

ESG Initiatives

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

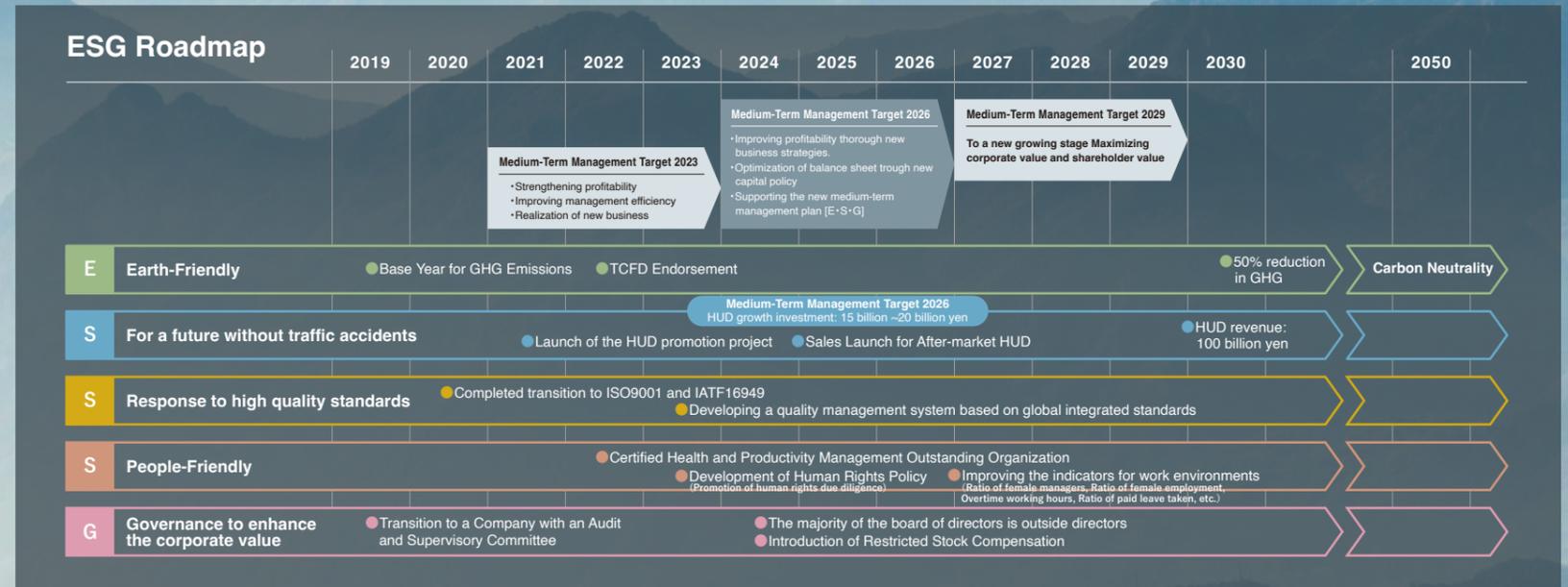
constructively engages with stakeholders.

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.

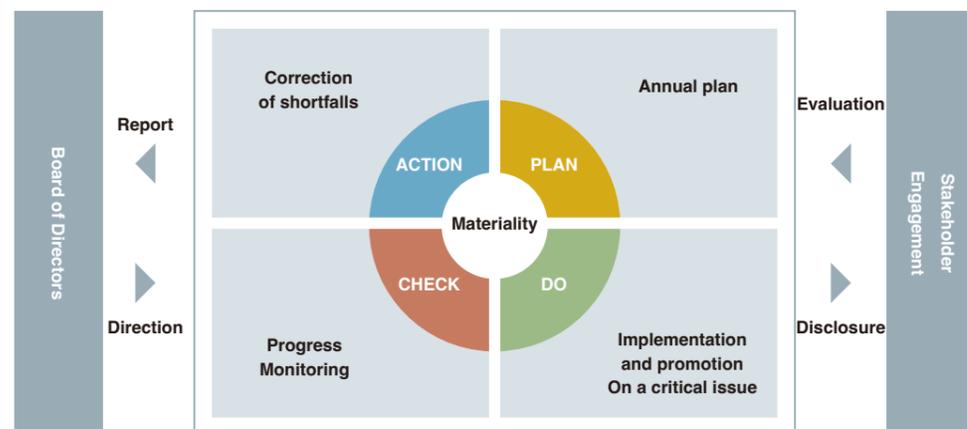
"The perspective of expanding business opportunities" is the perspective of whether we can capture changes in social needs from environmental and social perspectives and link them quickly to value creation, thereby strengthening our competitiveness and enhancing our corporate value over the medium to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



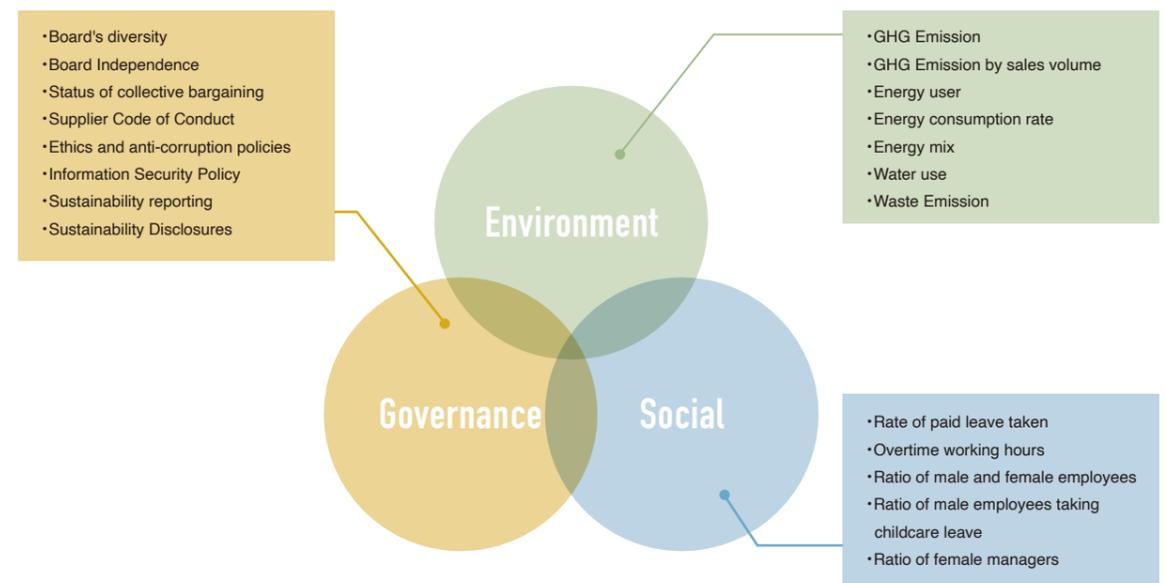
ESG Management of Nippon Seiki Group

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 PDCA cycles.



Nippon Seiki Group's ESG Management Indicators



Environmental Initiatives (E)

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.

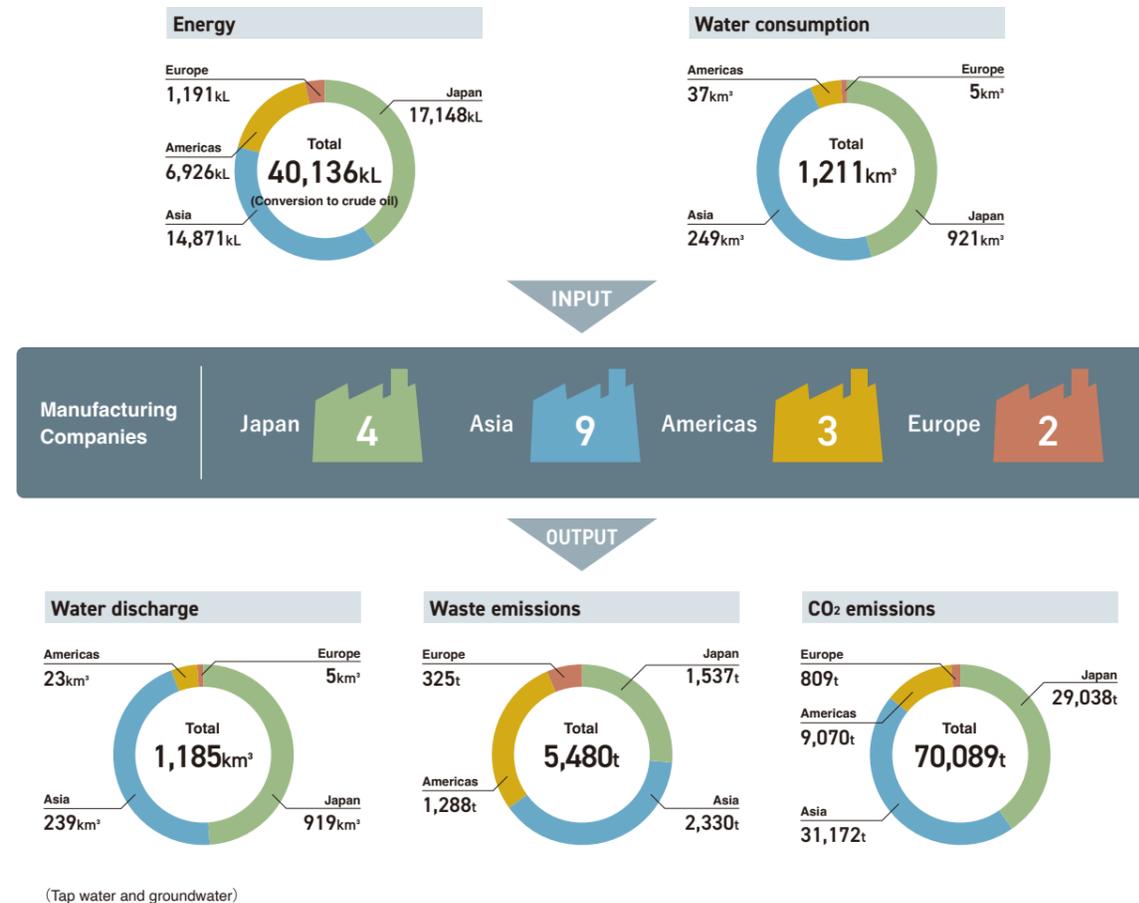
We will leverage the design and production technologies we have developed over many years with flexibility to enhance our comprehensive manufacturing capabilities through synergies. At the same time, we will integrate the environmental management system of ISO 14001 (2015 version) into our business activities on a global scale and promote activities to reduce environmental



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(FY2024)



The 9th Environmental Objectives and Target FY2023-FY2026

We set environmental objectives and targets and continue to promote activities to reduce environmental impact. FY2024 is the second year of the 9th environmental objectives and targets. The results for FY2024 are as follows.

[○:Target achieved △:Improved from the previous year, but target not met ×:Worse than the previous year, target not met]

Action Themes	Items	Subjects	FY2024 Targets	FY2024 Results	Evaluation
Prevention of global warming	CO ₂	Entire company	5.0% reduction from FY2023	16.8% reduction	○
	Electric power	All manufacturing operation	1.0% reduction from FY2023 (per unit of production)	8.0% increase	×
		All indirect departments	1.0% reduction from FY2023 (per unit of production)	13.9% increase	×
	Heavy oil	Designated manufacturing sector	Monitoring and Management *(Managing as CO ₂ emission)	0.4% increase	×
	City gas	Designated manufacturing sector	Monitoring and Management *(Managing as CO ₂ emission)	261.2% increase	×
Conserving Water Resources	LPG	Designated manufacturing sector	Monitoring and Management *(Managing as CO ₂ emission)	14.2% reduction	○
				Water supply	Entire company
To Reduce, Reuse, and Recycle Waste	Amount Released	Designated manufacturing sector	1.0% reduction from FY2023 (per unit of production)	17.1% reduction	○
	Recycling Rate	Entire company	99.90% or more	100%	○
Develop Eco-friendly Products	Environmental Factors for Products	Design division	For each product group Improvement of product environmental indices	11 themes are implemented, with an average achievement rate of 95%	○
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	2 theme is developed, all of which achieved 100% target.	△
	Handling Management	Design division	Control and education of use of PRTD-designated substances	3 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	Sustainability Related departments	To gather environmental data from domestic and international affiliates	Continue to collect common environmental data from manufacturing affiliates	○

*Operation management: Since heavy oil, city gas, and LPG are used in indirect departments, we set targets for reducing and managing overall CO₂ emissions. The results for energy and water in FY2024 were mainly affected by the operation of the New Zao Plant, an increase in the rate of renewable energy such as solar energy, and a shift to electrified energy.

[Initiatives Related to the Achievement of Environmental Targets]

Improvement of the energy efficiency through thermal insulation of factory roofs

Kyoei Engineering Co., Ltd. is a group company engaged in precision component processing and ultrafine processing. Temperature control at the factory is important for precision processing, and in order to suppress temperature rises due to radiant heat from the roof, we installed heat-shielding sheets on the ceiling and switched to LED lighting. We also installed 300 kW solar panels on the roof and reduced CO₂ emissions by 102 tons per year through the use of renewable energy.

We are working to reduce environmental impact by installing solar panels and switching to LED insulation and lighting.



LED lighting and ceiling heat shielding

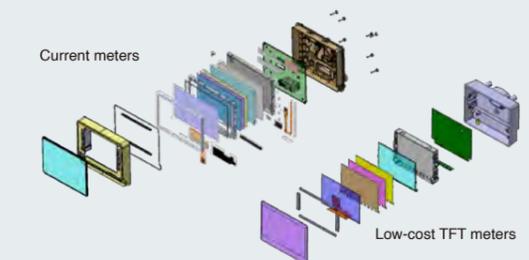


Solar panels started operation in August 2024

Low-Cost TFT Meters by Reducing the Number of Parts

Motorcycle meters used mainly pointer type or passive liquid crystal, but in recent years, TFT liquid crystal meters have become the mainstream.

To reduce meter costs, we developed low-cost TFT meters. By developing new technologies such as in-house production of TFT backlights, we eliminated metal parts such as bezel and bezel, contributing to a 41% weight reduction. our company will continue to develop environmentally friendly products.



Environmental Initiatives (E)

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 Governance).

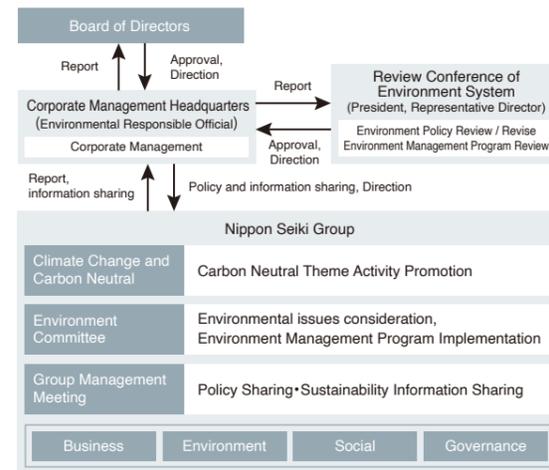
To further communicate with all stakeholders involved with our company, we will make further efforts to enhance information disclosure related to climate change through our website, integrated reports, etc.



Governance

In order to strengthen our sustainability efforts, Nippon Seiki established a new department in charge of sustainability within the Corporate Management Headquarters in 2022 to integrate sustainability, including climate change, and public relations activities.

Corporate management dept, 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.



Strategy

Due to its risks, climate change has various impacts not only on our business activities 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 • 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 • 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

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	
Physical effect in 4°C climate change	Heavy rain and flood increase	• 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	
		• 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 emission regulation • Material cost increase by plastic emission restriction	• Introducing sustainable material			Middle
		• Recycle material cost soaring, D&D cost increase by design change to recycle material	• Introducing sustainable material • Recycle process development		Middle	
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	

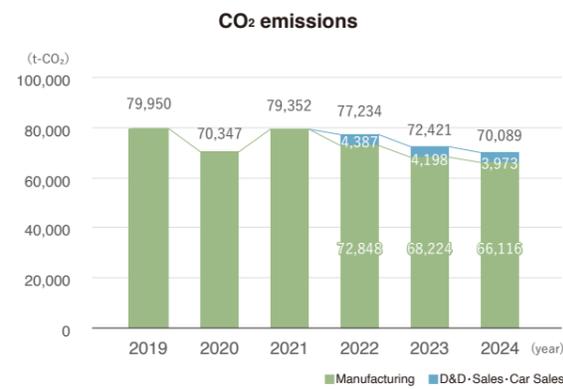
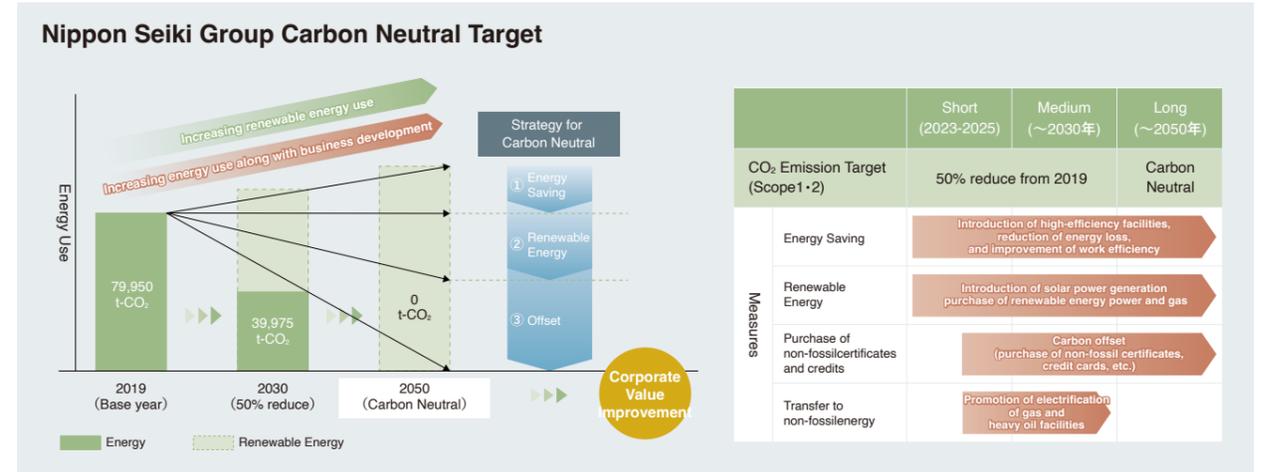
Risk Management

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.

Targets and results of CO₂ emissions

For realizing a sustainable society, Nippon Seiki Group has set targets related to climate change to reduce CO₂ emissions by 50% in Scope1 and Scope2 (compared to 2019) in 2030 and 100% (carbon neutral) in 2050. Currently, the Nippon Seiki Group is working together on various energy conservation measures and introducing solar power generation in-house. In addition, we will promote initiatives to achieve our targets, including the introduction of renewable energy and offset measures. In order to respond to the upcoming global sustainability requirements, we will continue to calculate and disclose CO₂ emissions and improve their accuracy.



	Scope1,2,3	FY2022	FY2023	FY2024
Scope1		1,083	579	1,072
Scope2		11,644	8,738	8,504
Scope3				
	1. purchased goods and services	373,215	382,795	375,065
	2. capital goods	6,349	16,691	26,501
	3. fuel- and energy-related activities	1,859	1,351	1,467
	4. upstream transportation and distribution	N/A	N/A	N/A
	5. waste generated in operations	53	43	43
	6. business travel	188	287	230
	7. employee commuting	144	144	140
	8. upstream leased assets	Counted in Scope2	Counted in Scope2	Counted in Scope2
	9. distribution	N/A	N/A	N/A
	10. processing of sold products	Not applicable	Not applicable	Not applicable
	11. use of sold products	20,683	15,080	10,600
	12. end-of-life treatment of sold products	232	167	111
	13. downstream leased assets	Not applicable	Not applicable	Not applicable
	14. franchises	Not applicable	Not applicable	Not applicable
	15. investments	Not applicable	Not applicable	Not applicable

FY2024 CDP Evaluation Result



Our company received the following ratings under CDP2024, an international environmental information disclosure system.

Climate change: B Water risk: B-

These results show that our company is recognized for its management of environmental risks and its implementation of concrete measures, and that it is at a certain level of sustainable management among companies around the world.

Social Initiatives (S)

Basic Policy on 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.



Occupational Health and Safety 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 about the Occupational Health and Safety Policy

https://www.nippon-seiki.co.jp/global/sustaina_qs/#contents03



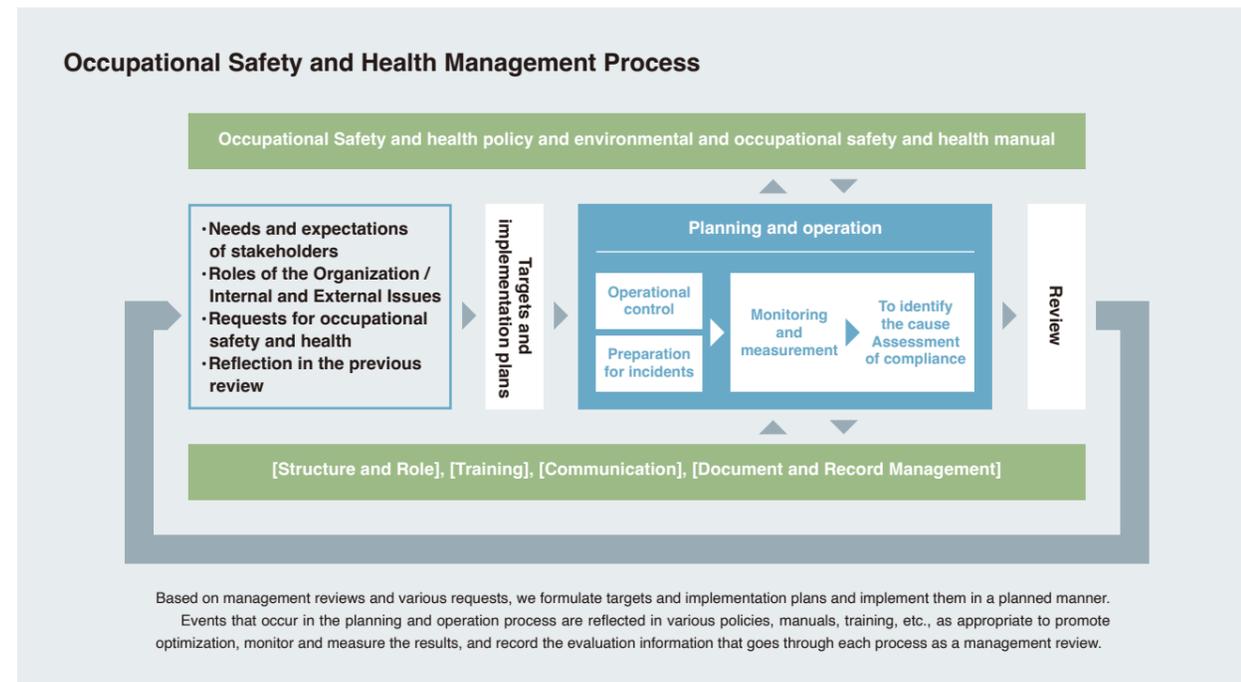
Occupational Safety and Health Management System

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.



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 the automobile, consumer, resin compound businesses in accordance with the following items.

Learn more about the Quality Policy

https://www.nippon-seiki.co.jp/global/sustaina_qs/#contents01



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 corporate 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, ta, w, 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 Conflict Minerals Reporting Template provided by Responsible Minerals Initiative. We will work with our suppliers to make our supply chain more transparent and reduce risks.

Supplier Sustainability Guidelines

We issued the Supplier Sustainability Guidelines that describe the rules for our business partners to comply with throughout sustainability, covering safety, quality, human rights, labor, the environment, responsible mineral procurement, compliance, and information disclosure. To create a sustainable and effective business environment, we will work across the supply chain.

Learn more about the Supplier Sustainability Guidelines

https://www.nippon-seiki.co.jp/global/sustaina_en/#contents03



Social Initiatives (S)

Human Resource Development

Basic Policy

Nippon Seiki's growth is supported by the active participation of diverse human resources. We believe that human resources are our most important management resource, and we conduct human resource development based on this belief. Respecting and utilizing diverse values, ways of thinking, and backgrounds will enhance organizational creativity, secure excellent human resources, and improve competitiveness. We also 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.

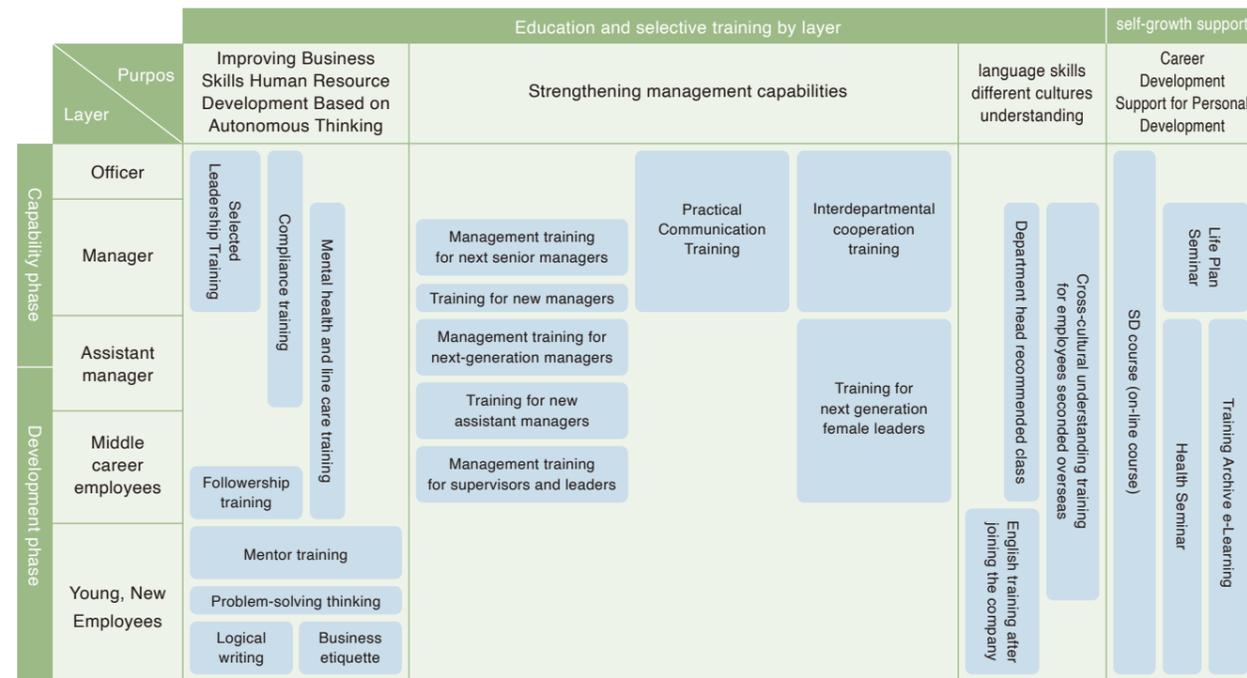
Developing Self-motivated and Global Human Resources

Aiming to develop "self-motivated" global human resources who think and act preemptively and respond quickly to changes in order to survive in global competition, more than 20 education and training programs are conducted annually in accordance with themes and job

levels.

In addition, regular career interviews, intensive education and early selection of global management candidates, and job rotation to foster multi-faceted perspectives are conducted.

Human resource development through a multifaceted training system



Reskilling programs

The Company introduced a reskilling program in 2025 in order to strengthen its business foundation and expand profits through career development and skill improvement of employees.

For those who wish to participate in the reskilling program, our company prepares a program to acquire skills as engineers and digital human resources that the Company wants to focus on strengthening, and reassigns them to divisions within the Group as appropriate after completing the program. We will continue to expand the program in order to continue flexible staffing.

Reskilling Program

- Embedded software programmer training course
- CAD operator training course
- DX promoter training course-Other (Life plan・health management)

Initiatives to Improve Engagement

Aiming to be a company where each and every employee can continue to work enthusiastically, our company has been promoting initiatives to improve engagement by reviewing its personnel system (Multiple career paths, early promotion based on ability, etc.), introducing quarterly career interviews, and promoting health and wellness management.

In the future, we are considering conducting an engagement pulse survey on a regular basis. Through the survey, we will not only grasp the status of employee motivation, but also improve engagement by improving the productivity of individual employees and teams, as well as the quality of communication and management.

Improvement of the work environment

Support for 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 are also promoting health management initiatives so that our employees can work and challenge themselves in a healthy, highly motivated, and fulfilled way.

[Main Initiatives]

- Encouraging childcare leave for both male and female employees
- Extending the scope of short-time childcare work from 3 to 12 years old
- Accumulated paid leave system for long-term medical treatment
- Coaching training for next-generation leaders for female employees
- Encouraging women's cancer screening through regular health checkups and internal events
- Allowed employees to rejoin the company when they return home after retiring due to their spouse's abroad assignment

Goals, Results, and Certification

The results on the workplace environment indicators in FY2024 are shown in the right figure. In recognition of our efforts and attitude to improve, we received following certifications and awards.

[Assessment for Health Management Initiatives]



Niigata Prefecture Health and Productivity Management Promotion Company Master 2025 Niigata Prefecture *The third year in a row

[Assessment for Work Style Reforms]



3 stars in the "Eruboshi" Certification Certified in 2022 Minister of Health, Labor and Welfare



Nagaoka City Work Style Reform Plus Support Project, "Hata-Platinum" award Nagaoka City

[Items・Target and 2024 Result]

Items	Target (by March 2027)	Result
Paid leave acquisition rate	80%	71.4%
Overtime hours	Avg 12 hrs. /month	Avg 14.9 hrs. /month
Number of female employees	25%	24.7%
Percentage of men taking childcare leave	70%	63.0%
Ratio of female managers	5%	4.7%

Efforts to Achieve Targets

[Percentage of employees taking paid leave]

We have set a target of taking seven days of paid leave annually. In addition to the five days that employees are required to take, managers are notified of the status of employees taking paid leave, including two recommended days.

[Overtime working hours]

We provide labor management training to raise the awareness of management.

[Percentage of male employees taking childcare leave]

We distribute leaflets to encourage employees to take childcare leave when their spouse gives birth.

[Ratio of female employees and ratio of female managers]

Our company is working to increase the ratio of women in management positions in order to realize corporate management that takes full advantage of diversity.

Currently, the ratio of male to female employees at our company is 8:2. In order to increase the ratio of women in managerial positions, we are working to increase the ratio of women among all employees and to increase the number of candidates for the next managerial position among female employees.

- Activating the recruitment of female employees (strengthening the approach to U-I-J turn students)
- Educating female employees to the next leadership level

Social Initiatives (S)

Discussion between Director and Female Managers

Satsuki Shimada, an Outside Director, and eight female managers held a round-table discussion. Shimada has extensive experience in software design and design quality control. She shared stories with female managers based on her own experiences, such as her own difficulties in an environment with few female managers and her successful experiences. It was also a meaningful opportunity for fostering lateral ties among female managers.



Fostering awareness of management participation

Town Hall Meeting

Since 2025, we have held town hall meetings to convey messages directly from directors to employees and to promote smooth communication between management and employees. We will continue to provide opportunities for direct dialogue between management and employees in order to realize our company's vision.



Grant of shares through employee stock ownership association

Our company decided to grant shares to employees through the Employee Stock Ownership Plan as a part of its welfare program to increase employees' motivation and awareness of participation in management from the same viewpoint as shareholders.

(Subject):
Members of our company Employee Stock Ownership Plan
(Number of shares granted):
50 shares per person
(Payment date):
November 7, 2025
(Method of allotment):
Disposal of treasury stock

Respect for Human Rights

Promotion of Human Rights Due Diligence

Our group has the policy that all our businesses continue to respond to the needs of society for responsibility to respect human rights, in order to achieve sustainable development in cooperation with the global society. To protect human rights through our group's value chain, we are focusing on the human rights issues listed on the right that can arise in our businesses. There were no problems in the compliance survey in 2024.

PDCA of Human Rights Due Diligence



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

Responding to Regional Issues

Machine Guidance for Mini Excavators Holfee

Holfee is a guidance system that supports the operation of construction equipment (mini excavators). In conjunction with a dedicated smartphone app, it displays information to the operator about the current ground drilling depth and the target drilling depth and slope. By making it easier to operate operations that require skill, we contribute to solving the problem of labor shortage and the inheritance of skilled workers in the construction industry.



Support for the development of next-generation human resources

In collaboration with Sanjo City University, we are developing a variety of initiatives aimed at developing local industries and developing the next generation of human resources. Events where students and employees interact provide opportunities for understanding of the company and career development, and deepen mutual understanding. We also offer workshops and donated courses on the theme of "Creating Innovation" to promote practical learning. Through these activities, we enhance students' creativity and problem-solving skills, and support the development of human resources who will lead the future of local communities and the manufacturing industry.



Participation of young employees in the "Nagaoka City Future Co-Creation Project"

Our young employees participated in the "Nagaoka City Future Co-Creation Project," a regional revitalization and SDGs training jointly conducted by Nagaoka City and Taiko Bank Co., Ltd. This project aims to develop human resources with diverse values and improve the engagement of employees and employees through the consideration of ideas and cross-industry exchanges for the formulation of the next comprehensive plan in Nagaoka. Ideas were presented to Nagaoka City in collaboration with other companies, and proposals were made for the future of Nagaoka City from various perspectives.



Implementation of industry-academia collaborative classes

Since FY2022, we have been working with students from Nagaoka Institute of Design on an industry-academia collaboration class called "Regional Collaborative Creation Exercise." This year, the theme was to come up with new ideas and ideas using the sensor technology and information visualization technology of our CO₂ concentration measuring device "CO₂ Lamp", and the exercise was held on a short-term intensive schedule. In order to achieve further growth, we will have a "market-in" mindset, aim to materialize ideas in anticipation of future environmental changes and needs, and will also contribute to local communities and engage in human resource development activities.



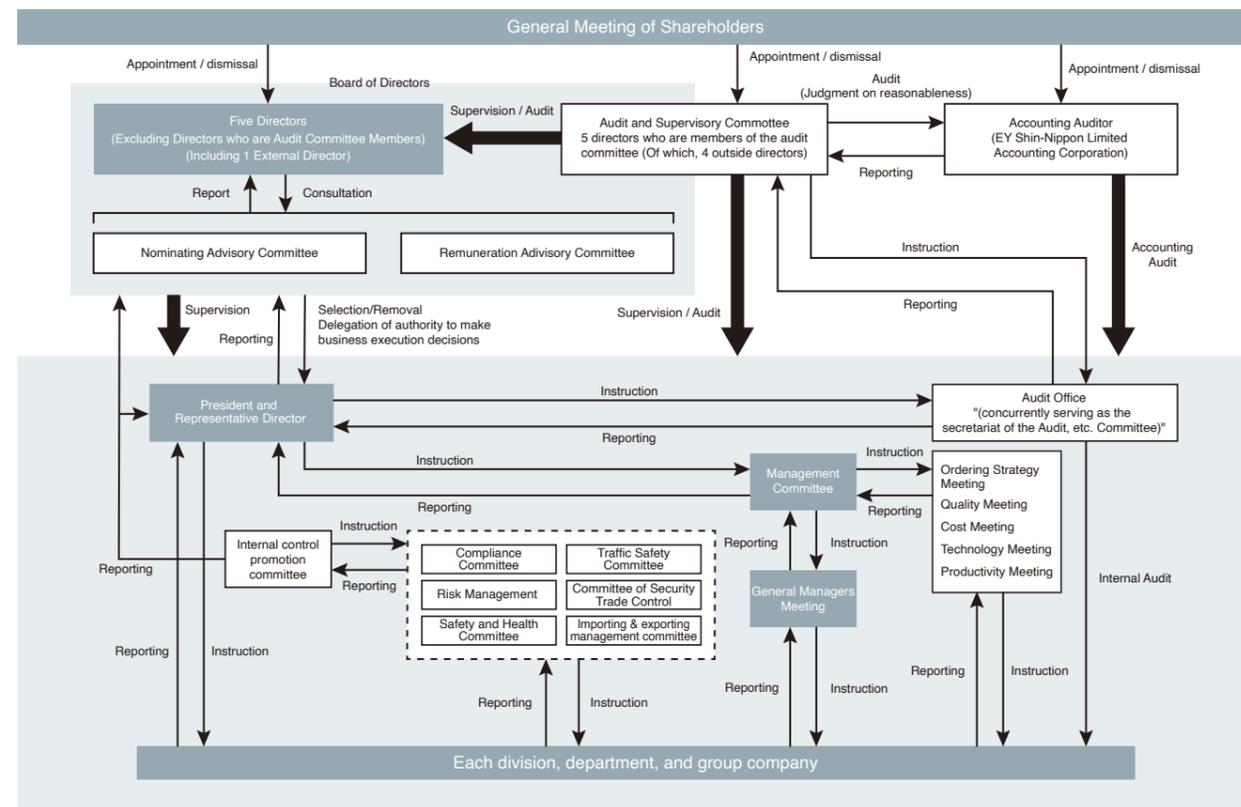
Corporate Governance (G)

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 >

Organization	Board of Directors	Audit and Supervisory Committee	Nomination Advisory Committee	Remuneration Advisory
Members	Chair person 10 (5 internal, 5 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

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.

Supporting the Board of Directors

The Corporate Planning Department, assisting all Directors, and the Audit Office, assisting the Audit and Supervisory Committee, provide timely and appropriate information, reports and communications to Directors. At meetings of the Board of Directors, proposals are explained to each Director in advance. In addition, outside Directors

are provided with the opportunity to share materials of the Management Committee and participate as observers in the Management Committee, quarterly reviews of priority measures, and management meetings of affiliated companies.

Training for Directors and Audit & Supervisory Committee Members

Our company's policy and practice is to provide Directors and Audit & Supervisory Committee Members, including newly appointed Directors, with opportunities for internal and external training every year, including when they assume office, so that they can deeply understand their roles and fulfill their responsibilities. Specifically, by provid-

ing the following internal and external training opportunities, Directors and Audit & Supervisory Committee Members are striving to acquire the necessary knowledge and understand their roles and responsibilities.

◆ All Directors, including Outside Directors

- Training by outside experts on the Companies Act and other related laws and regulations, corporate governance, compliance, and ESG

◆ Outside Directors only

- Explanation of our company's business overview, management philosophy, management plan, etc.
- Explanation of our company's financial and accounting matters
- Inspection of our company's manufacturing and design divisions

Audit and Supervisory Committee

Structure of the Audit and Supervisory Committee

The Audit and Supervisory Committee strives to conduct efficient audits in accordance with the audit policy, priority audit matters, division of duties, etc. In conducting audits, the Audit and Supervisory Committee acts to contribute to the sustainable growth of the corporate group by auditing the execution of duties by directors from a fair and neutral standpoint, and pays attention to the development and enhancement of the corporate governance system and internal control

system in its audit work.

In addition, to ensure that audits by the Audit and Supervisory Committee are conducted effectively, the Audit and Supervisory Committee regularly exchanges opinions and information on important issues with Representative Directors, and regularly exchanges opinions with Accounting Auditors and the Internal Audit Division for the sharing and mutual use of audit information.

Corporate Governance (G)

Nominating Advisory Committee

Policy on Appointment of Senior Management and Nomination of Director Candidates

When appointing our company's senior management, the Company comprehensively takes into account their experience, abilities, achievements, etc. as a manager, giving priority to their degree of contribution to business performance during their term of office, and taking into consideration whether or not they are capable of fulfilling their duties faithfully and faithfully by constantly honing themselves to be a role model for others, and working toward the development of the Company.

When nominating our company's director candidates, the Company comprehensively takes into consideration their experience, abilities, achievements, etc. as a manager, and in the case of reappointed directors, the Company selects and nominates them after taking into consideration their degree of contribution to business performance during their term of office. The Nomination Committee, which is chaired by an Independent Outside Director and consists of a majority of Independent Outside Directors, deliberates.

Candidates for Outside Directors are selected and nominated based on a comprehensive assessment of their international acumen, expertise and background, which are essential to the future development of our group, in light of the roles that our company expects Outside Directors to play, including (1) utilizing their knowledge and experience as experts to express their opinions from an external and

objective perspective, which are reflected in the formulation of management strategies and plans and in the decision-making for the execution of important business operations, (2) supervising to ensure that there are no conflicts of interest between the Company and the management and controlling shareholders, and (3) reflecting the opinions of shareholders and other stakeholders in the Board of Directors.

With regard to the change of President and appointment of officers in June 2025, the Company will clarify the Chief Executive Officer after rejuvenating the management team. The automobile industry, to which our company belongs, is undergoing a period of major change that occurs only once in 100 years, and officers have been appointed as a system to support the new President. Regarding the appointment of officers, candidates for officers are selected by the Board of Directors after receiving a report from the Nomination Committee.

Since last year, the new President has been appointed as Executive Vice President and Director with the right to represent, and he has delegated some of the duties of the President to execute them. He is selected after confirming his job status. These details are also explained to the Nomination Committee, which deliberates the appointment of officers, as reference information for their deliberations.

Independence and Diversity of the Board of Directors

Since June 2024, the Company has continued to have 5 Independent Outside Directors (3 men, 2 women). The independence and diversity of the Directors are as shown on the right.

Changes in Independence and Diversity of the Board of Directors	FY2023	FY2024	FY2025
Independence: Ratio of outside directors	36.4%	50.0%	50.0%
Diversity of: Number of female directors	1	2	2

< Board Composition and Skill Matrix >

			Corporate Management	Manufacturing and production technology	Research, development and design	Marketing Sales	Accounting and finance	Corporate Governance	ESG Sustainability	Global Experience	Human resource development	IT DX
Koichi Sato	Internal		○		○	○	○	○		○	○	
Keiichi Nagano	Internal		○		○	○			○	○	○	○
Masahiro Yoshihara	Internal		○	○						○	○	○
Masatoshi Azuma	Internal		○		○		○	○	○		○	○
Satsuki Shimada	External		○	○	○							○
Yuji Hirata	Internal	Audit and supervisory committee	○	○				○		○		
Eiko Tomiyama	External	Audit and supervisory committee				○			○		○	
Kiyoshi Suzuki	External	Audit and supervisory committee	○	○	○							
Toshiko Enomoto	External	Audit and supervisory committee	○				○	○		○		○
Toshiyuki Yamada	External	Audit and supervisory committee						○				

Remuneration Advisory Committee

Policy on Determining the Remuneration of Senior Management and Directors

Remuneration is determined in consideration of factors such as the situation at our company, the position and responsibilities of the officer concerned, and the balance with employee salaries. Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is determined after receiving a report on the basic policy on remuneration and procedures for determining remuneration from the Remuneration Committee, which is chaired by an Independent Outside Director and has a majority of Independent Outside Directors, and disclosing individual remuneration amounts at our company Board of Directors in order to strengthen the supervisory function of the Board of Directors and ensure transparency and fairness in management.

As for remuneration for Directors, performance-linked bonuses are paid from the perspective that it is effective to improve business performance by ensuring the stability of their livelihood at a minimum, allowing them to devote themselves to their duties, and by partially providing certain incentive remuneration.

Performance-linked bonuses to Directors are determined in consid-

eration of the results of consolidated revenue and operating profit, and the results of consolidated ROE for the previous fiscal year and the current fiscal year.

Outside Directors are excluded from the allocation of restricted stock remuneration and the payment of performance-linked bonuses.

Composition and Ratio of Remuneration to Directors

	Fixed rate	Variable rate		
		Performance-linked	Stock option	
Representative director	70%	30%	24%	6%
Director	75%	25%	20%	5%
Outside director	100%	-	-	-

Director's Remuneration (FYE March 2025)

Classification	Total remuneration (million yen)	Total amount by type of remuneration (million yen)				Number of directors
		Fixed remuneration	Variable remuneration			
			Incentive	Stock remuneration		
Basic remuneration	Performance-linked bonus	Stock options	Restricted stock			
Director [Excluding audit committee members and outside directors](outside director)	244(5)	195(5)	37(-)	2(-)	8(-)	7(1)
Audit committee members [excluding outside directors](outside director)	50(30)	50(30)	-(-)	-(-)	-(-)	5(4)
Total(outside director)	294(35)	245(35)	37(-)	2(-)	8(-)	12(5)

Cross-Shareholdings

Every year, the Board of Directors of our company qualitatively and quantitatively examines the necessity of holding each cross-shareholdings, as well as benefits and risks involved. We will also continue to work on reducing cross-shareholdings and increasing asset efficien-

cy as one of the measures to improve value continuously and achieve PBR 1x level at an early stage. (please refer P.10 Financial Policy also.)

Dialogue with shareholders and investors

Our company aims to achieve sustainable growth and increase corporate value over the medium to long term by actively engaging in dialogue with shareholders and investors, explaining our company's management strategies and plans, and reflecting the opinions and requests obtained through dialogue in management.

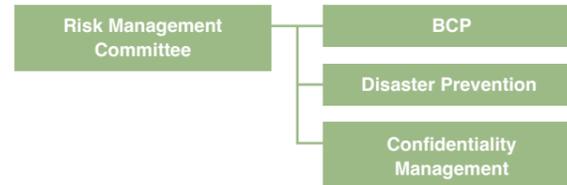
	Speaker	FY2024
		Number of times
Financial result presentation	Representative director, CFO	2
Meeting with institutional investors and analysts	CFO, Accounting senior manager	75
Person in charge of exercising voting rights	CFO, Accounting senior manager	13

Corporate Governance (G)

Risk Management

Risk Management System

We established the Risk Management Committee to reduce and respond to various risks associated with business operations. The Risk Management Committee consists of the BCP Subcommittee, the Disaster Prevention Subcommittee, and the Confidentiality 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 Policy of BCP

In recent years, earthquakes, fires, explosions, wind, snow and flood disasters have occurred one after another in countries around the world, and geopolitically, the Trump tariffs have had a widespread impact on countries around the world. Since the impact on the maintenance of supply chains is expected to be significant, it is necessary to take measures against risks and bottlenecks that could halt business activities. It is also necessary to formulate and implement business continuity strategies that are possible to avoid business losses in the event of an accident.

To prevent our group from being forced to shut down in the event of a disaster such as fire, earthquake, wind, snow or flood, or infectious disease, the Company is working to narrow down its important operations and formulate a business continuity plan.

In the event of a disaster, accident, or incident, the Company's Operations Committee, led by the President and Representative Director, deliberates on measures to minimize losses and the feasibility of business continuity, and judges customer delivery risks.

Information Security Management

We are committed to secure information management on a global scale by establishing 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 highly confidential, and we have formulated appropriate security rules and audit sheets to protect such information from risks such as leakage, loss, destruction, and falsification, and operate them after conducting regular audits and corrections.

In terms of IT security, in response to the recent rise in the risk of

cyber attacks, we have introduced stronger defense mechanisms, such as the introduction of EDR (a system for detecting and responding to cyber threats at endpoints) throughout the group.

In addition to internal mechanisms, we have acquired information security certification called TISAX, which is defined by the German Automobile Manufacturers Association, in Japan, Europe, and the Americas. We are also working to maintain and improve our security standards by complying with the Japanese Automotive Industry Cyber Security Guidelines.

Intellectual Property

Basic Policy on Intellectual Property

Our company promotes intellectual property activities based on the basic policies of "securing beneficial rights," "securing intellectual property security," and "strengthening the utilization of rights."

In "securing beneficial rights," we identify and evaluate patentable inventions, acquire rights from highly evaluated inventions, and promote the creation of a foundation for leading our business. In addition, in order to support the acquisition of orders, we promote the acquisition of rights corresponding to the countries where our products are distributed and our competitors.

In "securing intellectual property security," we manage intellectual property risks by conducting patent investigations according to the development and design phases. In "strengthening the utilization of rights," we promote the verification of other companies' products as our own verification activities. When the use of our company's owned rights is confirmed, we utilize the rights appropriately, such as by licensing them.

Compliance

Compliance Policy

In order to become a corporate group that is even more trusted by society, the Nippon Seiki Group is committed to compliance-oriented management, complying with laws and ethics as a responsible member of society, and practicing sound corporate activities.

We aim to become a corporate group that is trusted by society by

establishing compliance guidelines and ensuring that all directors and employees act in accordance with these guidelines. We will also contribute to the prosperity of society by providing high-value products and services that satisfy our customers.

Compliance Advancement System

To promote compliance, we established the Compliance Committee under the Representative Director, and has appointed directors or executive officers with special titles as compliance officers. The Compliance Committee strives to develop a company-wide compliance system, identify problems and issues, and conduct enlightenment

activities, deliberates on important issues related to non-compliance, and promotes continuous improvement. In addition, directors and executive officers in charge of operations analyze and take countermeasures for compliance risks specific to each business division, and continuously improve quality.

Compliance Awareness

We raise awareness of compliance through TQM Notebook, which is distributed to all employees. TQM Notebook includes

Compliance Declaration, the Whistleblowing System, and the Compliance Action Guidelines. In addition, based on the annual activity plan of the Compliance Committee, we conduct compliance training for new employees, compliance training for managers by our corporate lawyer, and distribution of educational materials (four times a year), including those at group companies.

In addition, we share information with the Compliance Committee of each company and the General Manager of the General Affairs Department regarding compliance incidents that occur at group companies in order to prevent recurrence.

In addition, we aim to raise awareness of legal compliance by conducting training on the Antimonopoly Law for sales divisions and employees seconded overseas, and by conducting training on the prevention of insider trading for all employees once a year.

Whistleblowing System

Based on the Whistleblower Protection Act, our company has established a whistleblower reporting system in which reports from employees, etc. with knowledge of improprieties, including affiliated companies, are accepted at internal and external (legal counsel) contact points, and appropriate investigations, corrections and recurrence prevention measures are taken while protecting whistleblower.

We ensure thorough protection of whistleblower by allowing whis-

tleblower reporting to be made anonymously and by imposing confidentiality obligations on the person in charge. In addition, we ensure the fairness and independence of the whistleblower contact point by appointing the Compliance Committee as the person in charge of the whistleblower contact point, requiring reports of certain serious matters to outside directors, and prohibiting the involvement of interested parties in matters.

Preventing Bribery

our company recognizes the prevention of bribery as one of its important social responsibilities in order to conduct sound and fair business activities. We will comply with domestic and international laws and regulations. We will not engage in any form of illegal profit giving or inappropriate entertainment or gifts.

We will respond to the trust of society by publicizing appropriate transactions and the prohibition of bribery and illegal profit giving in our Compliance Code of Conduct, and by continuing to strengthen appropriate education and internal control systems, and by promoting highly transparent corporate activities.

Tax transparency

As a muscular company, our company will continue to take on challenges and conduct its business based on the philosophy of contributing to the sustainable prosperity of society and companies. At the same time, we understand the importance of paying taxes and strive to contribute to society by fulfilling our obligations as a taxpayer by returning profits from tax payments to society.

By complying with the tax laws and tax treaties of each country and the spirit of international norms such as the OECD Transfer Pricing Guidelines and the BEPS Action Plan, we will make tax payments in a structured and fair manner and will not engage in unjust tax avoidance.

Interview with Outside Directors



From the perspective of corporate management, we had an interview/discussion with outside directors Ms. Tomiyama and Ms. Shimada regarding the enhancement of Nippon Seiki group's value.

For Ms. Shimada it was your first year as a director; what kind of things did you focus on while performing your duties?

Shimada: Since it was my first year serving as an Outside Director, and with that in mind, I focused on understanding our company from various perspectives and offering proposals aimed at enhancing corporate value, not just in Japan but globally. When I was first appointed, I started by understanding the situation of our company and the Group. I made an effort to ascertain the organizational structure, business activities, financial status, engagement levels, and corporate culture within the company so that I could review them objectively and from a management perspective. Drawing upon my professional expertise in quality assurance concerning planning, design, manufacturing, and software within the manufacturing industry, as well as my experience in organizational management, I offered comments regarding risks related to management challenges and the revitalization of business activities. Furthermore, our company is confident that it is a corporation with great potential for further



business expansion, having established our Purpose i.e., "We create a world and future filled with security and impressions" and holding the top position as an in-vehicle instrument manufacturer.

Tomiyama: Indeed, management based on our Purpose is the key to integrating corporate activities with social value in achieving ESG and sustainability, and I believe that its integration with management strategy will become a source of competitive advantage.

What do you consider your expected role to be within the Board of Directors?

Tomiyama: Sustainable enhancement of corporate value requires the incorporation of diverse perspectives into management decision-making. Through my experience in marketing and business administration, as well as my varied roles in education, research, and as an outside director, I make a point of offering long-term perspectives while keeping the viewpoints of consumers, society, and stakeholders in mind. Specifically, at the Board of Directors meetings, I strive to offer advice that assesses both the risks and opportunities regarding management's proposals, drawing on an external perspective that differs from that of the company's internal views.

Shimada: For my part, I believe the important roles expected of me include providing recommendations on initiatives related to advanced technology from a digitalization perspective as they adapt to industry changes, particularly concerning systems and software in both existing and new business areas. Furthermore, as part of talent development that embraces diversity, I recognize that making proposals regarding human resource development such as fostering female executives, securing specialized technical talent, and developing global talent is also a part of my role.

How are your prior specialized fields and experience utilized in your role at our company?

Shimada: I believe I have been able to objectively assess the measures and operational validity, feasibility, and impact on management for key issues, as well as the quality-related governance initiatives at our globally deployed bases. Especially regarding compliance and business integration, where the impact of quality risks is high, I recognize that the discussions held at the Board of Directors meetings were effective in reducing our company's management risks.

Tomiyama: Viewing quality issues and compliance as a unified entity, and surveying them from a management risk perspective, is an extremely practical approach, and it touches on important arguments concerning the very foundation of trust-building in the manufacturing industry. I believe this kind of risk recognition directly leads to the enhancement of the Board of Directors' supervisory function. Personally, I specialize in and research marketing and global management at the university level. I have been involved in areas such as how to build a corporate brand, customer trust relationships, and management methods that leverage the company's reason for existence (Purpose). Furthermore, I have researched the overseas marketing strategies of automobile manufacturers, the automotive industry supply chain, and business-to-business transactions between companies. Through these experiences, I have considered how companies can grow in a rapidly changing era, and what kind of strategies and mindsets are necessary. At our company, I hope to utilize these perspectives to provide advice that takes into account societal trends and market changes, contributing to sustained growth and the establishment of a sound management structure.

Shimada: Advice based on the external environment is precisely what is expected of us. From that perspective, I conducted interviews with organizations within our company, particularly the software division, which is central to design, and the DX (Digital Transformation) promotion team, and proposed measures to enhance competitiveness, such as improving design efficiency, addressing management layer development challenges, and introducing Generative AI. Improvements are also being advanced across the entire organization, and I feel that my own experience has had a positive effect. From a diversity perspective, I participated in a forum for exchanging views with female managers, where I shared advice on practical issues in organizational management and discussed our company's



potential challenges. I believe this also provided a starting point for future organizational reform. By engaging directly with employees on the ground, I have come to understand the sincere and positive organizational culture of the staff, and I feel that these traits are a strength of our company.

Tomiyama: I resonate with the approach of grasping the organization's cultural strengths through the voices of those on the ground and valuing them as management resources. From the perspective of human capital management as well, the qualitative understanding of corporate culture as an intangible asset can become an important management indicator. Since you have served as an executive in the manufacturing industry, I believe this was a beneficial opportunity for the female managers as well.

In the process of supporting our company as an Outside Director, what particular areas do you find attractive or feel are our strengths?

Tomiyama: The ability to respond in the global market and the forward-looking attitude of the management team, who are keen to take on the challenge of transformation, are very reassuring, and they provide a sense of security from a governance perspective as well.

Shimada: I, too, initially assumed it was a manufacturing company focused primarily on production and hardware design, so I was very surprised to see that they are also advancing the strengthening of software development in response to industry changes.

Tomiyama: The shift toward enhanced software development capabilities and UX (User Experience) design is symbolic of the business model transformation in the manufacturing industry. The attitude of our company, which is to seize this change not as a "threat" but as an "opportunity for differentiation" and to make it a driver for transformation, is highly encouraging to me as an Outside Director. So, I hope to contribute to its realization.

Shimada: In addition, I feel that our company's employees are sincere and careful, are proud of the company, and possess a culture of continuing to uphold its long history. It could also be said that the transformation into a muscular corporate structure, as outlined in the previous medium-term management plan, was an initiative well-suited to the corporate culture, couldn't it? It is also attractive that this is a company with great potential to leverage these strengths and transform into an even more robust corporate structure.

Tomiyama: I also feel that the employees' sincerity and cooperativeness are key strengths. The fact that the company has built its social significance in the region of Nagaoka City, Niigata Prefecture, over many years is manifested in the employees' pride, loyalty, and a cautious yet sincere corporate culture. In this, I feel the power of our corporate culture as an intangible asset. While these factors are difficult to see on a balance sheet, they are vital management resources that support long-term competitiveness and risk resilience. I also deeply resonate with your point that the "transformation into a muscular corporate structure" outlined in the previous medium-term management plan was naturally compatible with and advanced in a way that suited this corporate culture.

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Interview with Outside Directors

The current medium-term three-year plan (FYE2025 to FYE 2027) is positioned as a period of performance recovery. What do you consider to be the challenges toward achieving this performance recovery?

Shimada: I understand that “Strengthening the HUD business” and “Improving profitability of the European business”, which are listed as the key priorities cited for navigating this performance recovery period, are themes that are being closely watched and highly anticipated by many stakeholders, including shareholders and investors. Furthermore, a mountain of challenges remains, such as domestic reorganization, improving productivity, reducing material costs, acquiring advanced technology, and launching new businesses. From a global perspective, in addition to improving profitability in the European business, strengthening the Indian and Chinese markets is essential. Moreover, we need to carefully monitor the economic impact of the United States and respond based on the global economy. While concrete measures for these challenges are being advanced at various global sites and within Group companies, we must also strengthen our response regarding the sense of speed and the visibility of the execution process. I believe that establishing a unified management system to timely recognize individual initiatives and challenges and implementing a clear PDCA cycle is an item that should be accelerated in future deliberations.

Tomiyama: While performance recovery is an urgent priority, the key lies not in mere cost reduction, but in reviewing the business portfolio, investing in new value creation, and utilizing both internal and external human resources. Furthermore, for sustainable growth, it's vital to visualize outcomes not only in financial results but also in non-financial areas such as the environment and society, and to communicate these both internally and externally. Moreover, to respond to rapid environmental changes, it's essential to promote “Open Innovation”, which actively utilizes external expertise, technology, and partnerships rather than trying to complete everything internally. I believe that an attitude of proactively anticipating change with a sense of speed will lead to both performance recovery and the strengthening of medium-to-long-term competitiveness.

How do you analyze the changes in the external environment that are impacting our company's business?

Shimada: Stakeholders' expectations center on further dedication to advanced technology, establishing a product design and production system that is mindful of sustainability, and building a flexible supply chain and risk management framework through world-leading product development and global management. To achieve this, we view the speedy sharing and visualization of information, including among Group companies, as the most urgent challenge that must be addressed. Regarding economic risks, we believe they can be managed by optimally utilizing our global network, which is one of our strengths, thereby minimizing the impact of foreign exchange, diversifying procurement sources, and reducing costs through the adjustment of manufacturing resources.

Tomiyama: In addition, the perspective of “Ambidextrous Management” (i.e., simultaneously deepening existing business and challenging new ventures) is crucial for creating new value while leveraging the established strengths like technological prowess and trust we have built over time. In recent years, the vertical integration structure of the automotive industry is starting to collapse, and there is a shift from dealing with individual components to integrally receiving orders for entire systems. To adapt to these changes, an overall optimization perspective that encompasses not only hardware but also software development capabilities is essential; it can be said that the automotive industry has entered the “Software-First” era. I feel this is not simply a technological innovation, but a fundamental change crucial for the company's survival, and it requires a resolute response with flexibility and foresight.

Shimada: The environment surrounding the automotive industry is indeed changing rapidly. Specifically, the current environment surrounding the automotive parts industry is multi-faceted, including the advancement of electrification, autonomous driving, strengthened decarbonization and environmental regulations, fluctuations in the global supply chain, digitalization, smart factories, and global economic risks, such as the recent tariff issues in the United States. Our core meter business will inevitably face these same environmental changes simultaneously.

Tomiyama: From a long-term perspective, I believe the medium-term management plan aimed at 2030 will be challenged to demonstrate how the company intends to realize its reason for existence (Purpose). We have entered an era where stakeholders emphasize the creation of environmental and social value, not just financial outcomes. Within this context, we recognize that a major challenge for our Group is balancing global expansion with co-existence with local communities, alongside environmental responsiveness, starting with decarbonization. To advance ESG initiatives, we must move beyond mere formal disclosure and establish a mechanism that is “integrated with management decision-making.” For example, it is effective to integrate sustainability with business strategy, product development, and human resource development, and to establish concrete KPIs and incentive systems across departments aimed at achieving these goals. I believe that deepening ESG from merely being “an activity for reporting” into an initiative that visualizes the “corporate will” as a promise to future generations, will lead to gaining empathy and trust.



As you pointed out, the automotive parts industry is seeing advancements in EV adoption, digitalization, and the introduction of AI technology. What do you believe is the most important strategy for our company to respond to these changes?

Shimada: Our core in-vehicle meter business is required to transform into a digital interface company, evolving from the mere purpose of “display and information provision” to a domain centered on “UX (User Experience)” and “HMI (Human-Machine Interface)” in response to the ever-accelerating adoption of EVs, digitalization, and the introduction of AI technology.

Tomiyama: As you say, with the advancement of digitalization, EV adoption, and AI integration, in-vehicle devices are transcending their role as “information-conveying equipment” and becoming “an integral part of the driving experience,” making UX design and HMI design core elements of competitiveness.

Shimada: As exemplified by our HUD (Head-Up Display) technology, our company possesses extremely high technical capabilities, but we must take rapid and effective measures to respond to drastic changes. To achieve differentiation, we need to establish a manufacturing system that also prioritizes safety, requiring the securing of more specialist personnel with advanced technology, strengthening software-centric design, and optimizing information delivery with HMI (Human-Machine Interface) considerations. Our strategic focus lies in pursuing various initiatives, such as investing in R&D and technological advancement, cultivating DX and AI talent, promoting cross-departmental collaboration, fostering open innovation, and engaging in joint development with OEMs. By advancing these efforts simultaneously from an integrated perspective, involving not just our company but our stakeholders as well, I believe we can build a foundation for long-term competitiveness.

In the midst of rapid change across the entire industry, what kind of preparations do you feel are necessary for our company to maintain its competitive edge?

Shimada: In preparation for future changes, I believe it is also essential to address the business structure and the associated technology and services, the cost structure resulting from automation, and our response to sustainability and ESG. The business structure requires a shift from hardware to one centered on software and services. Particularly due to changes in customer and market demands, transformation from a conventional manufacturing-type organization into a digital company is indispensable.

Tomiyama: In recent years, the focus of customer value has been shifting from the product's performance itself to UX (User Experience) and continuous services (Servitization/SaaS models), bringing attention to “Servitization”—the provision of service value throughout the product lifecycle. In this context, building the organizational capability that combines the elements of software, AI, UI/UX, and DX requires a simultaneous transformation of both



corporate culture and strategic structure, extending beyond mere technological development.

Shimada: On the other hand, in order to not be dependent on fluctuations in the automotive industry, business diversification must also be considered. The digital technologies we have introduced, particularly advanced technologies, are applicable to other industries as well. While an organization for exploring new business ventures has already been established, we anticipate the need for strengthened capabilities to swiftly plan and execute technological deployment into other industries and collaborations with different sectors.

Tomiyama: For a company like ours, which possesses highly advanced sensing, display, and control technologies, the horizontal deployment of digital technology holds high market potential in other industries as well, such as medical devices, infrastructure monitoring, and agricultural IoT. The fact that a dedicated organization for exploring new business ventures has already been established is, in itself, an indicator of a corporate culture equipped with the adaptability and foresight necessary to navigate environmental changes, which I highly commend.

Shimada: In addressing these various review items, management must be resolute about continuing investment from a medium-to-long-term perspective, even while keeping an eye on the impact on short-term profitability. It is expected that, by leveraging our company's muscular corporate structure and accelerating organizational transformation through agile decision-making, we can achieve further evolution and transform into an even more flexible corporate structure.

Tomiyama: The major paradigm shift in the entire automotive industry, such as the collapse of the affiliate structure, the shift to bulk orders, and software-first, is a touchstone for sustainable management. Whether or not we can overcome these changes truly holds the key to sustainable growth. It is crucial to view these intense environmental changes not as a “crisis” but as an “opportunity,” and to challenge ourselves in creating new value by leveraging the company's strengths. I sincerely hope that you will utilize the winds of change to your advantage and boldly forge ahead into the future.