

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

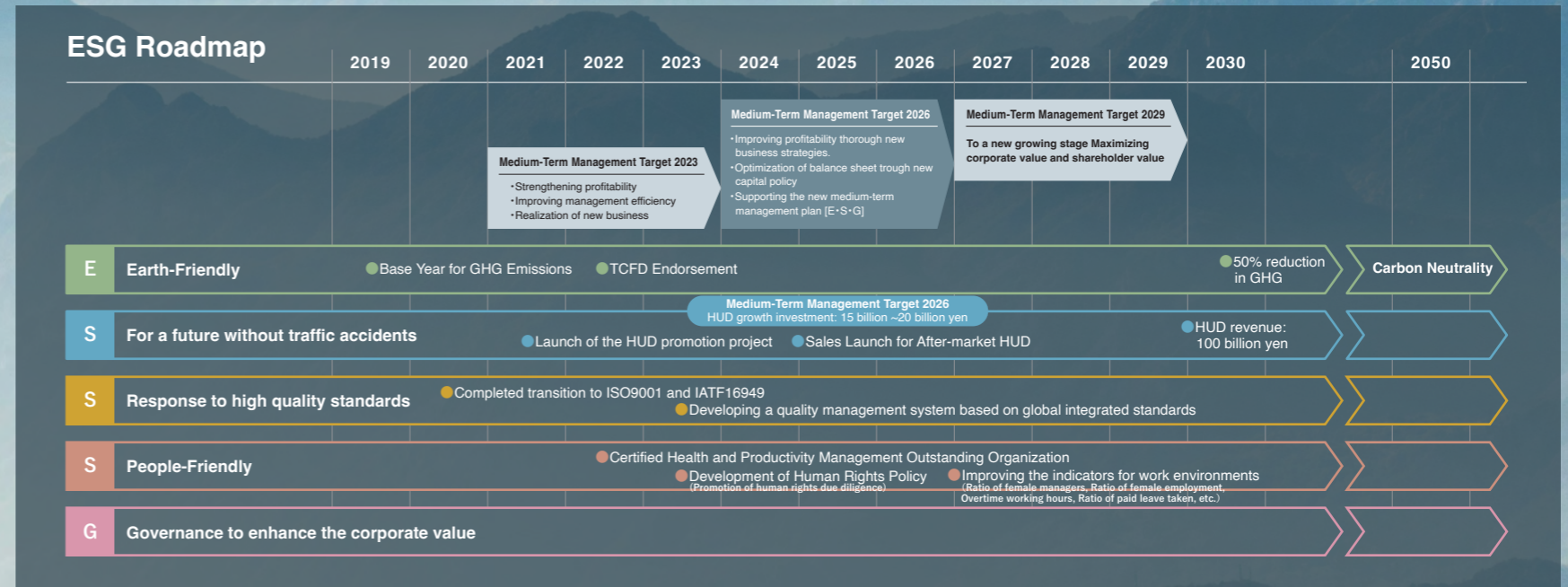
constructively engages with stakeholders.

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.

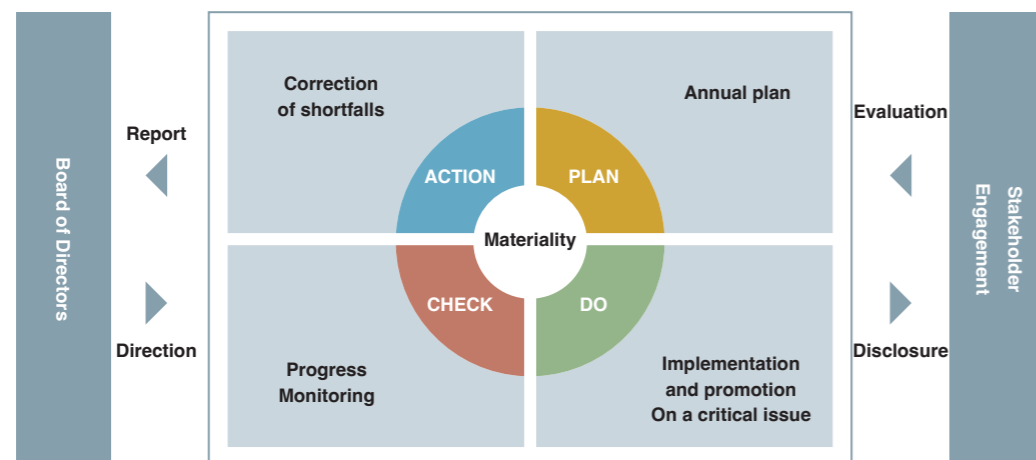
"The perspective of expanding business opportunities" is the perspective of whether we can capture changes in social needs from environmental and social perspectives and link them quickly to value creation, thereby strengthening our competitiveness and enhancing our corporate value over the medium to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



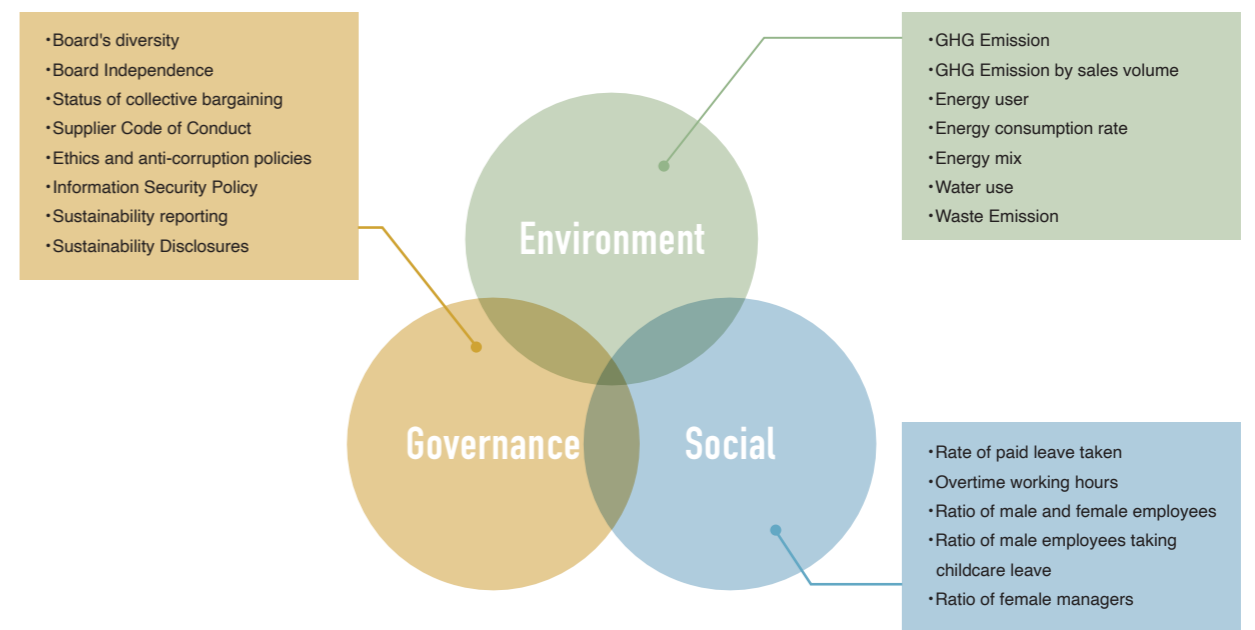
ESG Management of Nippon Seiki Group

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.

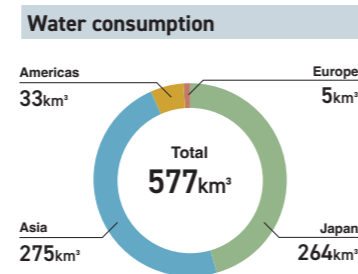
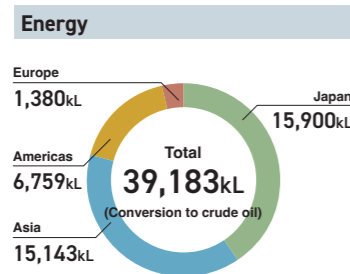
We will leverage the design and production technologies we have developed over many years with flexibility to enhance our comprehensive manufacturing capabilities through synergies. At the same time, we will integrate the environmental management system of ISO 14001 (2015 version) into our business activities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



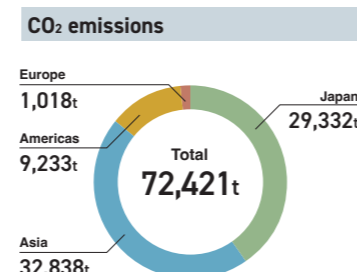
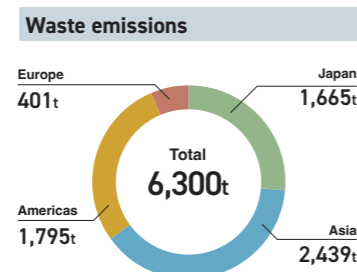
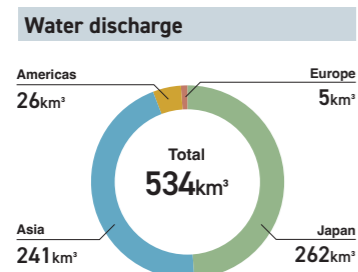
Environmental Declaration

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(FY2023)



OUTPUT



The 9th Environmental Objectives and Target FY2023-FY2026

We set environmental objectives and targets and continue to promote activities to reduce environmental impact. FY2023 is the first year of the 9th environmental objectives and targets. The results for FY2023 are as follows.

Action Themes	Items	Subjects	FY2023 Targets	FY2023 Results	Evaluation
Prevention of global warming	CO ₂	Entire company	5.0% reduction from FY2022	27.1% reduction	○
	Electric power	All manufacturing operation	1.0% reduction from FY2022 (per unit of production)	7.69% increase	✕
		All indirect departments	1.0% reduction from FY2022 (per unit of production)	2.1% increase	✕
	Heavy oil	Designated manufacturing sector	Monitoring and Management ※(Managing as CO ₂ emission)	69.6% reduction	○
	City gas	Designated manufacturing sector	Monitoring and Management ※(Managing as CO ₂ emission)	67.2% reduction	○
Conserving Water Resources	LPG	Designated manufacturing sector	Monitoring and Management ※(Managing as CO ₂ emission)	1.7% increase	✕
	Water supply	Entire company	Monitoring and Management	22% reduction	○
To Reduce, Reuse, and Recycle Waste	Amount Released	Designated manufacturing sector	1.0% reduction from FY2022 (per unit of production)	43.6% 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	11themes are implemented, with an average achievement rate of 91%	✕
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 PRTR-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	○
Emergency Response	BCP	Sustainability Related departments	Strengthening our ability to respond to natural disasters	2 theme is developed, all of which achieved 100% target.	○

[Initiatives Related to the Achievement of Environmental Targets]

Power Reduction by Changing Humidifier

The production line of NS West, a group company, used a spray type humidifier that sprays pure water with compressed air to suppress static electricity in the work area.

Due to the constant humidification during the drying season, the amount of compressed air consumed increased the power consumption of the compressor.

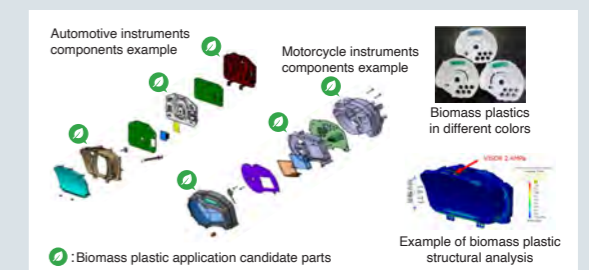
By replacing this spray-type humidifier with a vaporization type humidifier, the amount of compressed air consumed was significantly reduced and the power consumption of the compressor was reduced by 38,500kwh/year.



Consideration of Adoption of Biomass Plastic for Meter Parts

There are many types of biomass plastics, but we are considering applying them to large-sized and heavy-weight components among the components of the meter.

Meter components require a variety of characteristics, but we are conducting analyses of color, gloss, and stiffness that affect lighting, and are promoting various evaluations for their application.



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.

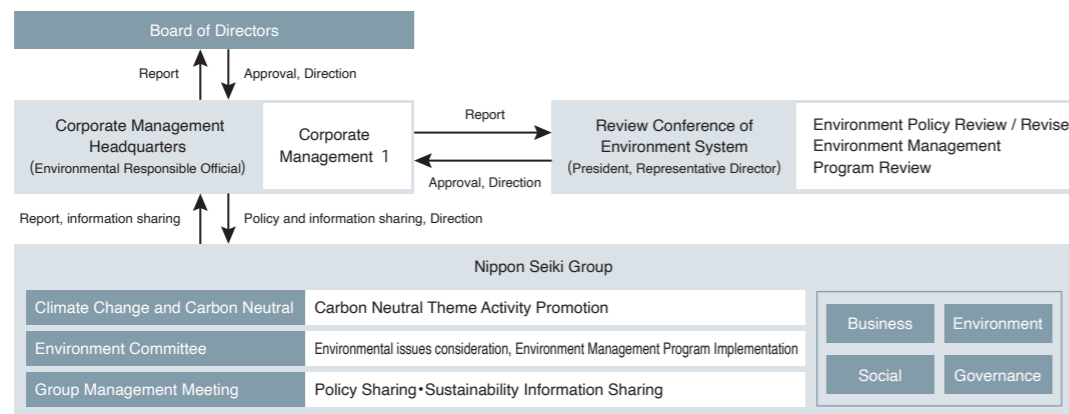


Governance

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.1, 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.



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 our business activities and its group companies, but also on us, the society surrounding them, and our stakeholders.

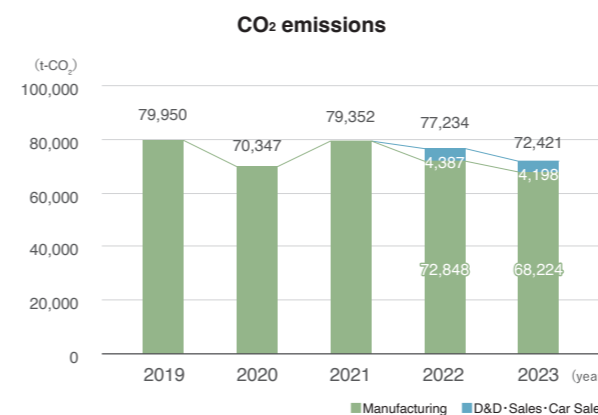
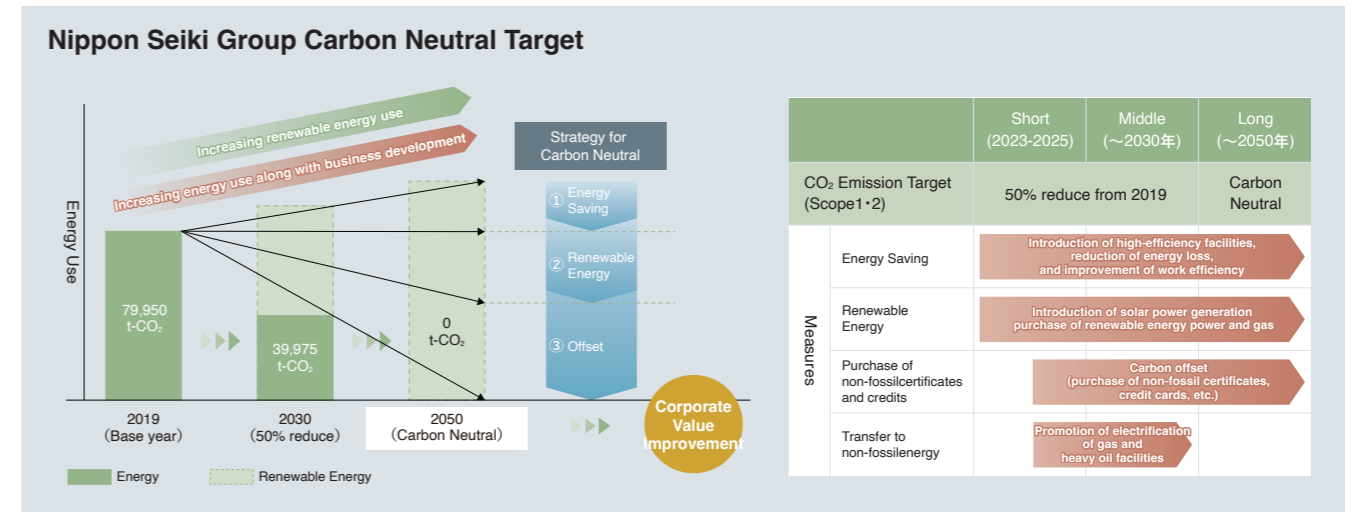
In order to minimize the impact of risks and take advantage of opportunities, we identify the impact (risks and opportunities) that climate change will have on business activities through scenario analysis. We will then promote sustainable business activities by considering the priorities and reflecting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

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.



Nippon Seiki CO₂ Emission (Non-consolidated)

	Scope1,2,3	FY2022	FY2023	Scope
Scope1		1,083	579	Non-consolidated
Scope2		11,644	8,738	
Scope3	1. purchased goods and services	373,215	382,735	
	2. capital goods	5,137	10,384	
	3. fuel- and energy-related activities	1,859	1,351	
	4. upstream transportation and distribution	N/A	N/A	
	5. waste generated in operations	34,571	5,294	
	6. business travel	188	287	
	7. employee commuting	144	144	
	8. upstream leased assets	Counted in Scope2	Counted in Scope2	
	9. downstream transportation and distribution	N/A	N/A	
	10. processing of sold products	Not applicable	Not applicable	
	11. use of sold products	20,683	15,080	
	12. end-of-life treatment of sold products	232	167	
	13. downstream leased assets	Not applicable	Not applicable	
	14. franchises	Not applicable	Not applicable	
	15. investments	Not applicable	Not applicable	

For each category, some activity amounts are not included in the calculation of CO₂ emissions.

Social Initiatives (S)

Occupational Health and Safety Policy

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



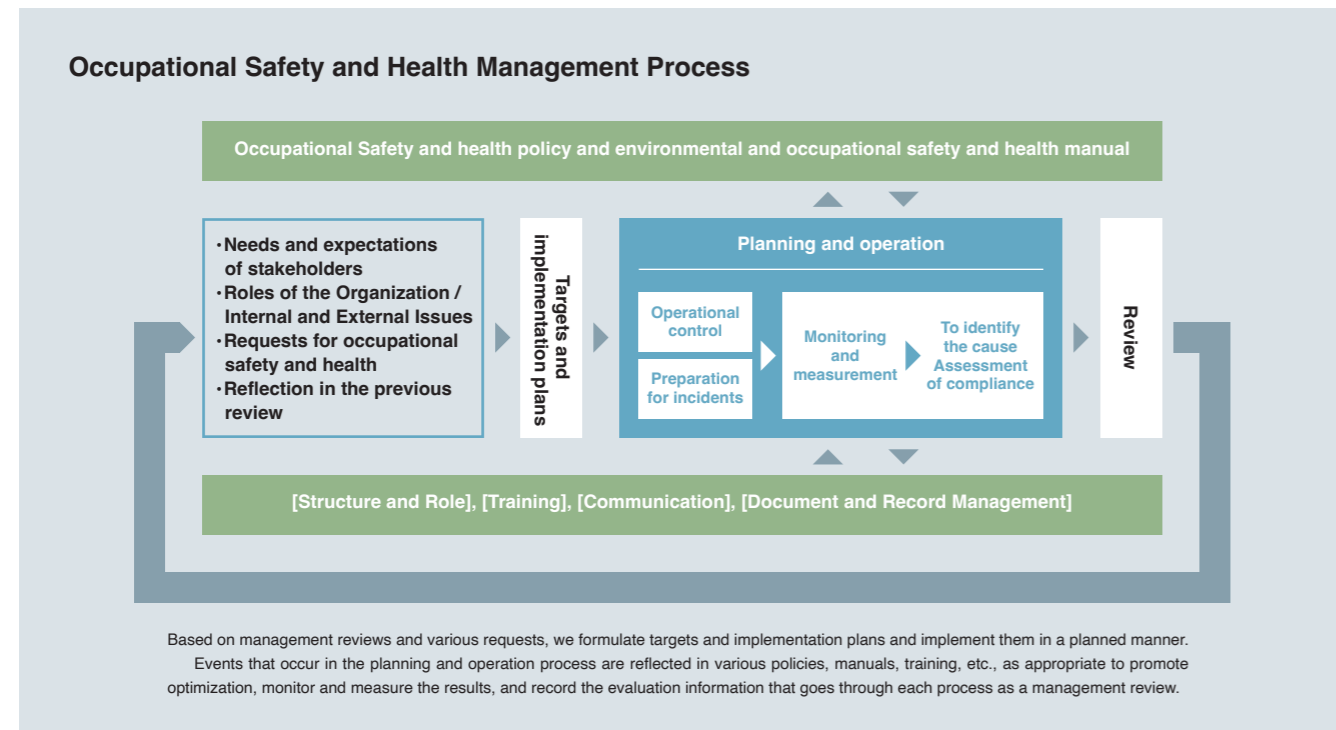
Occupational Safety and Health Management System

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.

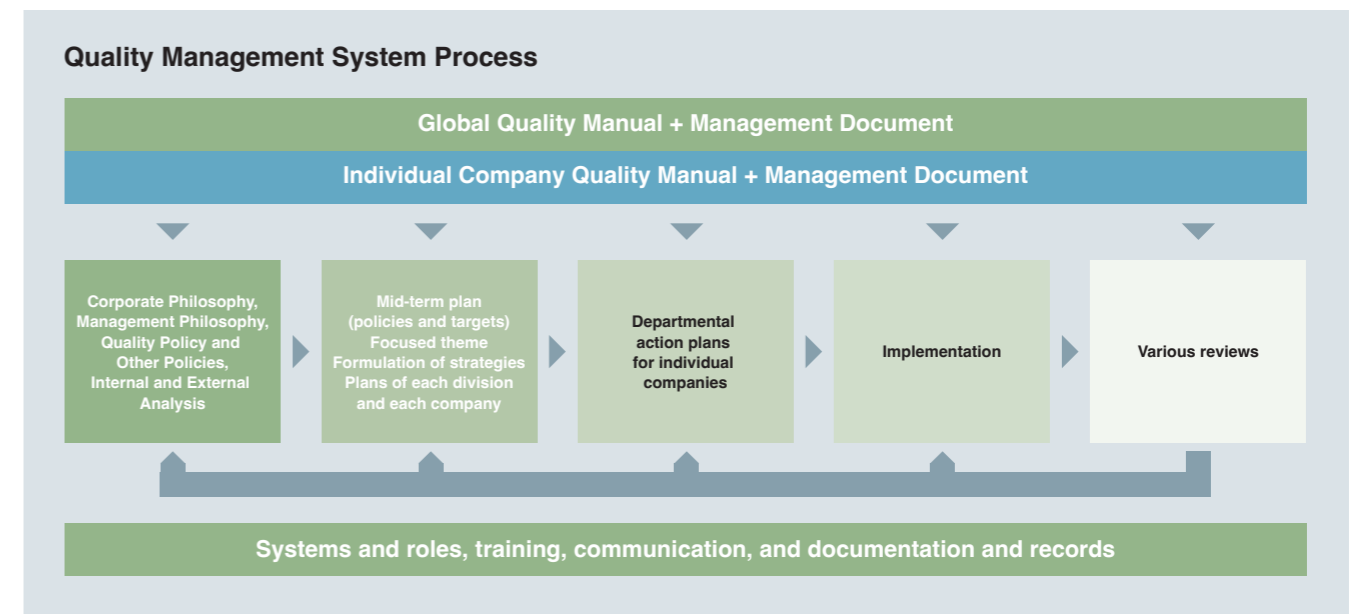
As for the quality management system, in fiscal 2017, the head office adopted the Automotive Industry Quality Management System Standard, an international standard.

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)

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 who will lead the next generation.



Industry-Academia Networking and Joint project

As a member company of Niigata Institute of Technology's industry-university exchange association, our company exhibited head-up displays at Niigata Institute of Technology's Festival.

Visitors enjoyed the head-up display experience and deepened their understanding of our company's commitment to promoting head-up displays.



Responding to local issues

Car-sharing services in Nagaoka city, where our head office is located.

Car Station Niigata Co., Ltd., engaged in automobile sales in our group, has launched an in-town car-sharing project called Nosashite for citizens and companies in Nagaoka, in collaboration with Nagaoka City and others. Although cars are highly convenient for daily life and business activities, their environmental impact is not small, requiring efforts to decarbonize. By understanding the demand for car-sharing, we will examine the possibility of reducing the number of cars in the city and adapting to a decarbonized society.



Digital Transformation (DX) in the local community

Nippon Seiki group has concluded a partnership agreement with Nagaoka City and the Nagaoka Chamber of Commerce and Industry to promote DX in the local community. We will work closely with each other and make effective use of our respective resources to promote local and corporate DX, develop human resources for digital technology, and solve local issues. We will promote Nagaoka's innovation through DX and contribute to the development of local communities and industries.



Community Contribution Activities of International Subsidiaries

[Nippon Seiki Poland Sp. z o.o.] (Poland)

Planting reduces Carbon Footprint

Nippon Seiki Poland (NSPL) has planted trees and green plants in the company and office areas with UN Family to celebrate the World Environment Day, which encourages awareness and action for the protection of the environment.

Since 2023, NSPL has planted 12 trees, which are expected to reduce the carbon footprint by 72 kg of CO2 per year.



[N.S. International, Ltd.] (USA)

Donation for Food bank

In 2023, N.S. International, Ltd. (NSI) donated to the Food Bank. This donation program reflects the employees' individual will more than other programs because each of them can choose their own donation and food. NSI raised \$1,230, far exceeding the initial target of \$500, and provided 4,775 meals to local residents.



[Nippon Seiki De Mexico S.A. De C.V.] (Mexico)

Supporting Cancer Patients by Recycling Plastic Caps

At Nippon Seiki Mexico (NSMX), all employees work together to recycle plastic caps and donate them to cancer patient support organizations. NSMX has continued this donation positively, since it supports the children suffering from cancer, at the same time, it contributes to protect the environment.



[PT. Indonesia Nippon Seiki] (Indonesia)

Community Communications and Developing Human Resources

In November 2023, Indonesia Nippon Seiki (INS) host an educational festival for neighbor elementary schools. Through factory tours, students experienced actual work activities. Awards were given to INS to outstanding results for "Community Communications and Developing Human Resources".



Social Initiatives (S)

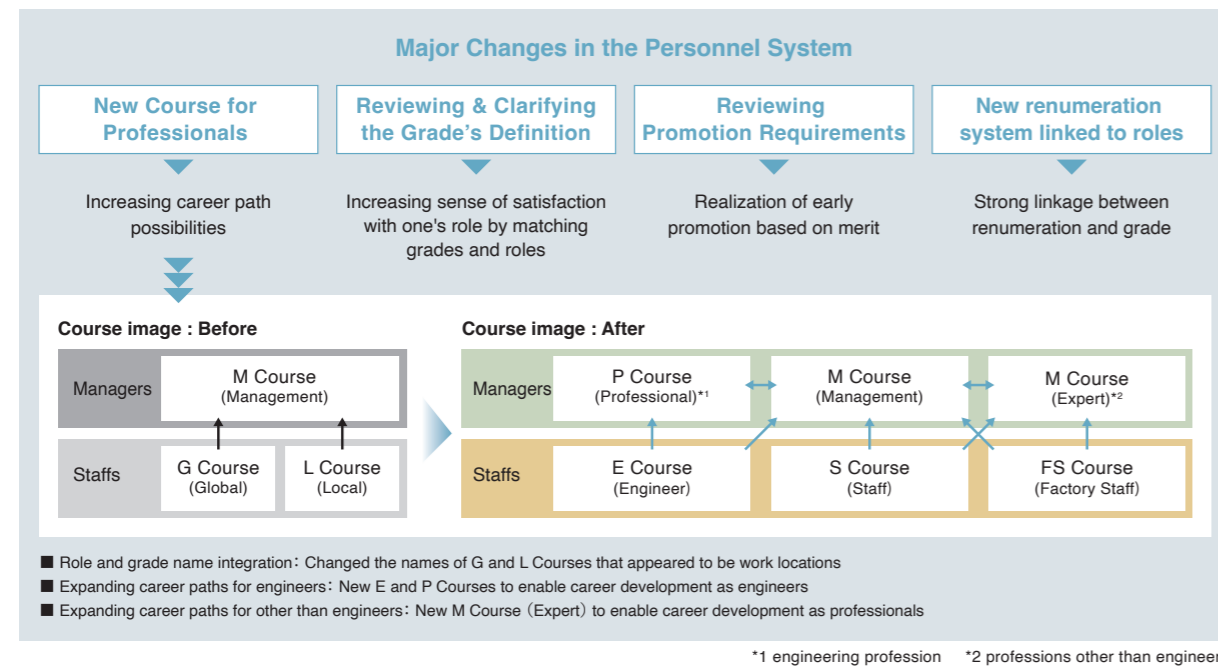
Human Resource Development

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. <see also p.08 "Message from the President">

Review of Personnel System

Effective April 1, 2024, we reviewed our personnel system from the viewpoint of "Comprehensive Career Design", "More understanding one's own role", and "Strong linkage of role and remuneration" to realize that diverse human resources can build diverse career paths and keep highly motivated to work.



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.

Since fy2023, a new human development program has been started that recommends young employees to go abroad on business trips. The business experience abroad, which involves understanding different ways of working and thinking, and noticing the connection between their own work, fosters their global thinking as well as cross-cultural exchange. We have continued this program in fy2024.

Themes of education and training

- Management training
- Health and safety
- Communication-Mental health
- Compliance
- Career design
- Leadership
- Management skill
- New employee training
- Coaching
- Business skill
- Language
- Other (Life plan·health management)



A young employee who travels abroad to promote our technologies and products, with local staffs. (Indonesia)

Improving Workplace Environment

Promoting Diversity

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

Voice of Employees Taking Childcare Leave



Senior Expert, Human resource department
Yoshinori IIDA

I took 18 days of childcare leave in total, including weekends off and holidays. The experiences of bathing the children, changing diapers, and doing housework with my wife were very meaningful in shaping our family's lifestyle. I also realized how hard childcare is.

As I was the first male manager to take childcare leave, I had hesitated to take long leave, but thanks to the support of my superiors and subordinates, I was able to take it.

In addition to childcare leave, it is very important to have a system where individuals who need to take days off or save work for some reason can be supported by people around them. Now that I've been supported, it's my turn to support someone else. I'd like to make this cycle work well and improve my company.

Goals, Results, and Certification

The results on the workplace environment indicators in fy2023 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]



[Assessment for Work Style Reforms]



Indicators, targets and FY2023 results		
Plan items	Goal (by March 2027)	Results (FY2023)
Proportion of Annual Paid Leave Taken	80%	73.1%
Overtime Working	Maintaining Monthly average overtime work of all employees within 12 hours	14.5 Hours
Female employee ratio in new employment	25%	18.6%
Percentage of male workers taking childcare leave	70%	60.7%
Percentage of female workers in managerial positions	5%	4.0%

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 2023.

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

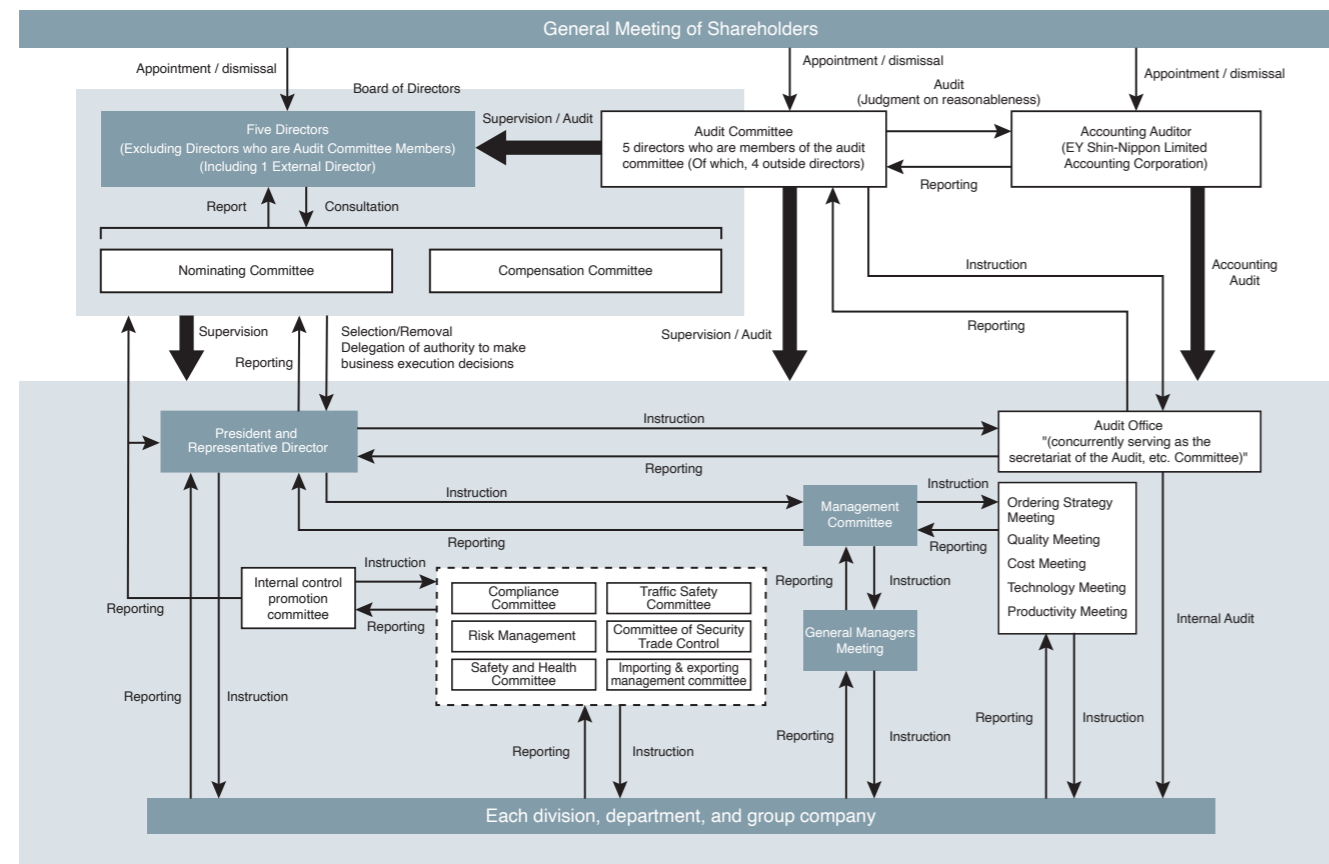
Corporate Governance (G)

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 Committee	Nominating Committee	Compensation Committee
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 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

In selecting senior management at our company, we comprehensively look into their experience, abilities, and achievements as managers, emphasize their contribution to business results during their term of office, and consider whether they will be able to fulfill their duties with integrity by constantly learning to be examples to others and strive for the development of our company.

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.

Increased Independence and Diversity of the Board of Directors

At the general meeting of shareholders held in June 2024, Ms. Satsuki Shimada was elected as an independent outside director and the number of internal directors was reduced by 1. As a result, the independence and diversity of directors were increased as shown on the right.

Changes in Independence and Diversity of the Board of Directors	FY2022	FY2023	FY2024
Independence: Ratio of independent outside directors	33.3%	36.4%	50.0%
Diversity: Number of female directors	1	1	2

< 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	○		◎				○	◎	○	○
Masahiro Yoshihara	Internal	◎	◎						◎	○	○
Masatoshi Azuma	Internal	○		◎		◎	○	○		◎	○
Satsuki Shimada	External	◎	◎	◎							○
Tatsuya Nagai	Internal	○					◎		○		
Etsuo Saiki	External						◎				
Eiko Tomiyama	External				◎			◎		○	
Kiyoshi Suzuki	External	◎	○	◎							○
Toshihiko Enomoto	External	◎				◎	◎		◎		

*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 ○.

Corporate Governance (G)

Directors' Remuneration (FYE March 2024)

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)	209	154	44	10	6
Audit committee members (excluding outside directors)	24	24	-	-	2
External Director	30	30	-	-	5

Cross-Shareholdings

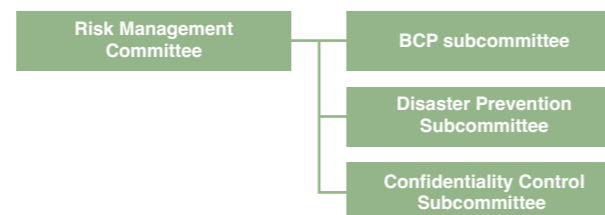
Every year, the Board of Directors of our company qualitatively and quantitatively examines the necessity of holding each cross-shareholding, as well as the benefits and risks involved.

We will also continue to work on reducing cross-shareholdings and increasing asset efficiency as one of the measures to improve corporate value continuously and achieve PBR 1x level at an early stage.

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 highly confidential. In order to protect them from risks such as leakage, loss, destruction, and falsification, we have established appropriate security rules and audit sheets, and implement regular audits and corrective measures.

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 and renewing information security certification in Japan and Europe established by the German Automobile Industry Association called TISAX, and by complying with Japan's automobile industry cybersecurity guidelines.

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.

Interviewing outside directors



As we begin our Medium-Term Management Plan 2026, we asked outside directors Messrs. Suzuki and Enomoto to focus on past and future challenges for discussing how to increase the value of the Nippon Seiki Group from a corporate management perspective.

[About the Nippon Seiko Group until today]

It has been about a year since you took up your position as a director. What was your mindset as you approached your duties?

Enomoto: This is my first year in the position, and I have endeavored to understand the corporate culture and atmosphere of the Nippon Seiki Group as well as its business and financial affairs. Specifically, I have increased my input by participating in management meetings as much as possible in addition to board meetings. I have also gained insights by visiting factories and logistics warehouses where manufacturing takes place. I have come to realize that the image of Nippon Seiki that I had before taking up the position which was "taking manufacturing seriously", clearly shows the value that the company provides to customers, which goes beyond to "creating a world and future filled with security and impres-

sions". On top of that, I think that the fact that Nippon Seiki is expanding its business globally is a wonderful feature of the company.

Mr. Suzuki has served as a director for a long time, but how do you think discussions at board meetings have changed since you took office?

Suzuki: When I first took up my post, I felt that the Board of Directors' meetings had a lot of documents and rambling explanations but little and short substantive discussions. The reason for this was that there was no clear definition of "what the problems and issues were." However, I advocated and led the Board of Directors' meetings to have essential, high-quality discussions while utilizing the PDCA cycle and calling for "clarification of the problems and issues" and "open-minded discussion."

In the annual Board of Directors Effectiveness Evaluation, I discuss with President Sato on how to proceed with the meeting, narrowing down the main themes for discussion, and we are now able to dig deeper with more time and fewer materials. Since I took office, the COVID-19 pandemic has hit and we have been in a difficult financial position, but have been pushing ahead with management reforms under President Sato's call for lean management, so I believe that the company is now in a stronger position than ever.



[The future of the Nippon Seiki Group / Towards medium and long-term growth]

How were you involved in formulating the new medium-term business plan?

Suzuki: For formulating the new medium-term management plan, we mainly focused on this theme at the 2023 Board of Directors meeting and discussed it for over several months. As a result of the progress we made in improving the effectiveness of the Board of Directors, as I mentioned earlier, I feel that we were able to hold more in-depth discussions than ever before about the new medium-term management plan. We had thorough discussions about what issues we need to address and what challenges we need to solve. Just like the discussions, the 2026 Medium-Term Management Plan has been completed at an unprecedented level, and we expect it to increase our corporate value.

Enomoto: I understand that the main pillar of the current "Medium-term Management Plan 2026" will be rebuilding the company's earnings structure, including the deterioration caused by the COVID-19 pandemic. At the Board of Directors meeting, we heard about the progress of the major projects in the previous medium-term management plan, and then examined the appropriateness of the profitability improvement measures in the new medium-term management plan. We participated in the discussions with a focus on increasing corporate value through sustainable growth and aiming for stable shareholder returns.

In light of the recent major changes in the business environment, we also discussed the need to restructure our corporate philosophy system, and discussed our "purpose," "vision," "mission," "values," and "management philosophy" at the Board of Directors meeting. As a result, we were able to publish the "Medium-term Management Plan 2026" from a multifaceted perspective, including not only numerical targets but also the direction we should aim for, which we consider to be a major step forward.

Furthermore, the Compensation Committee, the majority of whom are outside directors, also reviewed the policy for determining director compensation. Specifically, it recommended the introduction of restricted stock compensation and that performance-linked bonuses be determined considering consolidated revenue, consolidated operating profit, and consolidated ROE, among other factors, and this scheme was approved by the Board of Directors as an appropriate incentive to increase corporate value.



The Corporate Governance Code states that the roles and responsibilities of an independent outside director are to "provide advice on management policies and improvements based on their own knowledge from the perspective of promoting the company's sustainable growth and increasing its medium and long-term corporate value," and to "appropriately reflect the opinions of stakeholders, including minority shareholders, in the board of directors meetings from a position independent of management and controlling shareholders." Going forward, we would like to fulfill our monitoring function by following up on and evaluating the progress of the formulated medium-term management plan.

What do you think are the "strengths" of the Nippon Seiki Group?

Suzuki: As a supplier of meters for motorcycles and automobiles, we boast one of the world's top share of the market. We are indispensable to our customers, and the reason we have gained that trust is because of our unparalleled product appeal. Meters are one of the components that drivers see the most, so the reason we have developed as a meter manufacturer is because we have continued to make good products. I believe that the product appeal and uniqueness of our head-up displays in particular have become our strengths, and have earned us a high level of trust from our customers in recent years.

Enomoto: I believe that the reason we can develop products that are backed up by advanced technological capabilities and sell them on the global market is because of the high potential of each department, including technology, production, sales, and management. In light of the ever-faster and more drastic changes in the global economy, it will be necessary for employees to further increase their motivation and professionalism while further strengthening cooperation between departments. We are also blessed with employees who are proud of our company, our products, and our services, and I feel that we are embodying a global company from Nagaoka, while also in a good way cherishing the local color of Nagaoka City, Niigata Prefecture.

Suzuki: Yes, that's right. I think the global network we've built over the years is also one of our strengths. Such strengths are not something that can be built in a short time, but are the result of Nippon Seiki's long history of manufacturing, and a great attraction for customers. In order to respond more quickly to global issues in the future, we need to catch problems at sites located worldwide more swiftly. To do this, I think we need to further strengthen the "cross-functionality" between each site, correct unbalances at each base, and strengthen risk management. Each site is constantly encountering and dealing with various problems. It is important for the Nippon Seiki Group's global headquarters to use its "cross-functionality" to take measures across the board to address these issues.

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Interviewing outside directors

With the start of the Medium-Term Management Plan 2026, how do you view stakeholders' expectations regarding the goals for the fiscal year ending March 2027 and the fiscal year ending March 2030, and the challenges facing the Group?

Enomoto: We understand that there are high expectations from various stakeholders, including shareholders and investors, for the achievement of the "Mid-term Management Plan 2026". The plan outlines initiatives for various issues, and the two pillars are: 1) strengthening the head-up display business by aiming to expand sales with profits in the head-up display market, which is expected to grow, and 2) completing business restructuring in Europe and achieving profitability. In addition, cost improvements, particularly in raw material costs, and optimizing sales prices are also essential to improving business profits. On the other hand, we need to tackle regional issues including strengthening the Indian market, which is expected to grow, and coping with the rapidly changing Chinese market.

Suzuki: Like Mr. Enomoto, I believe that the important thing in common to "strengthening head-up displays," "improving profitability in the European business," and "improving the Indian and Chinese businesses" is to further reduce the cost of each product and to improve the quality of business management. Currently, we are focusing on cost reduction. The external environment is changing faster than ever, and all automotive parts suppliers are struggling, but it is difficult to reach the goal by simply accumulating the numbers that can be achieved at present. In order to strengthen cost reduction, we need to set high goals and achieve them with the cooperation of the technical development department, production department, purchasing department, and other departments. Nippon Seiki has traditionally tended to have a strong vertical

[Towards improving corporate value]

The Tokyo Stock Exchange has issued a request to improve the PBR (price-to-book ratio), and the Nippon Seiki Group aims to achieve 1.0 level as soon as possible, but what are your expectations and challenges?

Suzuki: In 2023, many companies have strengthened shareholder returns by acquiring their own shares and reviewing dividend payout ratios. Our company has also increased dividends and acquired treasury shares to strengthen shareholder returns. From 2024 onwards, the next phase will see the focus shift to improving corporate value and growth investment. The first step in improving PBR is to look at the company from a bird's-eye view and grasp where the issues lie. A useful method for doing so is to break down PBR into ROE (return on equity) and PER (price-earnings ratio). The key to ROE is the recovery of business profitability and appropriate capital policy. In order to improve ROE, I think the top priority is to ensure the achievement of the

organization, so I think that in the short term, for example, it may be necessary to devise a way to give the cost management department cross-sectional authority and have them act.

For the business in the Indian market, it is essential to raise the local management quality level. We have expatriates dispatched from Japan, but I think it is important to change the management mindset of the local staff. In addition, the Chinese market has changed significantly since last year, and the strategies of automakers are shifting from the traditional cost-focused unified platform strategy to individual power hybrid strategies. Nippon Seiki will need to continue to develop product plans for meter devices that are appreciated by customers and surpass other companies. I think the rapid shift to EVs will be fluid depending on future customer trends.

Enomoto: As you say, the speed of change in the automotive industry these days is remarkable. For Nippon Seiki, in order to further strengthen our business foundation for the future, it is important to proceed without delay with strategic investments as growth investments based on our business portfolio, and to proceed with the development of new customers and new products.

Furthermore, there are many social issues to focus on, such as promoting sustainability management, contributing to decarbonization and resource circulation in addition to enhancing management through the promotion of DX. The three-year medium-term is also an opportunity to spread and put into practice our management philosophy of "continuing to take on challenges as a lean and lean company and contributing to the sustainable prosperity of society and companies." With a long-term perspective (fiscal year ending March 2030) in mind, it is essential that we position the "Medium-Term Management Plan 2026" as a step toward achieving an operating profit margin of 7% and ROE of 8%, and that we fulfill the measures.

medium-term management plan goals. As for PER, stock price is also a factor, so investors' expectations for the future are the key. We believe it is important to carefully communicate to stakeholders not only about profitability, but also future direction, growth strategy and its feasibility.



Enomoto: In order to increase corporate value, it is necessary to restore profitability in the business, i.e., to implement the measures of the medium-term management plan. However, in order to achieve this, it will be necessary to continue to tackle important management themes such as strengthening the management base, for example, re-examining the global governance system, such as the group's quality control system and thorough

[Human capital management]

In recent years, the importance of human capital management in companies has been increasing. What are your thoughts on human resource development and diversity within the Nippon Seiki Group?

Enomoto: I recognize that there are several issues regarding human capital management, but regarding human resource development and diversification, our company advocates that "human resources are the most important management resource," and aims to develop "self-reliant, self-motivated human resources," implementing a wide range of educational programs, and encouraging women to play an active role. From the perspective of improving management strategies and employee engagement, I would like you to further advance your efforts to improve the human capital of your employees, such as their abilities, skills, and knowledge.

Suzuki: Long-term growth and improvement of corporate value requires not only cost reduction but also the pursuit of "improving the quality" of products and operations, and solving such issues requires "on-site human resources". To achieve this, we must never neglect our future human capital strategy, and in addition to traditional education, we will need re-education aimed at digitalization and DX

compliance, and providing employees with a safe and secure workplace. On top of that, we expect that market valuation will also progress by improving capital efficiency, achieving the ROE target of 5.5% in the final year of the medium-term management plan (fiscal year ending March 2027), and achieving a total return ratio of 80% through dividends and treasury stock acquisition, as declared as the shareholder return policy.

of operations as well as the young people who can play active roles. It is necessary to settle down and work on developing people decade by decade. The current difficult situation is a necessary challenge, and it is an opportunity to develop human resources who will lead the future of Nippon Seiki. How we hone the abilities of each employee will be the source of our long-term competitiveness. In addition, as a global company, we need to actively approach talented people from each country in terms of recruitment. Globalization as a cost competitiveness is important, but from now on, we will also need to respond to global human resources. In particular, IT-related engineers seem to be running out in domestic Japan, so it may be a good idea to shift recruitment globally.

Enomoto: It is useful to foster a corporate culture that generates innovation by promoting diversity among human resources with different expertise, experience, sensibilities, and values, and by actively recruiting career employees and foreign personnel in addition to gender. This also leads to the provision of an attractive workplace through the promotion of training and diversity. I think it is also important to accelerate various human capital management initiatives to improve corporate value in the medium to long term.

