. 1986 Joined Itoman
Aug. 1989 Niigata Television Translator,
International Communication
Apr. 1994 Niigata Regional Court Legal Interpreter
Mar. 2002 Ph.D (Economics) Niigata University
Modern Society Culture Research
Apr. 2006 Associate Professor Graduate Institute
for Entrepreneurial Studies
Apr. 2010 Professor Graduate Institute
for Entrepreneurial Studies (Present)
Apr. 2014 Vice President Graduate Institute
for Entrepreneurial Studies (Present)
Jun. 2018 Auditor
Jun. 2019 Director (Auditor)(Present)

11 Ryuichi Shimamune

Outside Director (Auditor)

Apr. 1978 Joined Kanto Shinetsu National Tax Bureau
Jul. 2009 Odiya Tax Office Commissioner
Jul. 2015 Kanto Shinetsu National Tax Bureau
Inspection dept. Manager
Aug. 2016 Opened Ryuichi Shimamune
Tax Accountant Office
Oct. 2017 Chairperson Saito-Shimamune
Tax Accountant Office (Present)
Jun. 2019 Tanabe Engineering Corp. Auditor (Present)
Jun. 2019 Director (Auditor)(Present)

12 Kiyoshi Suzuki

Outside Director (Auditor)

Apr. 1975 Joined Sanden Holdings
Sep. 2000 Quality Manager Sanden Holdings
Jun. 2003 Technical Officer Sanden Holdings
Jun. 2005 Technical Director Sanden Holdings
Jun. 2007 Director Engineering, IT, Corporate
Management Sanden Holdings
Jun. 2014 Paramount Bed Co., Ltd. Senior Operating Officer
Jun. 2019 Director (Auditor)(Present)

Overview of Nippon Seiki

Corporate Information (as of March 31, 2022)

Established	Founded in 1945 / Established in 1946,
Head Office	2-2-34, Higashi-zaoh, Nagaoka-shi, Niigata JAPAN
Fiscal year end	March
Total Number of Authorized Shares	220,000,000shares
Total Number of Outstanding Shares	60,907,599shares (including 584,052 treasury shares)
Capital	14,494 million
Number of employees	(Consolidated) 13,386 , (unconsolidated) 1,750
Stock exchange	Tokyo Stock Exchange Standard Market
Stock code	7287
Shareholder Registry	Sumitomo Mitsui Trust & Banking Co.
Ordinary General Meeting of Shareholders	Held in June every year
Administrator Accounting	EY Shin-Nihon LLC
Web site	https://www.nippon-seiki.co.jp/

Editorial Note



Managing Officer,
Chief of Corporate
Management Headquarters

Masatoshi Azuma

We have created this Synthesis Report as a communications tool to explain to shareholders, investors and other stakeholders how the Nippon Precision Machinery Group contributes to the sustainable prosperity of society as a whole.

In the NIPPON SEIKI Integrated Report 2022, which will be published for the second time, we have tried to clearly state "what each business will be materiality and what kind of value will be provided to society."

The environment surrounding the Nippon Precision Machinery Group is faced with challenges in expanding sales and securing profits due to the recent corona outbreak and geopolitical risks, but it is necessary to solve social issues.

We will strive to achieve a balance between our determination and the development of our group.



NIPPON SEIKI