



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.

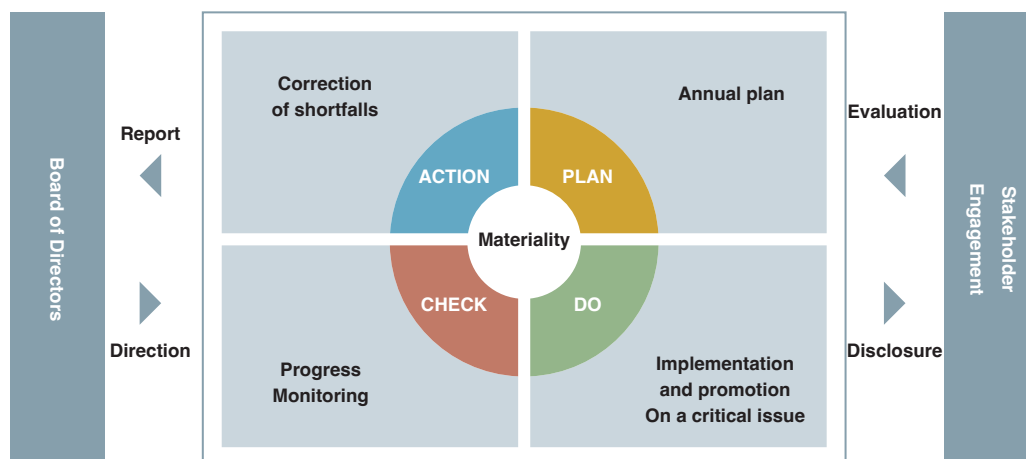
"The perspective of ESG is a restraint of business risk" is the perspective of being aware of environmental or social risk factors, what measures are being taken in response to such factors, and what impact do you have on financial stability.

"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.

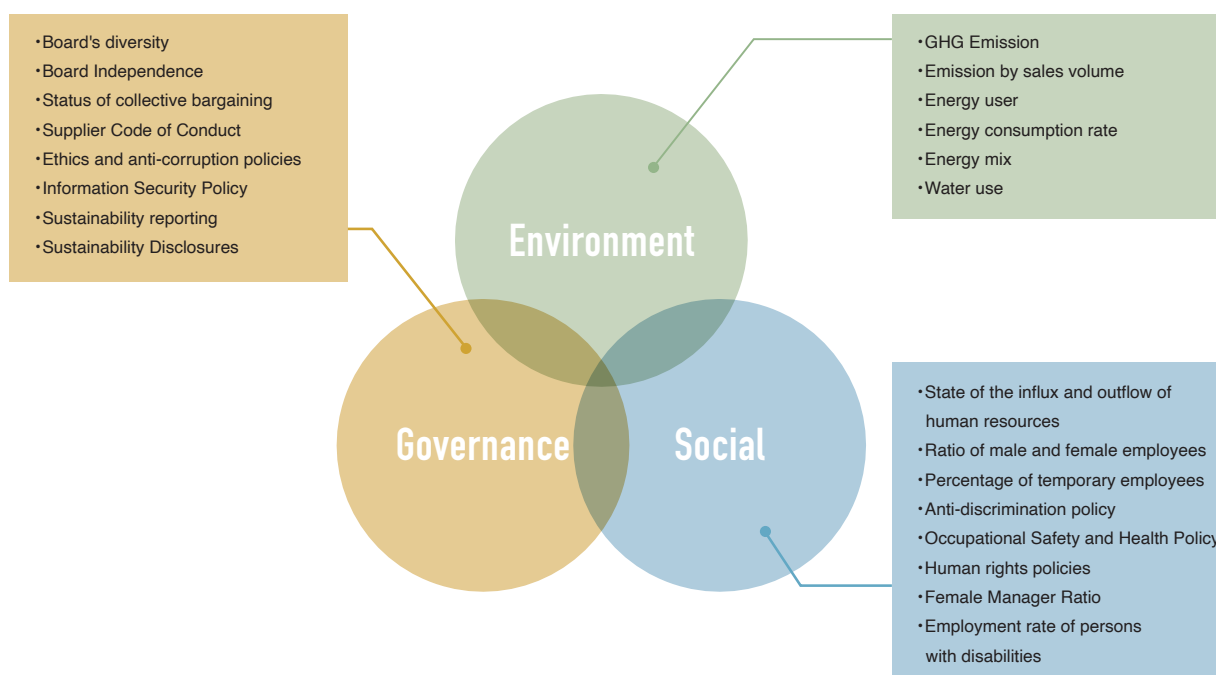
ESG Management of Nippon Seiki Group

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.

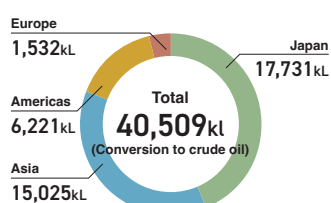


Environmental Declaration

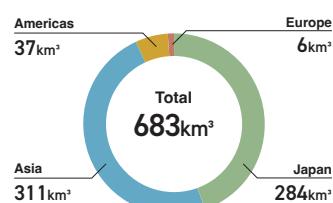
We regard the realization of a sustainable society as an important management issue and will continue to provide high-value products and services to realize a safe and secure society in harmony with the environment through business activities that value "ambition," "society," "customers," and "people."

Environmental Impact of Nippon Seiki Group(FY2022)

Energy



Water consumption



INPUT

Number of
factories

Japan

4

Asia

9

Americas

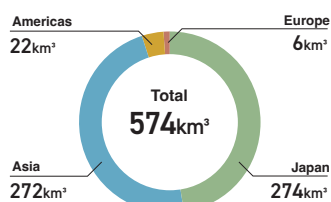
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Europe

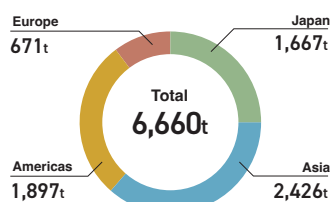
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OUTPUT

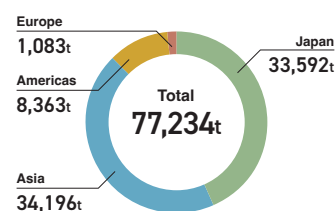
Water discharge



Waste emissions



CO₂ emissions



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 FY2022 are as follows.

Action themes	Item	Subjects	FY2022 Targets	FY2022 Results	Evaluation
Prevention of global warming	Electric power	All manufacturing operation	1.0% reduction (per unit of production) (base year 2021)	1.4% increase	×
		All indirect departments	1.0% reduction (electricity consumption) (base year 2021)	2.7% reduction	○
	Heavy oil	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	220.4% increase *	×
	City gas	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	19.6% reduction	○
Conserving Water Resources	Water supply	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	129.2% increase *	×
To reduce, reuse, and recycle waste	Amount released	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	20.5% reduction	○
	Recycling rate	Entire company	99.90% or more	99.79%	×
Develop eco-friendly products	Environmental factors for products	Design division	For each product group Improvement of product environmental indices	12 themes are implemented, with an average achievement rate of 92%	×
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	1 theme is developed, all of which achieved 100% target.	○
	Handling management	Relevant division	Control and eduction of use of PRTI-designated substances	6 themes are developed, with an average achievement rate of 100%	○
Promotion of green procurement		Procurement-related departments	Environment for suppliers Improvement of performance evaluation	3 themes are developed, with an average achievement rate of 100%	○
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
 ※ Due to the reduction in display manufacturing volume, the basic unit (efficiency) deteriorated.

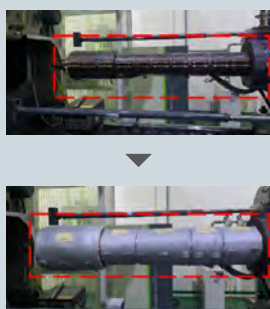
[Initiatives Related to the Achievement of Environmental Targets]

Power reduction by keeping resin molding machine cylinder warm

We have applied the electricity consumption reduction measures implemented by NS Group manufacturing companies using molding machine heat-insulating covers to our molding machines, reducing the electricity consumption of our molding machines.

In the molding machine cylinder, some of the heat from the heater was being released to the outside, resulting in energy loss.

By attaching a heat insulating cover to the molding machine cylinder and reducing heat release loss, we were able to reduce the power consumption of the molding machine by 11%. This improvement is also expected to be effective in reducing air conditioning power consumption in the manufacturing department.

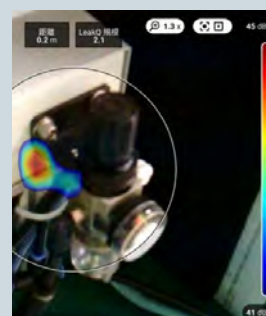


Power reduction through air leak detection

It was difficult to detect minute air leaks in the compressed air used on the production line. However, by visualizing the air leak location with an air leak detector, it is now possible to detect minute air leaks that were previously unnoticed.

On the production line, we repaired the leak points (10 locations) discovered using an air leak detector and stopped a leak of 112L/min. As a result, we were able to reduce compressor power loss by 10,400kwh/year.

This reduction activity is being expanded and promoted at our international group companies.



Information disclosure based on the Task Force on Climate Change Financial Disclosures (TCFD)

In September 2022, Nippon Seiki announced its support for the TCFD recommendations (Task Force on Climate-related Financial Disclosures) and joined the TCFD consortium.

The Nippon Seiki Group has a sustainability policy and considers responding to climate change to be one of the most important management issues within ESG (Environment, Society, and Legal Compliance).

In order to further communicate with all stakeholders involved with our company, we will make further efforts to enhance information disclosure related to climate change through our website, integrated reports, etc.



Governance

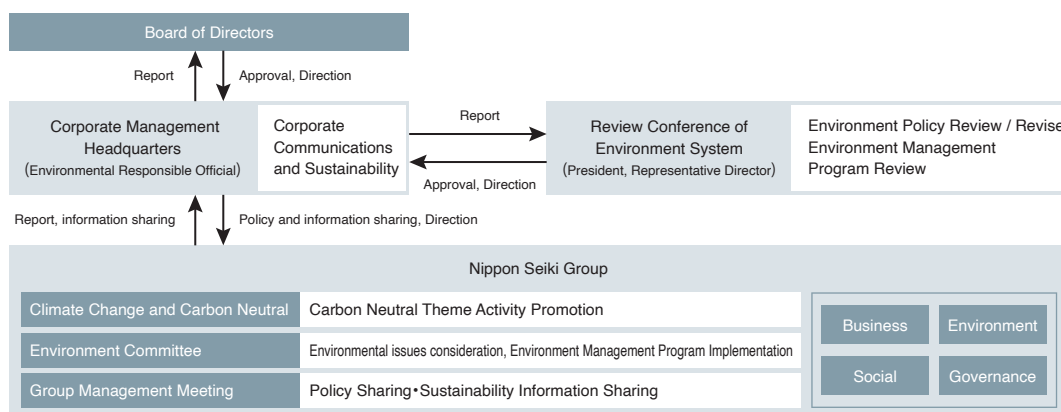
In order to strengthen our sustainability efforts, Nippon Seiki established a new "Public Relations and Sustainability Promotion Department" within the Business Management Headquarters in 2022 to integrate sustainability, including climate change, and public relations activities.

Public relations and sustainability promotion, which is promoting the TCFD, review the risks related to climate change and the impact on business activities, report policies, goals, progress, issues, etc. to the Board of Directors and the Environmental System Review Committee, which is a meeting related to the environment, and develop and instruct policies and targets through the Environmental Committee, related departments, Group Management Meeting, which is a general meeting of group companies, etc., share information, and manage progress.

Management discusses, approves, and gives instructions regarding policies, goals, progress, and issues at the Board of Directors and the Environmental System Review Meeting.



COP 3, United Nations Climate Change conference, Kyoto, Japan
Quoted from Japan Center for Climate Change Actions



Risk Management

Regarding the management of risks related to sustainability and climate change, the Environmental Management Officer and the "Public Relations and Sustainability Promotion" section within the Business Management Headquarters serve as the secretariat to analyze risks that may have a significant impact on the Nippon Seiki Group and each stakeholder. The results and KPIs are discussed and reported once a year at the Environmental System Review Meeting or to the Board of Directors.

Regarding the environmental management program, plans, KPIs, and implementation results are discussed and reported to the environmental system review meeting.

Strategy

Due to its risks, climate change has various impacts not only on the business activities of our company and its group companies, but also on us, the society surrounding them, and our stakeholders.

In order to minimize the impact of risks and take advantage of opportunities, we identify the impact (risks and opportunities) that climate change will have on business activities through scenario analysis. We will then promote sustainable business activities by considering the priorities and reflecting them in our business strategies.

4°C scenario	IEA STEPS,WEO IPCC RCP8.5	<ul style="list-style-type: none"> •Due to climate change, rising sea levels and increased rainfall will lead to river flooding and an increase in areas affected by flooding, as well as widespread droughts and an increased risk of drought. •Increased risk of death and decreased motivation to work due to heat waves and increased risk of infection
1.5°C,2°C scenario	IEA SDS,WEO IPCC RCP2.6	<ul style="list-style-type: none"> •Strengthening climate change control policies and regulations will lead to an increase in carbon tax burden and increase in EV vehicles, ICE vehicles decrease •Development of new products and new technologies for a low-carbon society

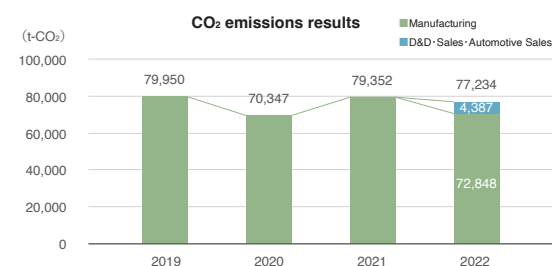
IPCC the 6th Assessment Report SSP Scenario		
Scenario	Scenario outline	Approximate RCP Scenario
SSP1-1.9	Scenario of restraining temperature rise under 1.5°C with sustainable development Introducing policies to restrain temperature rise under 1.5°C CO ₂ emission net zero in the late 21st century	None
SSP1-2.6	Scenario of restraining temperature rise under 2°C with sustainable development Introducing policies to restrain temperature rise under 2°C CO ₂ emission net zero in the late 21st century	RCP2.6
SSP2-4.5	Scenario of introducing climate change measures with centrist development Almost the same as the cumulative of each countries' reduction goal (NDC) until 2030	RCP4.5 close to RCP4.0 until 2050
SSP3-7.0	Scenario of not introducing climate change measures with regional conflict development	Between RCP6.0 & 8.0
SSP5-8.5	Maximum emission scenario of not introducing climate change measures with highly fossil fuel dependent development	RCP8.5

Quoted from Japan Center for Climate Change Actions

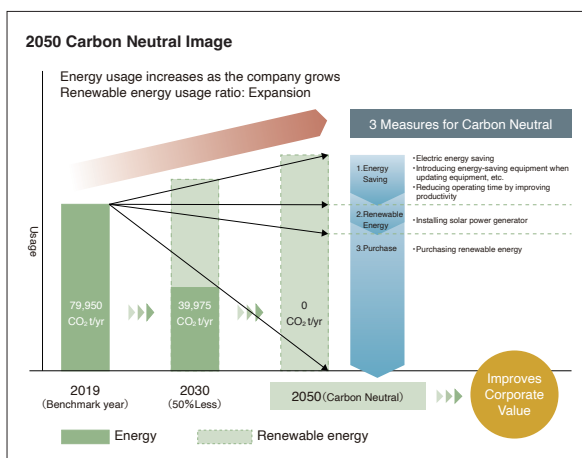
Scenario	Factor	Risk	Opportunity	Effect	Countermeasures
Transfer effect to 1.5°C/2°C society	Carbon Price	•Cost increase by carbon taxation to materials	•Product weight saving, design and production engineering improvement •Introducing sustainable material	High	•Energy efficiency production(introducing high efficiency machinery) •Energy efficiency design (material saving, alternative material usage)
		•Cost increase by carbon taxation to fuel	•Various renewable energy(solar, hydrogen, alternative fuel, etc.)		•Change to renewable energy, installing solar panel Purchasing non-fossil certificate, reducing GHG by electrification •Making GHG reduction plan and implementation
		•Cost increase by alternative energy investment	•Choosing effective investment		•Introducing internal carbon pricing
	Energy Price (Electricity, oil, gas)	•Energy cost soaring •Manufacturing cost increase by energy cost soaring •Transport cost increase by fuel cost soaring	•Various renewable energy(solar, hydrogen, alternative fuel, etc.)	High	•Reducing GHG by electrification •Change to renewable energy •Installing solar panel
	GHG regulation become strict	•Restriction by GHG emission regulation •Material cost soaring	•High energy efficiency equipment development	High	•High energy efficiency production and design •High energy efficiency equipment development
	Plastic Restriction	•Plastic emission regulation •Material cost increase by plastic emission restriction	•Introducing sustainable material	Middle	•Considering alternative material, and applying to products
	Recycle Restriction	•Recycle material cost soaring, D&D cost increase by design change to recycle material	•Introducing sustainable material •Recycle process development	Middle	•Considering alternative material, and applying to products •Reducing material purchase and emission by recycle
Physical effect in 4°C climate change	Heavy rain and flood increase	•Heavy rain, sea level rising •Operation stoppage by flood •Moving factory, warehouse location to avoid flood risk •Product shipping stoppage by supply chain discontinuation	•Transformation to resilient factory	High	•BCP improvement •Disaster prevention manual •Enhancing flood resilience
		•Unstable labor resource	•Introducing efficient and flexible working way		•Flexible remote working

Goals and indicators

Nippon Seiki Group has set a 50% reduction target for CO₂ emissions in Scope 1 and Scope 2 (based on 2019) in 2030 as a goal related to climate change in order to realize a sustainable society. After that, we set a goal of 100% reduction (carbon neutral) in 2050.



※Consolidated manufacturing bases will be covered until 2021, and manufacturing, development design, sales, and vehicle sales bases will be covered from 2022 onwards. *From 2022 onwards, the Emission Factor published by the International Energy Agency will be used as the CO₂ emissions coefficient for electricity.



Basic approach to society

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.

Learn more



Occupational Safety and Health Management System

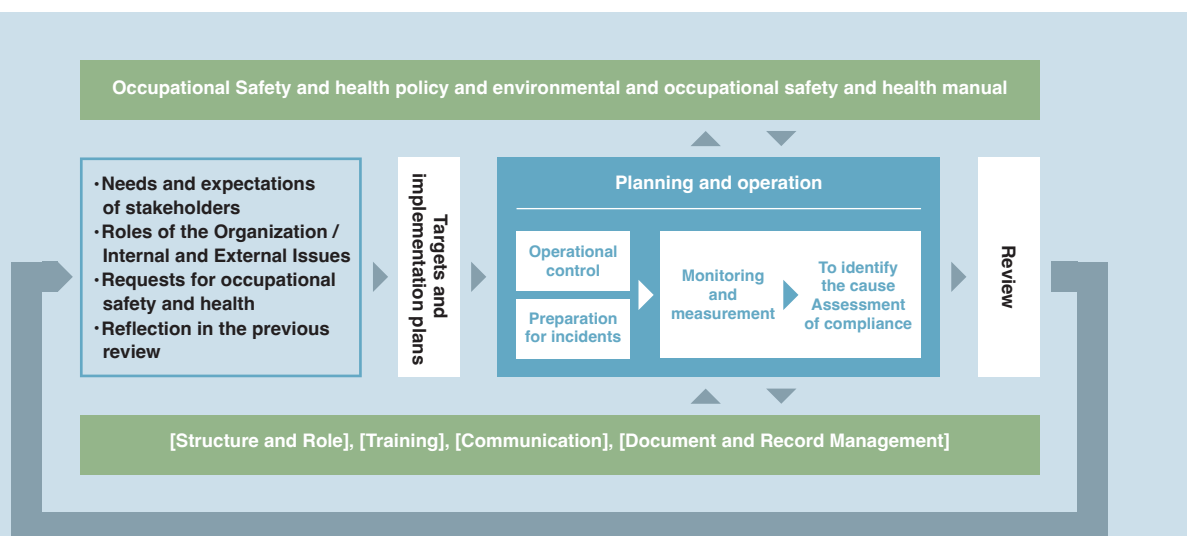
In August 2020, Nippon Seiki acquired the Occupational Safety and Health Management System (ISO 45001) certification and complied with the process.

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



Based on management reviews and various requests, we formulate targets and implementation plans and implement them in a planned manner.

Events that occur in the planning and operation process are reflected in various policies, manuals, training, etc., as appropriate to promote optimization, monitor and measure the results, and record the evaluation information that goes through each process as a management review.

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.

For more information
This way.



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.

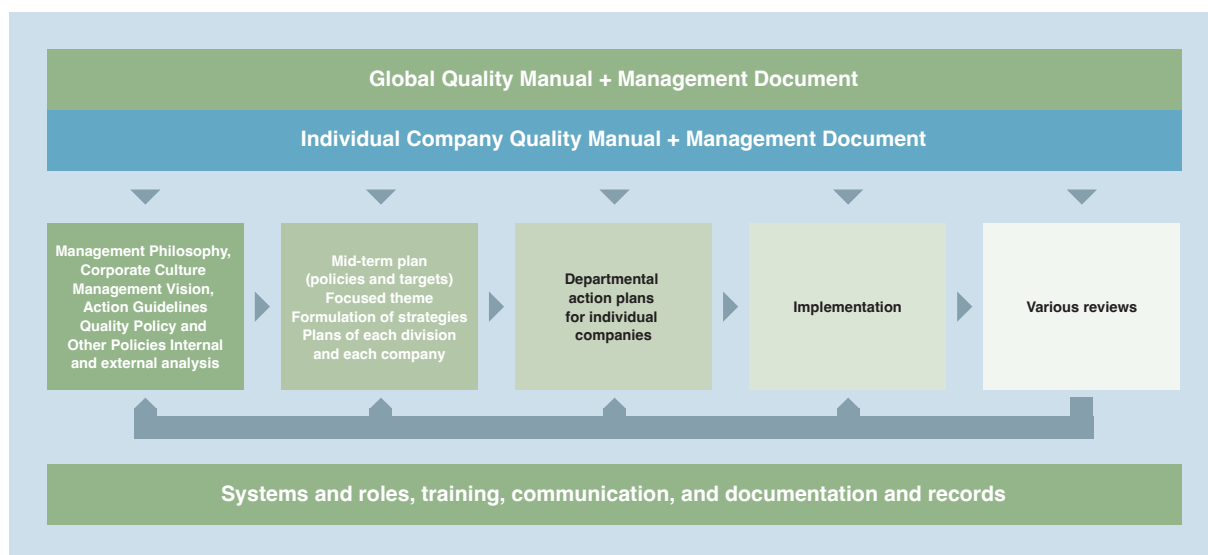
As for the quality management system, in fiscal 2017, the head office adopted the Automotive Industry Quality Management System Standard, an international standard.

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 ISO 9001 (2015 version) and IATF 16949 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

Conflict minerals (tin, tantalum, tungsten, gold, etc.) originating from conflict zones and high-risk areas (CAHRAs) pose risks such as support for armed groups, human rights violations such as child labour, bribery, money laundering, tax evasion, and environmental degradation (OECD Annex II risks). We are conducting supply chain surveys using CMRT provided by RMI. We will work with our suppliers to make our supply chain more transparent and reduce risks.

Social Contribution Activities



Participation and Sponsorship of local festivals

Nagaoka City, Niigata Prefecture, where the headquarters of Nippon Seiki is located, is an area where many people were killed in air raids during World War II. In Nagaoka City, the Nagaoka Festival is held every August to pray for lasting peace, and our group participates in the dance and sponsors the Nagaoka Fireworks Festival, one of the largest fireworks festivals in Japan, to contribute to the local community.



Sports Promotion / Regional Revitalization

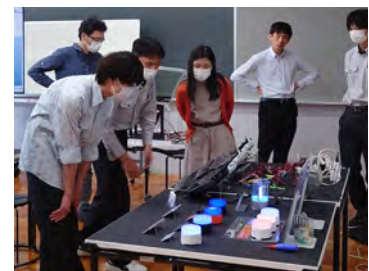
Together with Albirex Niigata Ladies, we visit local elementary schools to hold soccer hands-on sessions and career education under the theme of "creating a bright future together and developing human resources who can contribute to society. Our employees also participate in the planning and management of events together, contributing to the local community and developing human resources.



Community Collaboration through Industry-Academia Collaboration Classes

We hold industry-academia collaboration classes with the Nagaoka College of Engineering, a local public university corporation.

Under the title of "Visualization of Information in Daily Life: Regional Collaborative Creation Exercise 2023," we will try to propose everyday items (tools) for students to use in their homes by utilizing the sensing technology of Nippon Seiki (to make the invisible visible). For students, this is an opportunity/opportunity to collaborate with local companies and share their ideas with the world.



Responding to local issues



Operation of Programming Schools

NS Computer Services Co., Ltd. is running programming school in Nagaoka City. The school provide children with a place to learn IT skills. As part of our activities, we also create opportunities for elementary school students to experience IT technologies, such as drone operation. We plan and promote the development of local human resources and the revitalization of IT industry by participating in and planning local events.



Agreement on the Supply of Fuel in Times of Disaster

Nissei Service Co., Ltd., a group company that handles our logistics, has concluded an agreement with Nagaoka City to secure fuel (diesel oil) for Nagaoka City's official vehicles in the event of a disaster. This is the first initiative in Niigata Prefecture to establish a system in which private service stations of logistics companies and local governments work together. We will support the disaster response of Nagaoka City, which has introduced clean diesel vehicles, and contribute to the creation of a disaster-resistant community.



Community Contribution Activities of International Subsidiaries



[DaNang Nippon Seiki Co., Ltd.] (Vietnam)

Da Nang Nippon Seiki Co., Ltd., a software designer in Da Nang City, Vietnam, donated used PCs to a local elementary school in March 2023 when updating (replacing) business PCs. The school received a favorable reputation as a reusable item. With the increasing importance of IT training, this program was a great way to contribute to local training and human resource development.



[Thai Nippon Seiki Co., Ltd.](Thailand)

Thailand's Ministry of Education highly evaluated our contribution to social education. In April 2023, we received SEMA Kunpakran(Thailand Ministry of Education Contribution Award Prize for Contributions from the Thai Ministry of Education. In connection with the government and the Ministry of Education's emphasis on "human resource development to support industry," Thai Nippon Seiki has been hiring a large number of interns every year, which led to the award from the perspective of contribution to school education.



[Wuhan Nissei Display System Co., Ltd.] (China)

Wuhan Nissei Display System Co., Ltd. in Wuhan city, China, promotes activities based on its annual social contribution activity plan. In 2023, we called for active participation in volunteer blood donation activities in July.

As a result, 27 employees volunteered to participate.

The blood donation volume exceeded 10,000ml. We received words of gratitude from the Chinese Red Cross Society and presented blood donation certificates to the participants.



[Thai Matto NS Co., Ltd.] (Thailand)

In recognition of our environmental improvement activities at the Amata City Industrial Park in Thailand, we were awarded the "PLATINUM LEVEL" at the 2022 awards ceremony.

This is the result of environmental (waste) improvement activities at the industrial park that began in 2017. Activities that initially started with garbage separation have continued to evolve and develop into initiatives such as the reduction of food waste (bio-based food waste processing).



Improving Workplace Environment



Promoting Diversity

Nippon Seiki's growth is supported by the active participation of diverse human resources. We believe that respecting and utilizing diverse values, ways of thinking, and backgrounds will enhance organizational creativity, secure excellent human resources, and improve competitiveness. We are implementing measures to promote diversity, such as in-house training for executives.

In addition, as part of diversity, we conduct coaching training and other programs for female employees who wish to advance their careers in order to develop female managers. As a result of these efforts, we have received the highest award of "3 stars" in the "Eruboshi" certification, which is given to companies that excel in promoting the advancement of women.



Supporting Employees in Juggling both Work and Family

We aim to be a company where all employees maintain a balance between work and family life, and continue to work with higher motivation and higher performance.

We have set targets such as the rate of annual paid leave taken, the percentage of women among hires and managers, and the rate of men taking childcare leave and reduced working hours for childcare. The results for FY2022 are shown in the table on the right. These attitudes and achievements were highly regarded by Niigata Prefecture as a "Happy Partner Company".



Indicators, targets and FY2022 results		
Plan items	Goal	Results (FY2022)
Proportion of Annual Paid Leave Taken	Maintain 70% or higher	70.2%
Overtime Working	Maintaining Monthly average overtime work of all employees within 18 hours	15 Hours
Female employee ratio in new employment	Maintain 10% or higher	18.8%
Percentage of male workers taking childcare leave	Maintain 30% or higher	61.3%
Percentage of female workers in managerial positions	3% or more by April 2025	2.5%

Supporting Diverse Work Styles

We are working to deepen understanding of work-life balance throughout the workplace and to create a culture that accepts a variety of working styles for each individual. We have established a variety of systems to create a comfortable working environment for employees at various life stages, including pregnancy, childbirth, childcare, and nursing care. We also monitor the working engagement level of our employees once a year.

Flex-time system

Hourly annual paid leave system

We have established this system with the aim of promoting a way of working that suits the lifestyles of our employees and a way of working that is autonomous, and we are expanding the freedom of work styles.

Telework system

Teleworking is possible if the employee wishes to obtain the approval of the workplace. The goal is to reduce the physical and mental burden and improve work efficiency and productivity by maintaining concentration.

Shorter work hours

We are working to create an environment in which the child-rearing generation can balance work and family life by waiving overtime work until the child turns three years old and allowing them to choose to work shorter hours (6 hours) until the child turns 12 years old.

Voice of Employees Taking Childcare Leave



*For a long time
I can spend time
with my family.
It was a precious time.*

Legal Affairs,
Corporate Planning
Department
Kengo Ikarashi

After giving birth to my first child, I took childcare leave when giving birth to my second child. The reason why I took childcare leave was because I heard about a colleague who was actually a man who took childcare leave, and I wanted to support my wife after childbirth by taking on housework and childcare, and to be involved with the children.

My superiors and colleagues have shown their understanding of taking

childcare leave, and I have received a variety of support. I was also very grateful for the support I received from everyone, including answers from the Human Resources Department to my questions about the childcare leave system and benefits.

Housework and childcare during my childcare leave was more difficult than I had originally thought, but it was a valuable time for me to spend a lot of time with my family.



Human Resource Development

Basic Policy

We believe that human resources are our most important management resource, and we conduct human resource development based on this belief. We support the development and growth of individual abilities by providing human resource development programs that enable employees to be proactively aware of the skills they need and their own careers, and to take action to realize them.

Development of Autonomous Dynamic Human Resources

In order to survive in global competition, we aim to develop global human resources who are "autonomous, think-and-act" and can think and act on their own to solve problems and respond quickly to changes. We provide more than 20 education and training programs per year, tailored to themes and levels.

In addition, we conduct regular career interviews, intensive education and early selection for candidates for global management, and job rotation to foster a multifaceted perspective.

Career Design Support

By holding interviews with career counselors at milestone ages and supporting career and skill development, we aim to create strong human resources who can help each employee realize his or her career positively and at the same time realize business strategies. In addition, as a career support system that allows employees to take on new challenges on their own, we conduct internal job openings.

Themes of education and training	Management training	Communication・Mental health	Language
	Compliance	Health and safety	Other
	Management skill	Career design	(Life plan・health management)
	Business skill	New employee training	

Idea contest

We encourage our employees to create new business ideas on their own initiative, and encourage them to work in the workplace. We regularly hold business idea contests with the aim of stimulating participation in management and leading to sustainable development of the Group.

To date, seven meetings have been held (four at the head office and three at nissei service co., ltd. and NS computer service co., ltd.). in fiscal 2023, these meetings were held on the topics of "zero pedestrian accidents" and "ensuring pedestrian safety" using optical or sensor-based technologies, and many ideas were proposed that could lead to a "future full of safety and security."



2023 Idea Contest Awarding Ceremony

Voice of the idea contest secretariat

To be a place where imaginative ideas to be generated

Sensor solutions
Development Department

Mizuki Otuka



In order to make it easier to come up with ideas for this contest, we narrowed down the themes of the contest to those around our business areas. In addition, we disclosed the screening weight allocation at the time of the offering and clarified the points of focus in order to propose high-quality ideas. As a result, we were able to gather many ideas that were familiar to us but had a wide variety.

At the final idea debriefing session, some of the participants commented that the idea was interesting and that they had not come up with any ideas, indicating the importance of opportunities to gather ideas from a wide range of employees with diverse ideas. We will continue to run the contest so that it will be a place where ideas that are not bound by existing ideas can be generated.

Respect for Human Rights



Establishment of Human Rights Policy

On February 28, 2023, we established the Nippon Seiki Group Human Rights Policy after approval by us and the Management Committee.

Human rights policy

We, the Nippon Seiki Group ("we" or "us" hereinafter), will continue to respond to social demands to fulfill our responsibility to respect human rights in order to achieve sustainable development with the global society in all our business activities. Here, we present our stance and thoughts on human rights and promote our human rights initiatives

- 1.Commitment to respect for human rights**
We recognize that our business activities can have an impact on the human rights of all stakeholders. We understand and support the "International Bill of Human Rights" and the "ILO Declaration on Fundamental Principles and Rights at Work" as the minimum human rights principles and standards with which companies must comply. We will put them into practice in our business activities.
We will comply with the laws and regulations of the countries and regions in which we operate. If the laws and regulations of the country conflict with international human rights, we will pursue ways to respect internationally recognized human rights to the greatest extent possible.
- 2.Scope of application**
This policy applies to all officers and employees of the NS Group (Nippon Seiki and its consolidated subsidiaries). We also expect all of our stakeholders to understand this policy.
- 3.Human rights due diligence**
We will establish and continuously implement processes to identify, prevent, and mitigate negative human rights impacts in order to fulfill our responsibility to respect human rights with the aim of achieving a sustainable society.
- 4.Correction and remedy**
When it becomes clear that we have caused or contributed to negative impacts on human rights, we will work to correct and remedy such impacts and prevent future activities that may cause or contribute to similar negative impacts. We will also promote the establishment of appropriate and effective remedy mechanisms for human rights.
- 5.Education**
We will continuously provide the necessary education and training to ensure that all officers and employees understand the importance of our human rights policy and act accordingly.
- 6.Information disclosure**
We will regularly disclose information on our efforts to respect human rights through our website and other means.
- 7.Dialogue and discussion with stakeholders**
We will utilize outside expertise in implementing our respect for human rights initiatives, and will engage in ongoing dialogue and consultation with relevant stakeholders.

Initiatives for Human Rights

We will focus on the following human rights issues that may arise in our business activities.

Priority themes

- [1] Prohibition of forced labor and child labor
- [2] Prohibition of discrimination and harassment
- [3] Respect and acceptance of diversity
- [4] Prohibition of shortages and unpaid wages
- [5] Prohibition of excessive labor
- [6] Observance of occupational health and safety
- [7] Rights of migrant workers and foreign workers
- [8] Rights of indigenous and local people
- [9] Freedom of association
- [10] Right of privacy
- [11] Freedom of expression
- [12] Prohibition of Bribery and Illegal Benefits

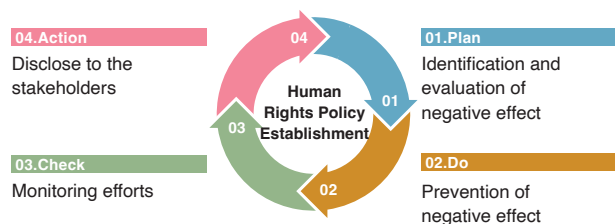
Promotion of Human Rights Due Diligence

We will promote human rights due diligence to respect human rights through the Nippon Seiki Group's value chain.

Photo: Human resource department of Nippon Seiki
Mr. Sekiya, Mr. Jimbo, and Mr. Iida



PDCA of Human Rights Due Diligence



Health Management



Health Management Vision

In our group, it is essential that employees can take on challenges with enthusiasm and satisfaction in order to achieve our management targets and Group Vision. In the 2021-2023 Medium-Term Management Plan, We are promoting Health management and work style reforms.

Nippon Seiki Group Health Declaration

In order to realize our management philosophy, it is essential that our employees and their families are healthy and happy both physically and mentally. We, the Nippon Seiki Group, will contribute to the realization of a safe, secure, and sustainable society by actively supporting our employees so that they can be healthy, energetic, feel fulfilled in their work, and take on challenges.

Strategy Map for Health Management

In health management
Health issues to be solved

Employees are encouraged to take on new challenges
Continue to grow as a company with enthusiasm

Final health-
related target
indicators

- Improving work engagement
- Improving presenteeism
- Decreasing the number of employee with health problem
- Improvement of absenteeism

Indicators related
to changes in
employee awareness
and behavior

- Increase in internal applications
- Reduction in overall health risk
- Secondary screening rate:100%
- Improving health literacy

Indicators related to
the status of health
investment measures

- Increase in the number of trainees
- To reduce the amount of overtime work
- Promotion of proper eating

Health investment

- Healthcare training
- Introducing hourly paid leave
- Cafeteria menu improvement

Health Management Initiatives

Thorough Implementation of Health Checkups

We thoroughly manage those who have not yet undergone regular medical checkups, and maintain a 100% medical checkup rate. Since 2022, we have been making efforts to create an environment where it is easy for women to receive cancer checkups and create opportunities to receive them.

	2015	2022
Rate requiring detail examination	21.2 %	10.2 %
Rate of Secondary checkup	62.9 %	81.4 %

Mental Health Initiatives

In addition to a monthly mental health consultation day by a psychiatrist, we have a full-time counselor who can feel free to consult with us during working hours. In order to provide a wide range of primary physical and mental prevention, we are actively promoting interviews that combine health guidance by public health nurses and mental health and career counseling by counselors.

Health Promotion Through Fun Events

We plan a variety of events so that our employees can work on health in a natural and enjoyable way. The company cafeteria provides food education activities by providing menus in collaboration with local high schools and food manufacturers. In addition, increasing physical activity and determining exercise habits.

We have walking events using smartphone apps to prepare for the arrival of new clothes, local communities Sports bicycle test rides and online self-bodywork seminars are held during breaks.



Healthy
collaboration menu



Health promotion event by bicycle

TOPIC

Health Management Awards

In recognition of our efforts and attitude toward health management, we were certified by the Ministry of Economy, Trade and Industry as a "2023 Certified Health and Productivity Management Organization (Large-Scale Corporate Division)." We applied for certification for the first time in 2022, and will be certified for the second year in a row in 2023. In addition, seven consolidated subsidiaries have been certified under the "Niigata Prefecture Health and Productivity Management Promotion Company Master 2023" as well as the "2023 Certified Health and Productivity Management Organization Recognition Program."



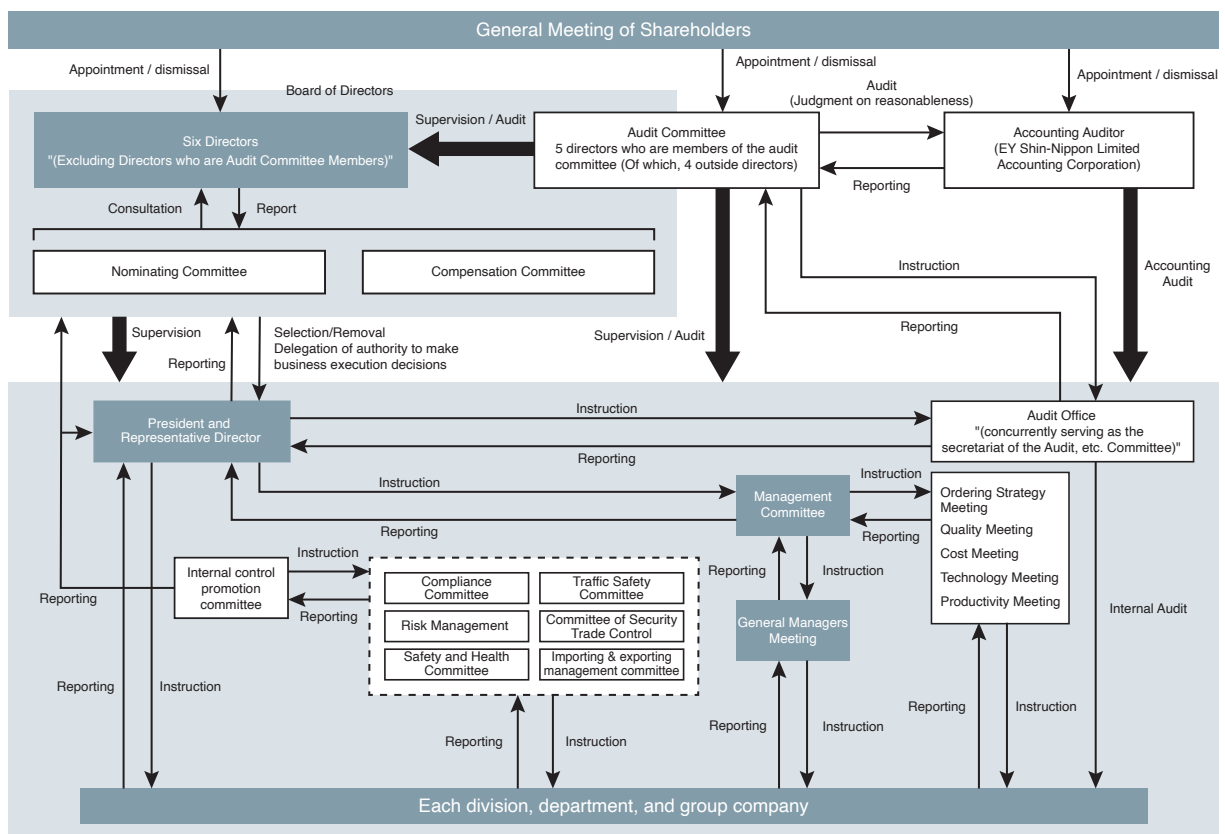
Basic Corporate Governance Concept

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, and































prompt decision-making 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 >

<div> <div>  Internal  Outside Director (male)  Outside Directors (Female) </div> </div>				
Organization	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee
Members	Chair person           11 (7 internal, 4 external)	Chair person       5 (1 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 to directors who comprise the Board of Directors, reviewing the results by independent outside directors, and reporting the results to the Board of Directors.

«Summary of evaluation results»

As a result, the effectiveness of the entire Board of Directors in the previous fiscal year.

Directors was confirmed that they have secured the effectiveness of the management of the Board of Directors, the monitoring function of the Board of Directors, and the method of reporting to the Board of Directors was also evaluated that improvements are made. On the other hand, they shared the need for more opportunities to discuss medium-term issues. Based on these opinions, we will work to make improvements to further 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.

For nominating BOD candidates who are the audit committee, we comprehensively consider knowledge, experience, abilities and personal achievements that enables to appropriately satisfy the role required as an audit committee.

- (1) Knowledge and experience as an expert to the formulation of management strategies and plans and the execution of important operations reflecting in the decision-making process.
- (2) Ensuring that conflicts of interest do not arise between the Company and the Board of Directors.
- (3) 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	Internal		◎		◎	○	○	◎		◎	○	
Keiichi Nagano	Internal		○		◎				○	◎	○	○
Masatoshi Azuma	Internal		○		◎		◎	○	○		◎	○
Yuji Osaki	Internal		○	◎		○				○	○	
Masahiro Yoshihara	Internal		◎	◎						◎	○	○
Kazuhiro Murayama	Internal		◎			◎				◎	○	
Tatsuya Nagai	Internal	Audit and Supervisory Committee	○					◎		○		
Etsuo Saiki	External	Audit and Supervisory Committee						◎				
Eiko Tomiyama	External	Audit and Supervisory Committee				◎			◎		○	
Kiyoshi Suzuki	External	Audit and Supervisory Committee	◎	○	◎							○
Toshihiko Enomoto	External	Audit and Supervisory Committee	◎				◎	◎		◎		

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

○Based on work experience and current specialized knowledge, items of skill recognized as to have knowledge and expertise are marked with ○.

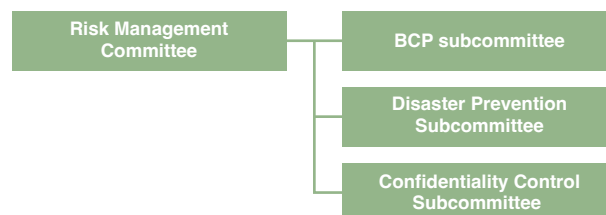
Directors' Remuneration

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)	197	115	71	9	8
Audit committee members (excluding outside directors)	40	40	-	-	2
External Director	32	32	-	-	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, Representative Director takes the lead of operation meetings 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 safe information management globally by building an ISMS (Information Security Management System) system and continuously maintaining and improving information security, including employee education. In particular, we consider customer information, sales information, technical information, personal information, etc. to be important information, and take appropriate security measures to protect this information from risks such as leakage, loss, destruction, and falsification.

In terms of IT security, in response to the recent increase in the risk of cyber attacks, we have introduced stronger defense mechanisms such as EDR across the group.

In addition to internal systems, we maintain and improve security standards by obtaining information security certification in Japan and Europe established by the German Automobile Industry Association called TISAX, and complying with Japan's automobile industry cybersecurity guidelines.

In addition, we are building and operating a system globally that complies with the standardization of measures (ISO/SAE 21434) in response to the growing awareness of product safety in the automobile industry, and are ensuring that our products have cybersecurity measures in place.

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 Seiki 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.

We aim to become a corporate group trusted by society by

establishing a compliance code of conduct and having each director and each employee act in accordance with the code of conduct.

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.

We ensure that whistleblowers are fully protected by allowing whistleblowers to report anonymously and by imposing confidentiality

obligations on those in charge.

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.



A talk session was held between Mr. Saiki and Ms. Tomiyama, both of whom are our outside directors, and the session was from a higher viewpoint of their professional specialties.

Q1 Based upon your own professional specialties, what are the roles and expectations as our outside directors?

Saiki: I recognize that the expected role from my specialty as being a lawyer is to give opinions on the rationality of the business judgements by directors, namely, whether the business judgements in its contents and procedures have been conducted appropriately, or if there are any breaches of the duty of care. Also, whether corporate governance has been conducted appropriately from the viewpoints of the stakeholders such as shareholders, customers, employees, and local societies.

Specifically, whether the business judgements have been violated by the laws associated with the Law of Corporation or antitrust law, or contravened against the interpretation of the supreme court's judgements etc. Among them, issues such as overtime work, harassment, and mental health seem to be getting more important in respect to compliance.

As for me personally, I persuade myself to make statements without reading between the lines and surmising others, and to swallow my pride at being true to myself.

Tomiyama: Since my specialty is global marketing, I see things from a marketing viewpoint and think how to create valuable things and make them realize (deliver, exchange) by transferring the values. I think it is important to contribute to the formulation of medium to long term management strategies. I recognize that my supervision and making opinions are expected for all stakeholders if such strategies are for raising the

corporate values in the medium and long term.

The importance of corporate management having sustainability for future generations has risen these days. Therefore I, who stands independently from the business executor, am expected to give my statements to the managers without hesitation by taking society, economy, and risk management into consideration from such a new vision.



Q2 Over five years have passed since both of you were appointed as outside directors. What do you think are the changes since the appointment?

Saiki: I think that discussions at the board of directors' meetings have become more vitalized. One reason is that the board of directors' meeting has decided to discuss issues that need to be resolved as deliberations. Besides the agendas for decisions and reports, in order to dig deeper into issues that need to be

resolved over the medium and long term, it has been decided that these issues will be raised and discussed at the board of directors' meeting as "matters for deliberation".

Now, the explanations at the board of directors' meetings are easier to understand. In the current economic environment, where events are occurring one after another, such as the coronavirus pandemic, semiconductor shortages, and Russia's invasion of Ukraine, management is becoming more difficult than ever before. From the beginning of his appointment, President Sato has consistently given his messages with simple words "become more muscular" and "produce more output with less cost, expense, and time" for the transformation of management structure. One of the concrete measures is that the explanations of resolutions at the meetings have become "simple and to the point" more than ever. Also, various management indicators have become more comprehensive and easier to understand.

Tomiyama: It's definitely becoming vitalized. The evaluation of the effectiveness of the directors provided opinions concerning the selection and narrowing of agendas to be discussed by the board of directors' meeting, were discussed by the executive side and the outside directors, and a new direction was derived. Outside directors discuss what agendas should be brought up, and exchange opinions regarding requests with the president and others. They also work together with executive officers to create the agendas for the board of directors' meeting. I believe that such an initiative has never been done before he became president.

And the functions related to the board of directors' meeting have evolved, and a nominating committee and remuneration committee have been established, and proposals have been put forward by these committees.

Saiki: A voluntary remuneration committee was established the year before last. This is to ensure transparency and fairness in the company's decision-making, and to create objective and transparent procedures so that remuneration functions as a healthy incentive for sustainable growth. The committee will examine the policy for determining remuneration of directors (excluding directors who are audit and supervisory committee members) and the appropriateness of individual remuneration amounts and will report them to the board of directors. A voluntary nomination committee was also established at the same time. This is to ensure transparency, fairness, and objectivity in the selection and dismissal of directors (excluding directors who are audit and supervisory committee members). The committee will create a policy for nominating directors, achieve an appropriate composition of the board of directors' meeting, and generate a skills matrix for the board of directors' meeting, and

report them to the board of directors. The majority of the members of both committees shall be outside directors, and the committee chairpersons shall be outside directors. By these rules, the system has been set up to effectively fulfill their functions. We recognize this as one of the important roles of outside directors.

Q3 What is needed to connect sustainable initiatives to long-term development?

Tomiyama: A trend is emerging to incorporate knowledge from outside the company for encouraging employees' awareness reform and utilize the knowledge in formulating management strategies. For example, I was asked and had the opportunity to give a lecture to employees about the SDGs and a lecture to executives about purpose management. In particular, the SDGs lecture was attended by more employees than I expected (450 people, including online attendees). I was surprised by the level of interest.

I also think women are now playing an active role in various situations. The number of women in management positions has increased over the past few years. Women are also leading initiatives such as developing healthy menus for lunch as part of our health management measures, collaborative projects utilized with food products from local companies such as Kameda Seika and Ichimasa Kamaboko (plant-based food/alternative meat, Next Seafood), and initiatives to increase the number of steps taken each day to lead a healthy life. I think that among the initiatives the childcare support company "Kurumin" is a very good measure that is designed to create a comfortable workplace for employees.

Saiki: It is important to prepare an environment where diverse human resources, including women, can play an active role as we live in an era of diversity. In order to prepare the environment for the active participation of diverse human resources, we need to disclose information such as the proportion of female workers, the rate of men taking childcare leave, and the number of people who are eligible for and those who took childcare leave by gender. In addition to disclosing information, we will further enhance this environment and ensure that our company is a place where women can play an active role. It is also important to strongly emphasize that our workplace is one that allows employees to balance childcare and nursing care. In addition, with the LGBT Understanding Promotion Act which was effected in June 2023, we are required to prepare a workplace environment where LGBTQ people feel easy to work in. It is said that the proportion of LGBTQ people is around 8.9%, or one in 11 people, so I think we need to consider various systems from a diversity perspective.

Next Page →

Q4 How about the communication ability as a company?

Tomiyaama: Since our company is basically a B-to-B company, we had not given much thought to public relations in the past. To spread awareness of our various initiatives, I gave advice that "It's better to focus on public relations." As a result, the organization of public relations was created. Regarding the news, exposure to media such as newspapers and television has increased significantly. I think it's great that the company immediately put my advice into action.

One of the goals of promoting sustainability is to become a company chosen by stakeholders. We can continue our business medium to long term thanks to the stakeholders such as investors, employees, customers, business partners, and the local community. In order to be chosen, we must obtain empathy and trust from them by disseminating information. To do so, I think it is better to disclose and publicize the activities and the achievements of the company together with the background. I believe that stakeholders choose us because they understand that we are a company that contributes to society through our business, and by being so, we will become a company that is needed by society.

Saiki: Starting in 2021, we have published an "Integrated Report" which has become the standard for global companies. The report not only contains financial information but includes non-financial information such as ESG initiatives and actions aimed at promoting and resolving social issues. We provide explanations to stakeholders about future corporate value creation, and simultaneously, we try to meet their expectations.

Q5 On the other hand, please let me hear any arising issues.

Saiki: I think that the future perspective of the Head Up Display business should be more materialized. In the Head Up Display business, which is positioned as a core business, the company should strive to further improve its profitability, as well as consider and implement specific medium to long term measures.

Tomiyaama: I also look forward to the further growth of the Head Up Display business. I think the enhancement of tackling marketing is important for it. I don't think the supply values of Head Up Display have been fully transmitted to automakers and users yet. Price is also a means of value transformation. I don't think car manufacturers or general users around the world recognize the fact that "Drivers don't have to move their eyes by utilizing this system while driving, which leads to safer driving." I think we need to do more to



raise awareness of how our Head Up Display can contribute to solving the social issue of the high number of traffic accidents caused by distracted driving.

In order to realize sustainability management, it is important to realize and promote Sustainability Transformation (SX). In short, the goal of SX is "the more we sell and expand our products and services, the more society will improve." I think we need to make more people aware that the more Head Up Display are sold, the more traffic accidents will decrease, and society will improve. The value of our company's existence is "providing peace of mind, safety, and excitement to all people." Society's need to reduce traffic accidents (problem solving) and the value of a company's existence in pursuit of it are synchronized. Therefore, I think we need to be more aware that our company develops products and services that reduce traffic accidents and improve society.

Saiki: Always with a long-term perspective, sustainable growth requires the development and cultivation of new businesses for the next generation. In particular, I think it would be a good idea to swiftly formulate and implement concrete measures, such as launching a new business project team which respects the freedom, flexibility, and fresh ideas of younger generation employees. It may be possible to reflect changes in the values, consciousness, and consumer behavior of Millennials and Generation Z at the basis of the ideas of the younger generation. I do think this point is quite important for the development of new businesses.

Tomiyaama: If that happens, it will be an exciting project.

Saiki: Responding to climate change is also a major issue. From an era when "maximizing shareholder returns" was the top priority, we have now entered an era where social issues are such as increasing concerns about climate change and sustainability, and the SDGs led by the United Nations. We urgently need

to resolve these issues. Particularly, as a company in the automobile industry, responding to carbon neutrality is important. It is important to connect the current various measures which have already been formulated into a more effective action plan, expand and develop them by adding new measures. We have started disclosing information based on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as part of our efforts to achieve our carbon neutrality goal, but we need to have further detailed discussions on this.

Tomiyama: This is related to the request made by the Tokyo Stock Exchange, Inc., but discussions regarding our capital policy are also increasing. From now on, it is necessary to make plans for capital policy and management strategy to be an attractive company for investors and shareholders.

Saiki: I agree with you. Up until now, we have been actively working on business and capital alliances, including an alliance with Alps Alpine and making Kyoei Engineering a subsidiary, as a strategic use of cash. The board of directors' meeting also discusses matters including capital policy. I believe that more detailed explanations are required in order to gain the understanding of shareholders.

Tomiyama: In future discussions, I also believe it will be necessary to allocate more time to management strategy, develop and utilize human resources, and present a purpose to stakeholders including employees as to where the company is headed.

Saiki: Concerns about climate change and sustainability are increasing, and we have entered an era where solving social issues such as the SDGs are urgent matters. Along with these consciousness changes in society as a whole, companies can no longer rely solely on economic rationality, but are now required to create balanced value with ESG (Environment, Society, Governance) in mind. Economic rationality has become a means rather than a purpose, and it is necessary to have a higher-order way of thinking or a concept setting to integrate them. This is, I think, the reason why the purpose management has been paid attention to recently, so we will deepen our discussion on it at the board of directors' meeting.

Q6

Toward formulating a new medium-term management plan

Tomiyama: I think we should think of the coming three years with back-casting thought by foreseeing the future of the next five and ten years. As an outside director, I want to review the business to focus on with the long-term viewpoint that clarifies what we should aim for in ten years. I believe that improving employee engagement and HR strategies are also necessary to

achieve long-term growth. I believe that we will enter an era in which stakeholder capitalism will be emphasized even more. A company must consider the profits of their stakeholders (i.e., shareholders, employees, clients, customers, and local society), and consider the stakeholders to be entities that create value together with the company. Among them, one of the most important things for a corporation to consider is "human capital". Investing in human resources, which are the source of value creation, is for increasing final results. I think it would be a good idea that the plan includes the following: the optimization of the human resources portfolio in response to changes in the environment, management strategy, diversity of knowledge and experience, reskilling, employee engagement, and so forth.

Saiki: It is indeed persuasive when you, Professor Tomiyama, who teaches at a university, say so. I also believe that investing in human resources is important. As they say, "What one likes, one will do well." I believe that the employees joined the company by having interest in manufacturing (or Monozukuri) and having a "will" that is "for society, for people". To support the "will" and make it realized, I think we have to fundamentally reconsider the personnel system. We need to review how to foster job satisfaction and maximize the performance of current employees, including new graduates, mid-career hires, rehires after retirement, and fixed-short-term employees. It is also necessary to take measures to address social trends such as the improvement of the retention rate of young employees and labor shortage issues due to retirement of elderly employees.

Tomiyama: We, the members of the outside directors, will deepen our understanding of the Nippon Seiki Group, including its corporate culture, and be conscious of our role in providing fresh awareness to the management team at the same time. We will continue to do our best to fulfill our duties in accordance with the mandate from stakeholders in order to formulate the next medium-term management plan 2024-2026, and further realize our vision for 2030.

