

NIPPON SEIKI
Integrated Report
2023



Philosophy and Policies

Management Philosophy System

**Philosophy
Corporate
Culture**

**Vision
Code of Conduct**

**Midterm Policy / Management Goal /
Policy・Target by Segment**

Social Issues for Complying Stakeholder's Expectation

Management Philosophy

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

Corporate Culture

「Essentials, Reality, Simplicity and Speed」

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

Vision

Facing the future *Challenge & Change* for 2030

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

Technology

Product Development Technology

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

Evolution of core technologies

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

Innovation of Lifestyle

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

Total Solution

Innovation of Perceptual Assist

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

Evolution of core technologies

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

Innovation of Lifestyle

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

Sustain and Improve Quality

Awareness Change

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



Safe, Secure and Inspiring
Everyone

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Company data

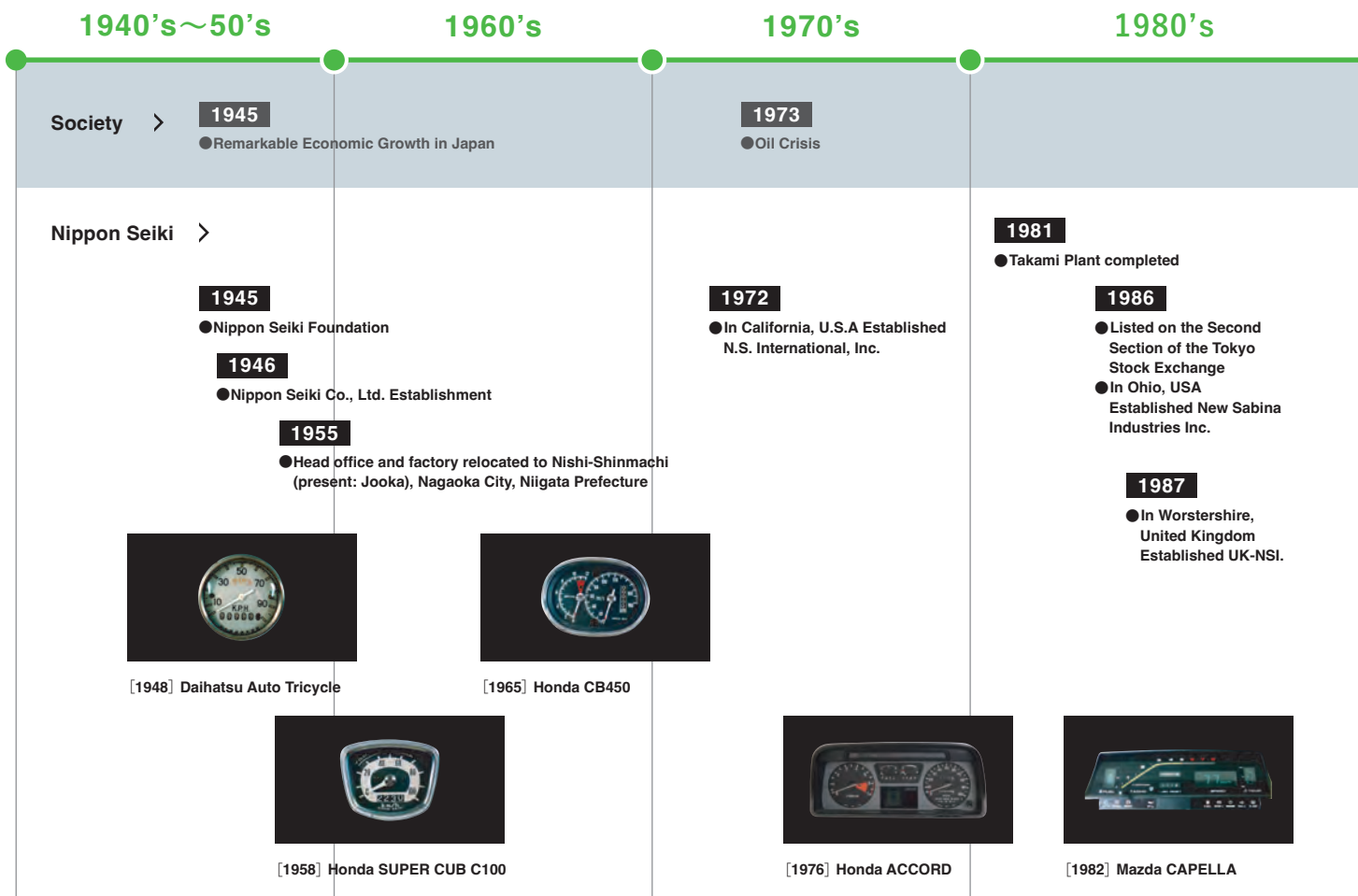
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Forward-Looking Statements

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

We are not responsible for updating these future predictions.

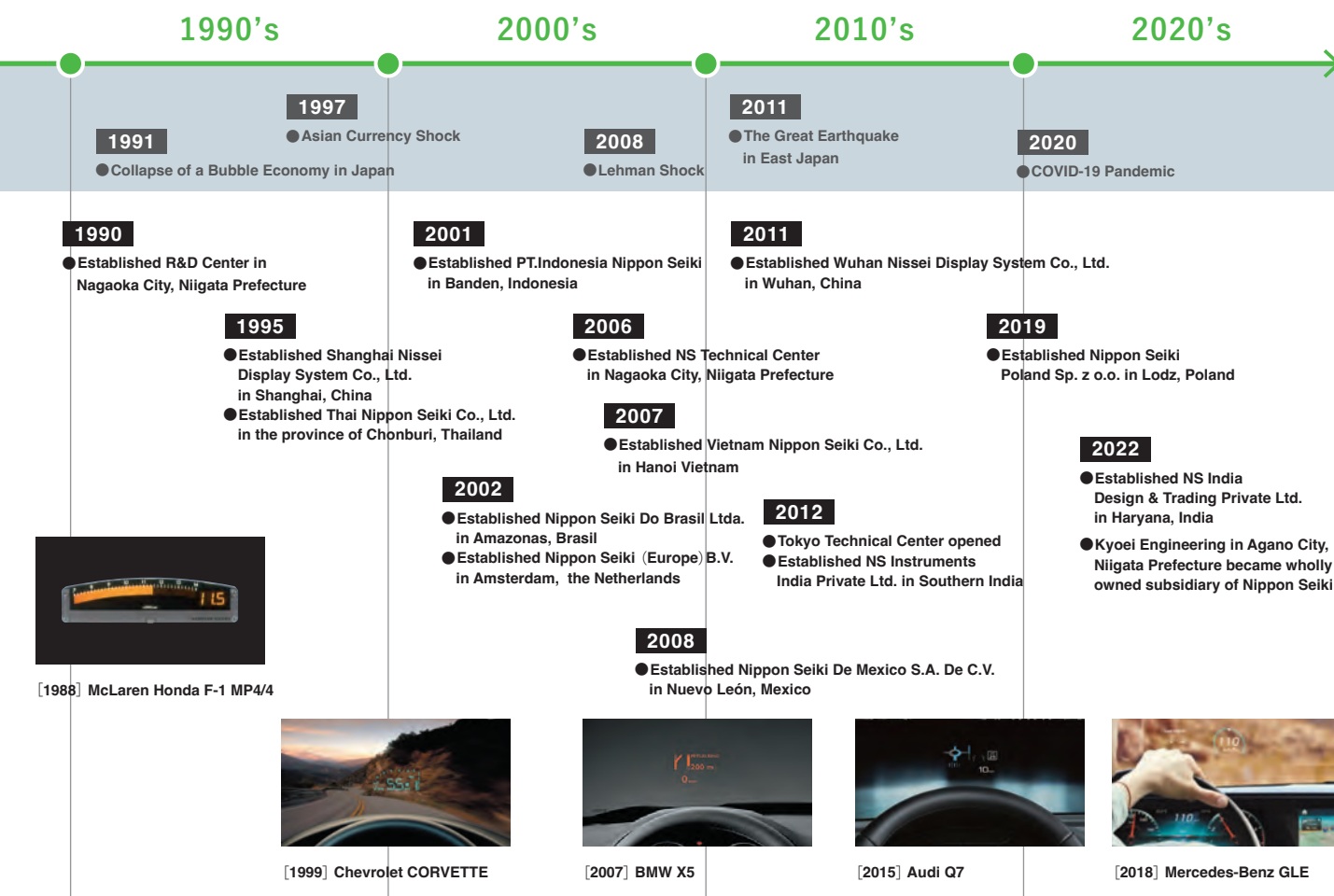
Nippon Seiki Group History



Circumstance and Corporate Value Change

(million yen)

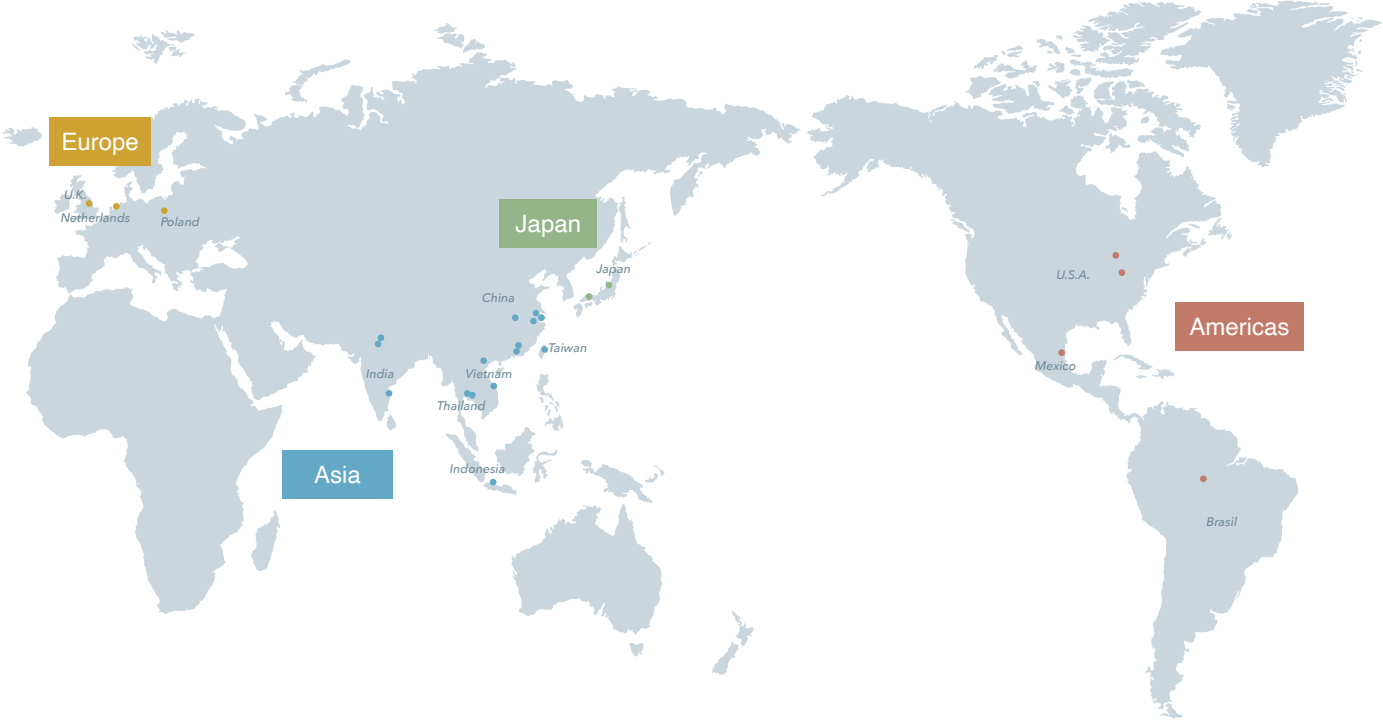




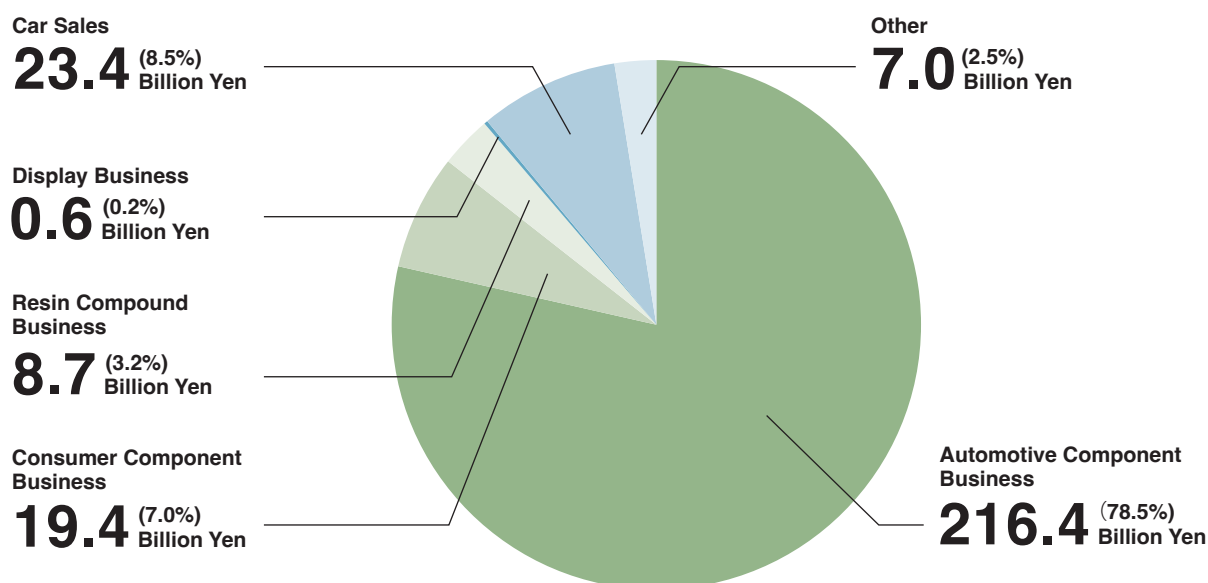
Sales & Number of Employees by Region (Sales:truncation)



Nippon Seiki Group Network



Sales by Business Segment (Sales:truncation)



Summary of Financial Results

Fiscal year ended March 2023 Financial Results

The economic environment surrounding our group during the fiscal year ended March 31, 2023 saw progress in the relaxation of various restrictions caused by the novel coronavirus in countries around the world. Although there have been signs of economic recovery, the outlook remains uncertain due to factors such as global inflation and high resource prices, geopolitical risks such as Russia's invasion of Ukraine and conflict between the United States and China, monetary tightening policies in each country, and exchange rate fluctuations.

In our mainstay automotive parts business, sales have recovered to 2019 levels due to the reduction in the impact of the new coronavirus. Production plans were changed due to a shortage of parts such as semiconductors, and material and logistics costs soared. However, we have endeavored to secure profits by appropriately reflecting increased costs in selling prices and by reducing logistics costs by reducing air transport of products and parts.

Revenue for the current fiscal year was 275,776 million yen (up 23.3% year on year), operating income was 2,840 million yen (operating loss of 4,276 million yen in the previous fiscal year), and net income was 1,380 million yen (compared to a loss attributable to owners of the parent

company of 5,180 million yen in the previous fiscal year).

In the automotive parts business, sales revenue of 216,483 million yen (up 26.7% from the previous fiscal year) and operating income of 1,179 million yen (compared to an operating loss of 5,857 million yen in the previous fiscal year) due to an increase in automobile instruments, motorcycle instruments, etc. was. In the consumer parts business, sales of air conditioning and housing equipment controllers increased, resulting in revenue of 19,419 million yen (up 56.0% from the previous fiscal year) and operating income of 1,349 million yen (up 876.7% from the previous fiscal year). In the resin compound business, sales of resin materials increased, resulting in revenue of 8,727 million yen (up 1.2% from the previous year), but operating income was 158 million yen (down 62.3% from the previous year). In the display business, sales of LCD products decreased, resulting in revenue of 678 million yen (down 58.0% from the previous fiscal year) and operating loss of 1,296 million yen (compared to an operating loss of 95 million yen in the previous fiscal year).

In the automobile sales business, sales of new cars increased, resulting in revenue of 23,402 million yen (up 4.3% year on year) and operating income of 1,090 million yen (up 13.9% year on year). In other areas, sales revenue was 7.064 million yen (down 8.1% from the previous year) due to a

decrease in information systems services, etc., but operating income was 588 million yen (up 13.1% from the previous year).

Overview of the Financial Situation

Assets at the end of the current consolidated fiscal year amounted to 355,954 million yen, an increase of 26,401 million yen compared to the end of the previous consolidated fiscal year, due to an increase in inventories, despite a decrease in other financial assets. Liabilities increased by 14,825 million yen compared to the end of the previous fiscal year to 149,505 million yen, due to an increase in bonds and loans payable, trade payables, and other payables due to securing safety stock.

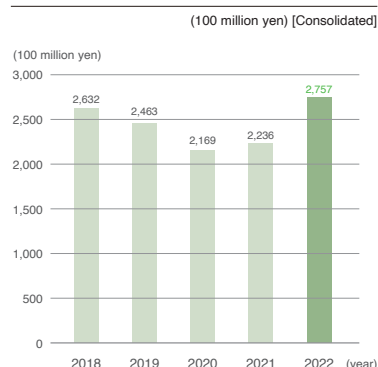
Capital increased by 11,575 million yen compared to the end of the previous fiscal year to 206,449 million yen due to increases in other capital components.

Inventories have increased due to the recent shortage of electronic components, customers securing safety stocks to maintain their production lines, and requests from component suppliers for long-term contracts. Currently, the shortage of electronic parts is beginning to ease, and we are working to reduce inventory by reviewing our management methods and aim for optimal inventory levels.

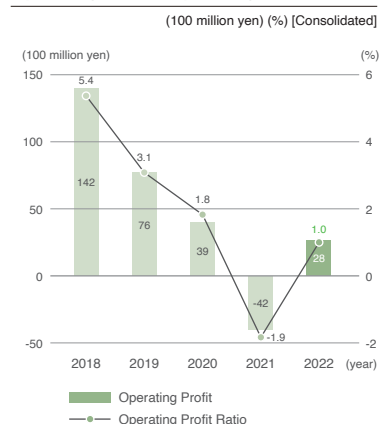
Financial and Non-Financial Highlights for the Year Ended March 31, 2023

Financial

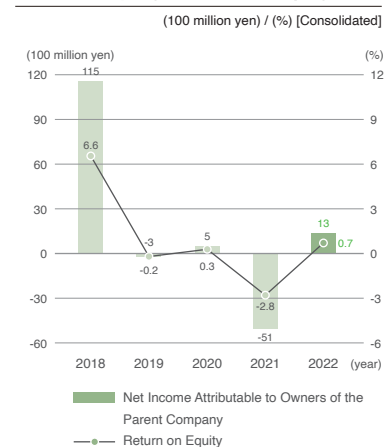
Revenue from sales



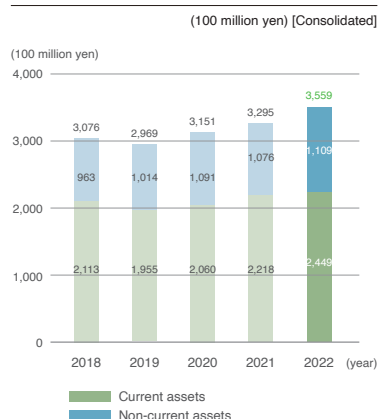
Operating Profit / Operating Profit Ratio



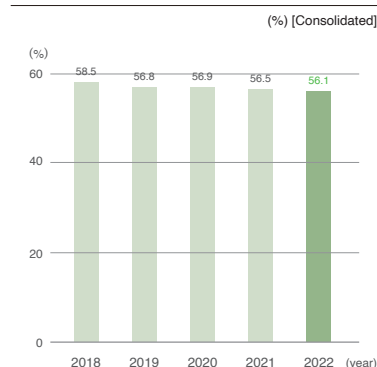
Net Income Attributable to Owners of the Parent Company / Return on Equity



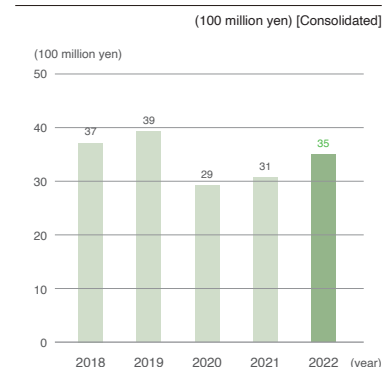
Current assets / Non-current assets



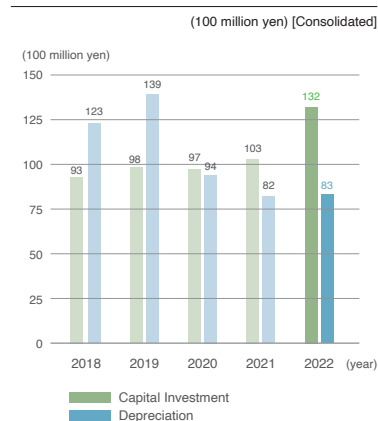
Capital Adequacy Ratio



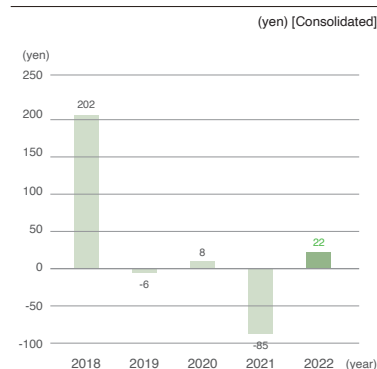
R&D Expenses



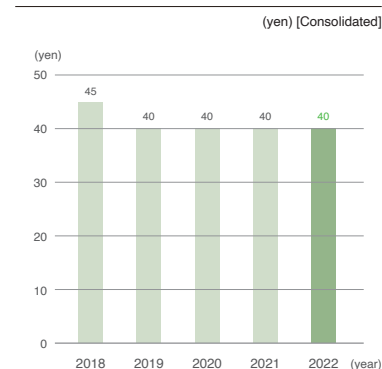
Capital Investment / Depreciation



Net Income per Share

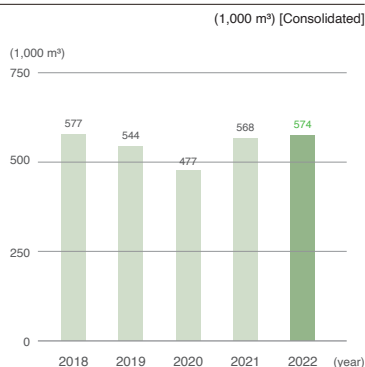


Dividends per Share

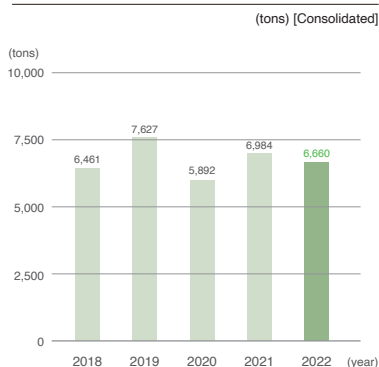


Environment

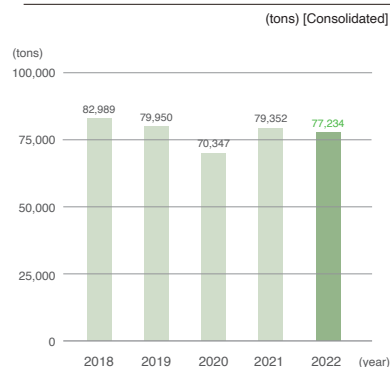
Water Emissions



Waste Emissions



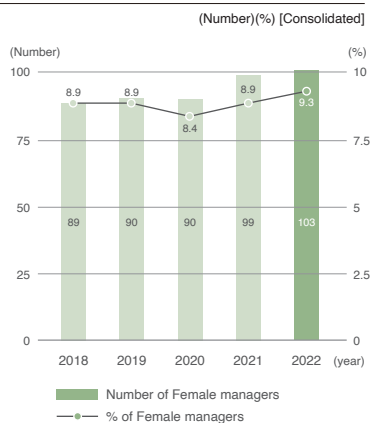
CO₂ Emissions



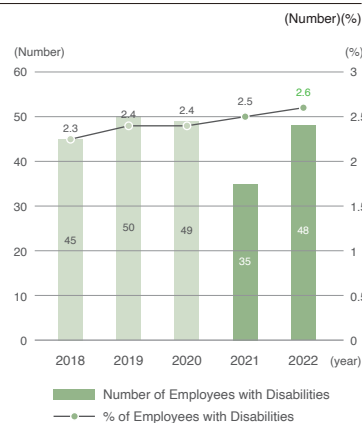
*Consolidated manufacturing bases will be covered until 2021, and manufacturing, development design, sales, and vehicle sales bases will be covered from 2022 onwards.

Social

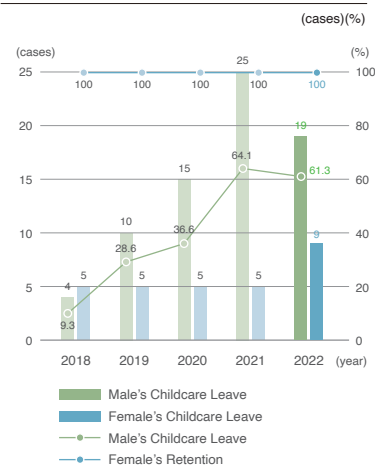
Female Managers



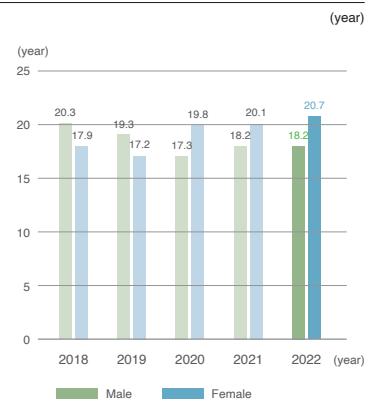
Employees with Disabilities



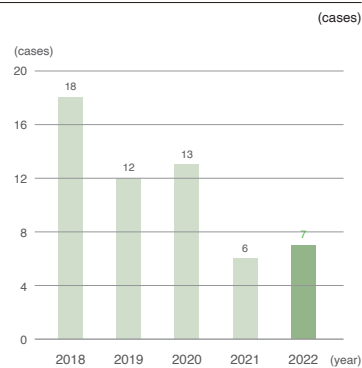
Employees Taking Childcare Leave / Retention



Average Length of Employment

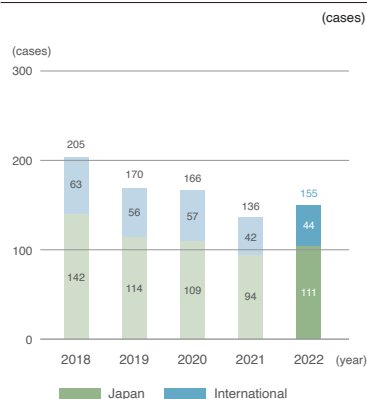


Number of Occupational Accidents



Governance

Number of Patents Obtained





Progress of medium-term management plan for 2021-2023

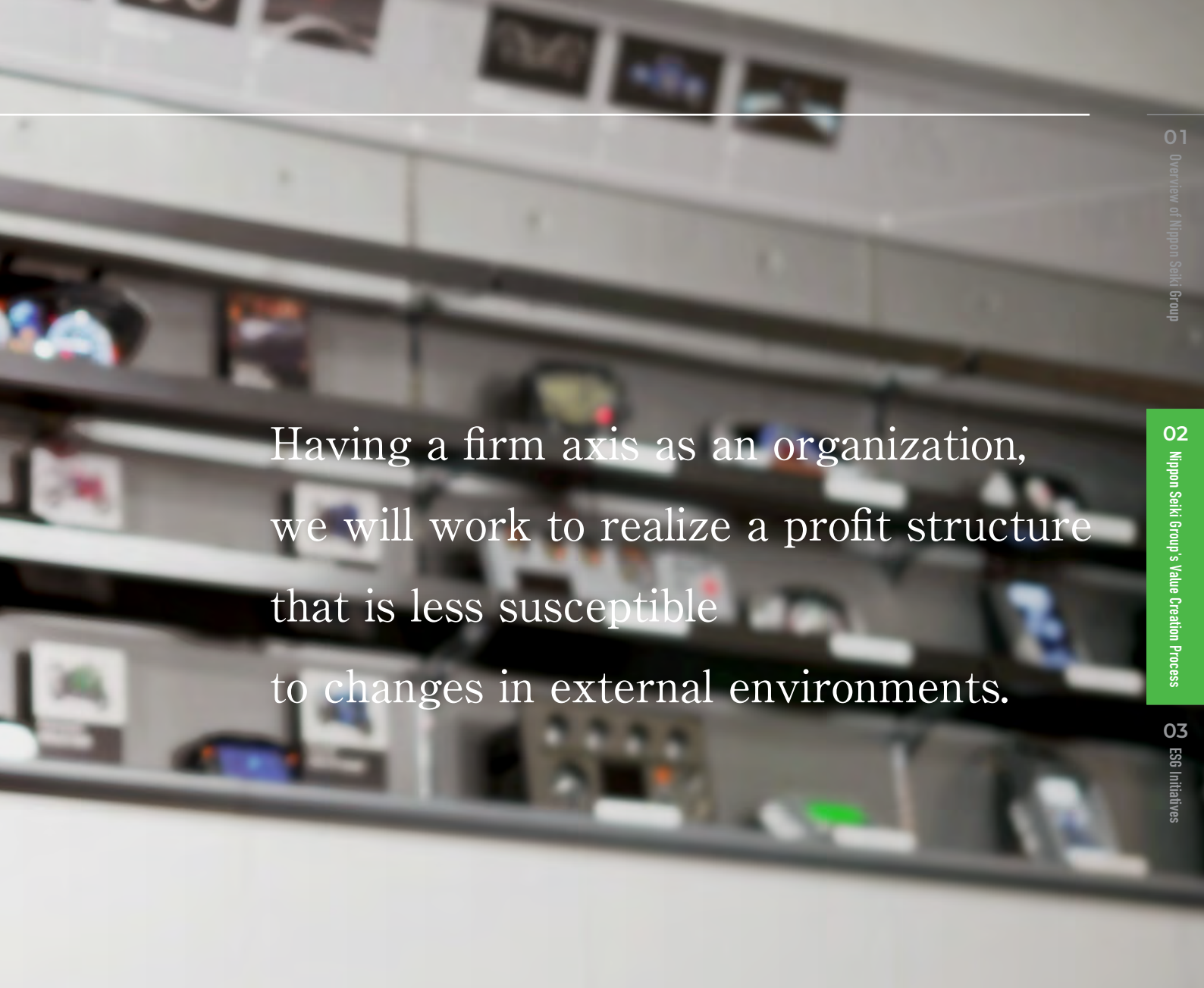
Nippon Seiki Group has advocated the management vision at our medium-term management plan started in 2021 that promotes changes into “lean corporate structure” as well as “Facing the future Challenge & Change for 2030”.

In addition, we have proclaimed again the following written statement “aiming to be a total solution company that provides safety, security, and excitement to people around the world through technology”.

Looking back on last year, although the influence on the pandemic of the new coronavirus gradually shrank, we were significantly affected by the global tightening of electronic components such as semiconductors and the resulting production adjustments and reductions in automobiles and motorcycles. Yet, our group continued to build trust by making frantic efforts to keep our custom-

ers' supply chains intact. Also, in parallel with maintaining the supply chain, we worked on group-wide efforts to reduce logistics costs and improve costs, and as a result we were able to escape from an operating deficit in fiscal 2021. In fiscal 2022, we achieved 275.7 billion yen of sales revenue, which exceeded the published value at the beginning of the period and were able to turn the business into a surplus of 2.8 billion yen of operating income.

Being appointed as the company president from June 2020, the speed of change has globally accelerated such as the pandemic of Covid19, Russian invasion of Ukraine, rising global prices and interest rates, and rapid depreciation of the yen. Symbolized by “CASE” and “MaaS” the automobile industry is now in the midst of a revolutionary period of 100 years.



Having a firm axis as an organization,
we will work to realize a profit structure
that is less susceptible
to changes in external environments.

In such an era of change, our group is promoting the change into a “lean corporate structure” aiming to construct a strong management foundation by having an axis as an organization. “Lean corporate structure” is the state of continuing PDCA cycles for maximizing added value without depending on sales as well as minimizing fixed costs. Our group suffered a big blow of a decline in sales due to the coronavirus pandemic and the tight squeeze on semiconductors. Then what we realized was the need for an earnings structure that is less susceptible to fluctuations in sales due to changes in the external environment. Therefore, we are to work on various measures in order to realize the “lean corporate structure” as our slogan.

For lean management, the first is to improve the ratio of selling, general and administrative expenses to sales. Specifically, reducing sales management personnel costs and expenses, and optimizing direct and indirect

personnel ratio at the subsidiary factories across the group. Also at sales subsidiaries, shared services and compact operations that integrate management functions between subsidiaries need to be accelerated. The second is to improve the local procurement rate of parts at factories around the world and reduce transportation and packaging costs. Currently, most subsidiaries receive parts supplied from our head office. But we will indicate the local procurement rate that each subsidiary should aim for as a KPI and will work to strengthen our system to accelerate this goal.

Last year, thanks to the measures by lean management which contributed to the business recovery, we turned a good profit. We will continue to vigorously promote lean management in fiscal 2023.

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Message from the President

Initiatives for business recovery

We recognize that further performance improvement is necessary to meet the expectations of our stakeholders, especially our shareholders, for our group. We will work to establish a lean corporate structure and improve profitability throughout the company.

For items that we recognize as important management issues for our group, we name them as “focus theme” and tackle them as in-house projects steered by an executive officer in charge as a project leader. Among these focus themes, I would like to introduce two things positioned as particularly important measures. The first is “improving costs in the automotive business.” We operate and establish daily cost improvement activity processes, promote VA (Value Analysis)/VE (Value Engineering) for products under development and mass production, and promote local procurement. The second is “reducing design costs by reorganizing the design base.” We are working to shift resources to low-cost design bases and foster local engineers.

We are also working to resolve issues in each region in a project format. In Europe, we are firmly promoting a profitability plan and aiming to transform our structure into a profitable one. We view the Indian region as a future growth market and are working to ensure future profitability by creating a medium-term roadmap and promoting cost reductions.

Moreover, we are promoting digital transformation (DX) of our operations and are working to build a system that will quickly lead to business improvements by digitizing indirect operations and data analysis of income and expenditure status.

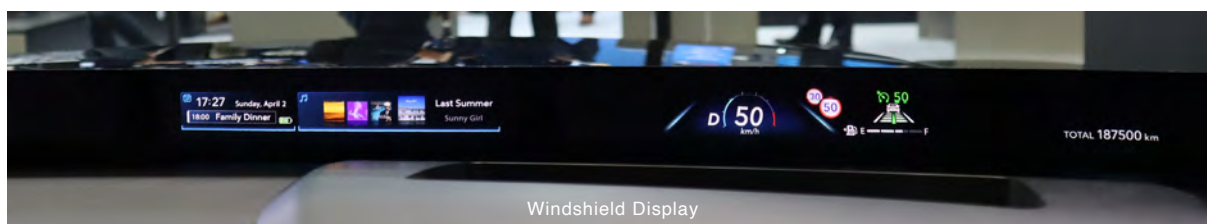
Last year, in light of the fact that we had to postpone our business target of 5% operating profit margin to one year, which was originally scheduled for fiscal 2023, we will speed up decision-making and implementation and continue these measures to improve profitability.

Product development with new value

In order to increase profitability over the medium to long term, we are developing products with new value by leveraging the technological capabilities that our group has cultivated. At the “Human and Automotive Technology Exhibition” in May 2023, we exhibited our new product “Windshield Display” for the first time. The windshield display is a product that has a liquid crystal embedded in the black area at the bottom of a car's windshield to display information such as speed and warnings. By combining it with the Head Up Display, we can create a safer and more secure driving environment with less blurring of the driver's line of sight while driving.

In order to expand the business of Head Up Display that help prevent traffic accidents, we are also developing a “retrofittable combiner-type Head Up Display” targeting cars without options and used cars. Unfortunately, Head Up Display is not yet well-known in Japan, so we hope that this “retrofittable Head Up Display” will help end users feel more familiar with Head Up Display.

Also by utilizing our group's sensor sensing technology, we developed the guidance system “Holfee” for mini excavators (excavation construction machines), and started selling the product from December 2022. Holfee is a guidance system that transmits information on the target depth and slope of excavation to the operator's smartphone at the site of ground excavation. We believe that this is a socially significant product that will help solve the labor shortage and technology inheritance issues in the construction industry these days, and we hope that it will improve the work efficiency at civil engineering and construction sites, and that its use and dissemination will expand.



Responding to climate change and human capital management

Our group considers responding to climate change as one of our important managements issues and works to reduce our environmental impact in our current medium-term management plan. Initiatives towards carbon neutrality in the automotive parts industry, which is the core business of our group, are unavoidable social issues and have an impact that can affect the sustainability of the business itself.

In response to increasing social demand for achieving carbon neutrality, we have been proceeding with research and development of carbon neutral meters as part of our efforts to reduce the environmental impact of our products. We have developed a carbon neutral concept meter that uses biomass material mixed with rice resin and recycled resin, and the product is currently in the evaluation stage. We are also working to reduce the usage of the total amount of raw materials by pursuing miniaturization and weight reduction.

Another important management issue is an investment in human capital, which is essential to increasing corporate value over the medium to long term. We believe in the way of thinking that "human resources are our most important management resource" and recognize that developing autonomous thinkers (people who are self-disciplined, think by themselves, and act on their own) is an extremely important management issue.

Our management vision "Challenge & Change" embodies the will of all of us to aim for personal growth by having a mindset of taking on challenges without fear of change. We will work to promote diversity so that everyone can demonstrate their individuality and abilities and play an active role, regardless of age, gender, race, nationality, or disability. In order to foster such "spirit of challenge" and "diversity" as part of our corporate culture and organizational culture, we are promoting various environmental improvements and currently reviewing our personnel system. These will be scheduled to begin operation from next year. We aim to promote health management and improve work-life balance and strive to create a system that allows our employees to

continue working in a healthy and energetic manner.

"Nippon Seiki Group's human rights policy" was enacted in February 2023. In order for all business activities of our group to achieve sustainable development, we need to continue to meet the demands of a global society that fulfills our responsibility to respect human rights. We reiterate our group's stance on human rights and will strengthen and expand our human rights initiatives by establishing this policy.



Toward the next medium-term management plan

Now, our company is working on creating a medium-term business plan for the next three years. Under the new plan, in addition to improving profitability, we will formulate a capital policy with an eye toward improving capital efficiency as well as reviewing our shareholder return policy. By doing so, we aim to develop our business over the medium to long term and maximize shareholder value.

In the next medium-term management plan, "Contribute to the prosperity of society by providing high-value products and services from the customer's perspective" being our group management philosophy in mind, our focus will remain unchanged: to produce high value-added products and services by refining, evolving, and developing our technology. In addition, we will strive to further improve corporate value with fostering a corporate culture that takes on challenges as well as the change of lean management. We appreciate your continuous understanding and support of our group.

Representative Director President
President Executive Director

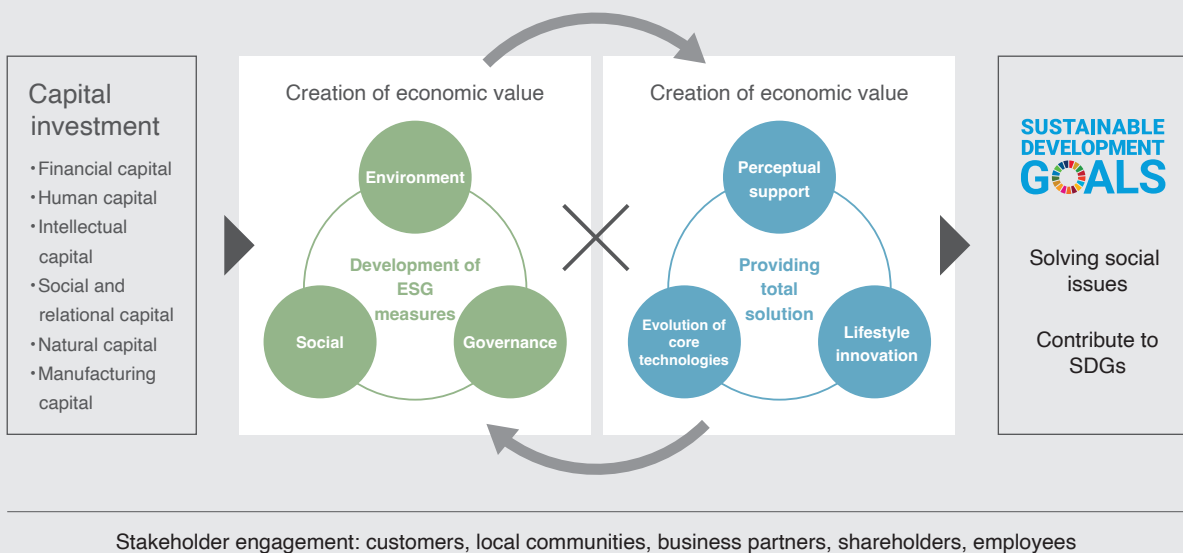
佐藤 浩一

Nippon Seiki Group Sustainability Policy

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

Realization of Management philosophy

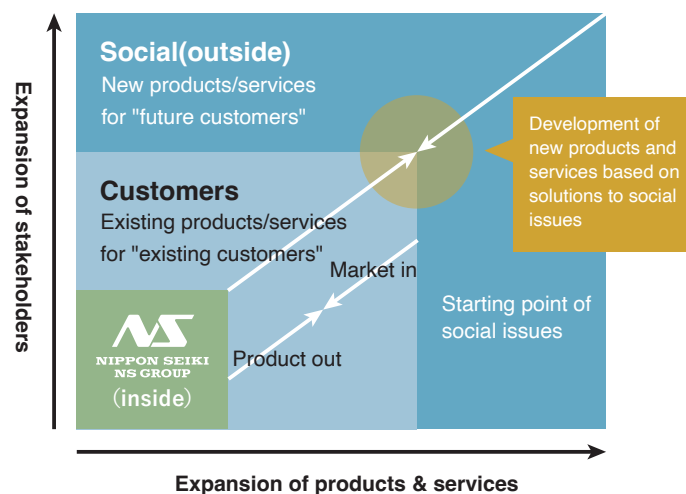
Implement sustainability management & provide circular economy



[Shared value creation framework adopted by Nippon Seiki Group]

Outside-In Business Approach

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



Relationship of Our CSR Important Themes and SDGs 17 Objectives

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

ESG	Important CSR theme	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Business activities	Improving Safety by Increasing the Number and Rate of HUDs Used			3.6								11.2						
	To reduce the burden on drivers due to the evolution of HMI			3.6						9		11.2						
	Reduction of materials by reducing the size and weight of products									9.4								
	Solutions to regional issues through collaboration between service businesses												12.8					
	Creation of new service businesses									9.b								
Environment	Environmental Management System						6.3 6.6	7.2 7.3	8.7	9.4		11.6	12.5	13.1 13.2		15.1		
	Global warming prevention [electric power]							7.2 7.3						13.1 13.2				
	Prevention of global warming [heavy oil]							7.2 7.3				11.6		13.1 13.2				
	Prevention of global warming [city gas]							7.2 7.3				11.6		13.1 13.2				
	Water conservation (water supply and sewerage)						6.6											
	Reduction of Waste Emissions / Reuse / Recycling											11.6	12.5		14.1			
	Circular economy									9.4			12.5					
	Develop eco-friendly products									9.4			12.8					
	Chemicals / Management of chemical substances in products			3.9			6.3						12.4					
	Promotion of green procurement							7.2 7.3	8.7				12.4	13.1 13.2				
	Measures against climate change (CO ₂ emissions)							7.2 7.3				11.6		13.1 13.2	14.3	15.1		17
	Emergency Response (Strengthening BCP Response)											11.b		13.1				
	Conservation of biodiversity						6.6									15.1 15.4		
Society	Diversity Inclusion / Human Rights / Gender/Disabled					5.c			8.5 8.7		10.2							17
	Work-Life Balance / Reform of work style / employee satisfaction					5.4			8.3 8.5									
	Health management			3.4 3.d											14.4			
	Increasing productivity amid declining birthrate and aging workforce								8.1 8.3	9.1								
	Occupational Health and Safety Management Systems								8.2 8.5									
	Fostering and Education of Personnel with Autonomous Thinking				4.4									13.3				
	Quality Management System									9								17
	Supply chain management								8.7								16.2/16.3 16.4	17
	Contributing to the Community (Global & Domestic)				4.1 4.7	5.1			8.3 8.9	9.2	10.2		12.b	13.1		15.1		17
Governance	Compliance																16.1/16.3 16.5	
	Information Security								9.c									
	Corporate Governance / Internal Control System																16.3 16.5	
Our group's efforts				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

Value creation process

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

Capital to Use

Financial Capital

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

Human capital

Corporate culture that emphasizes Change, Diversity, Health and Challenge

Intellectual capital

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

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

Social and affiliated capital

Excellent and Strong global customer network

Natural capital

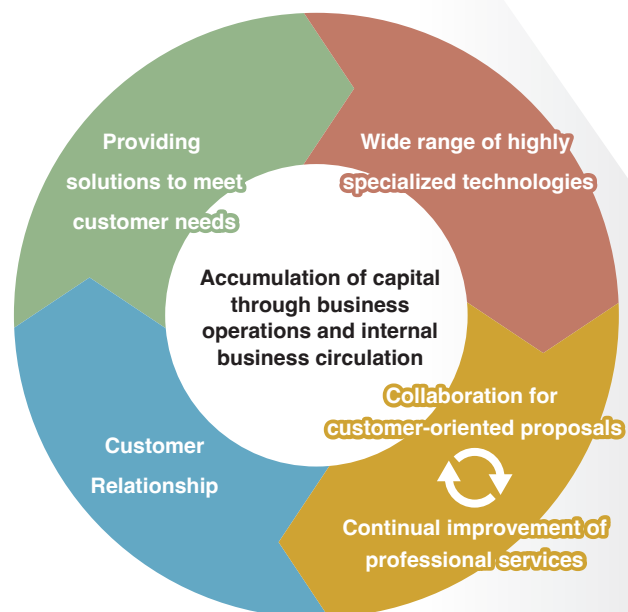
Environment, ecosystem, and ecology

Manufacturing capital

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

Input

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



Output

Management Foundation Supporting Business Models

•Governance •Risk management •Compliance

Social and economic environment

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

Circulation and

Materiality



Materiality

Materiality-specific process

- In selecting materiality -

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

Compliance area in a soft law

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

Compliance area in a hard law

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

Impact materiality area

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

Stakeholder communication area

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

Extremely Important

Social Impact

Compliance area in a soft law

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



Compliance area in a hard law

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

Important

Important



Impact Materiality

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

Automotive Component Business

Providing a Safe and Secure Car Life

- ① traffic accidents Prevention
Improvement of visibility of HUD and meters, popularization and penetration of HUD products
- ② environmental conservation:
Energy conservation through downsizing and weight reduction
- ③ Conservation: Use recycled materials
- ④ Sustainable supply chains:
Green Procurement, Responsible Mineral Procurement and BCP*

■Promoting the spread of HUD, which contributes to the prevention of traffic accidents through side-sight driving

■Improvement of mountability of HUD in cars by miniaturizing HUD to promote HUD

■Safe driving and the pleasure of driving by reducing the burden on drivers (HMI evolution, integrated cockpit development, development of next-generation sensors)

[▶P21-22]

Consumer Parts Business

Innovation of technology base

- ① Proposing and providing comfortable lifestyles (easy-to-use products)
- ② To respond to, propose, and provide new lifestyles (Development of New Products)
- ③ environmental conservation:
Energy saving by weight reduction (compact and thin), use of recycled materials
- ④ Sustainable supply chains:
Green Procurement, Responsible Mineral Procurement and BCP*

■Providing Comfortable Products through Relationships with OEM Manufacturing of High Quality, High Performance and High Reliability

■We propose and provide new products that respond to social and industry changes and needs, such as the corona outbreak, the declining birthrate and the aging of society, and the digitalization.

[▶P23-24]

Plastic Compound Business

Realization of a circular economy

- ① Responding to and contributing to the technological advancement of customers
- ② Proposing materials solutions that take the environment into consideration
- ③ environmental conservation:
Energy conservation by contributing to the weight reduction of products
- ④ Conservation: Use recycled materials

■Build a business (recycling business) that responds to climate change related fields through technological innovations in the materials field

■Improving customer satisfaction in a wide range of fields, including high-performance resins and clean resins (acquisition of management system certification, expansion of sales to new business partners)

[▶P25-26]

Automotive Sales Business

Realization of a well-being car life

- ① To propose and promote new sales in response to social changes and social needs
- ② Improving the quality of life of customers
- ③ Close relationships with local communities and contributing to them
- ④ Customer Satisfaction and Improvement of Convenience (Collaboration with Other Industries, Creation of Subscription Opportunities)

■Offering products and services that respond to changes in society (mobility society), and offering various opportunities for sales and use of mobility

■Development and expansion of one-stop services for community-based car life (new cars, used cars, services (inspection, inspection) and insurance)

[▶P27-28]

Service Businesses

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

- ① To offer ease of use and comfort (pursuit of convenience and comfort)
- ② Eliminating complications and solving problems (promotion of efficiency)
- ③ Providing Risk Preparation and Reliability
- ④ Close relationship with the local community, contribution to the local community, and new lifestyle proposals

■Outsourcing business processes Efficiency of society through BPO (Business Process Outsourcing)

■Support for digital transformation (DX) of customers and society

■Realizing affluent lifestyles by proposing new services tailored to local

[▶P29-30]

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



Utilization of Human resources

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

[▶P37、41-42]



Monozukuri / Environment

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

[▶P33-36,38]



Coexistence with Society

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

[▶P39-40,44]



Governance / Compliance

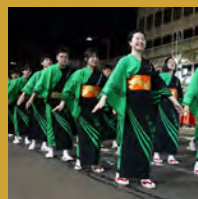
- Promotion of compliance and compliance
- Compliance with the Compliance Action Guidelines
- Enhancement and evolution of information security management
- BCP*Business Continuity Plan management
- Intellectual Property Protection

[▶45-48]

* BCP: Business Continuity Planning

Stakeholder communication area

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



Extremely Important

Impact on Corporate Value

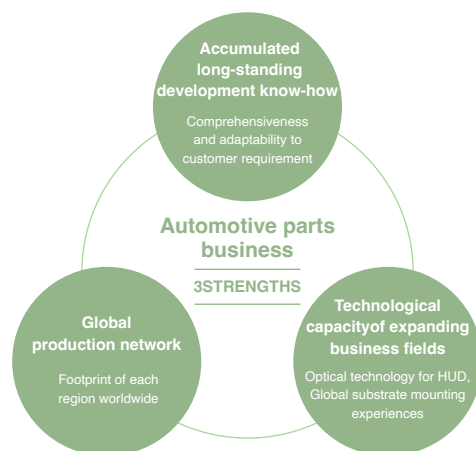
Automotive parts business

We continue producing our products by accurately conveying the continuously changing information to the driver, pursuing the improvement of convenience and comfortability, and paying meticulous attention to every single part. With our eyes focused on the environmental changes and technology progressions, we will play our role of protecting people's safety and security, running as the top leader of meter developers.

01 Strength of Automotive parts business

Meters and sensors for vehicles and motorbikes being produced and sold worldwide: this is the core business of our group. In recent years we have focused on HUD (Head Up Display), which projects information such as speed and navigation onto the windshield in a car. We also supply substrate mounting service for other in-car parts makers.

Various information can be monitored by the sensors, and they are conveyed to a driver through optimized forms shown on the meters. In this way, we contribute to safety drive and, at the same time, create the impression of driving.

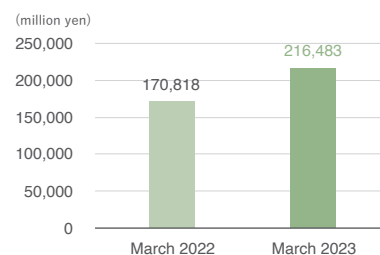


02 Overview of the fiscal year ending in March 2023

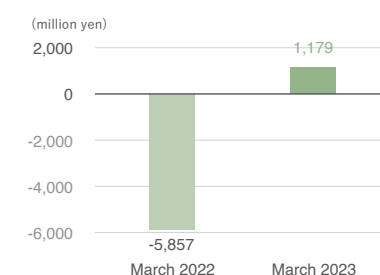
Sales have recovered to 2019 levels due to the reduction in the impact of the new coronavirus. Although we were affected by production adjustments by automakers due to a shortage of parts, including semiconductors, and soaring logistics and parts material costs, we have been working on strengthening profitability through measures such as stable production by securing safety stocks and optimization of logistics.

In the automotive parts business, which is our group's main business, we have been continuing to work on improving profitability. We are striving to build a system that can generate stable profits by flexibly responding to changes in the external environment, such as promoting VA (Value Analysis) / VE (Value Engineering), reforming business processes, suppressing design and development costs, and reviewing product packaging specifications.

Sales



Operating Profit



Achievable SDGs goals through the activity



03 External Environment

Opportunities

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

Risks

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

04 Growth strategy

Bearing in mind the supply of safety and security to the society, we work on maximizing customer satisfaction in each business domain: meters, HUD, sensors, and in-car EMS.

As for meters, we will drive forward the technical development of integrated cockpits in-cars, as well as the reinforcement of cost competitiveness of meters for motorbikes in India/ASEAN regions. In order to further popularize Head Up Display, we will strengthen our competitiveness by developing compact and simple specifications and increase awareness through PR

activities for end users (drivers). In addition, not only producing outside Japan, but we will accelerate to form a localized volume production process including production design and procuring parts. Electric vehicles are expected to be expanding in the future; with our quality and adaptability which have been cultivated in the in-car industry, we continue to progress the core technologies such as expansion of in-car EMS business and product developments by the combination of sensors and systems.

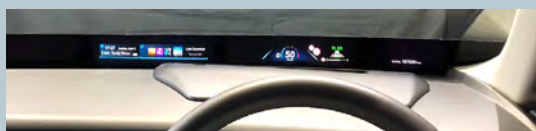
05 KPI

	FY2022 results	FY2023 target
[1] HUD volume (compared to previous year)	7% reduction	15% reduction
[2] Number of next-generation sensors/new sensors developed	2 items	4 items
[3] Number of patent applications (meter related)	57 items	63 items
[4] Recycling rate of meter resin parts	4.97% applied (recycled PP materials used)	10%

TOPIC

Developing products that contribute to reducing traffic accidents

We exhibited the Windshield display, our new product, at the Automotive Engineering Exposition held in May, 2023. This product reflects the display on the black part at the bottom of the windshield and is characterized by better visibility with less eye movement than conventional meters. This reduces the time which takes to recognize information, contributing to improved safety. Our group will continue to contribute to reducing traffic accidents.



Developing products that contribute to solving social issues

We have developed Holfee, a guidance system for small-sized excavators that utilizes our sensing technology.

"Holfee" is a guidance system that helps solve labor shortages and technology inheritance issues in the construction industry. At the ground excavation site, information on the target excavation depth and slope is conveyed to workers, which helps in construction work.

2D handy machine guidance

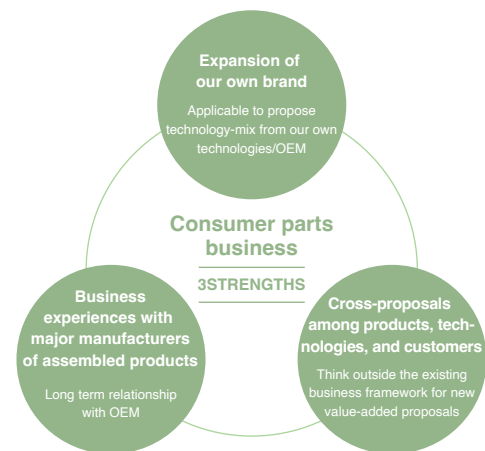


Consumer parts business

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

01 Strength of Consumer parts business

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

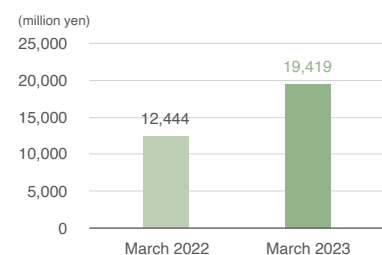


02 Overview of the fiscal year ending in March 2023

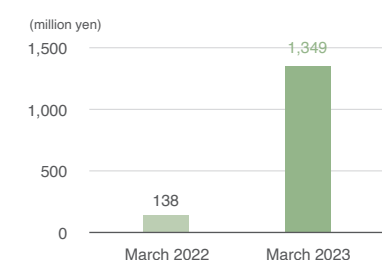
In the fiscal year ending in March 2023, both sales and operating income increased significantly due to the alleviation of the impact of the reduction in production of our products affected by the global tightening of semiconductors and electronic components in the previous period. Although sales increased in the previous period compared to the year before, due to the semiconductor shortage, some models were unable to keep up with the increase in customer orders. However, as the parts procurement environment improved, the backlog of deliveries from the previous period was cleared and sales increased significantly. As sales increased, profits also increased, resulting in increased sales and profits in the fiscal year ending March 2023.

In the future, we will endeavor to achieve even more stable production by stabilizing deliveries and proposing ways to shorten the supply chain by leveraging our group's production network.

Sales



Operating Profit



Achievable SDGs goals through the activity



03 External Environment

Opportunities

- Changes in global strategies of home appliance and office equipment makers
- Acceleration of all-electric home
- Change in roles of office equipment (Expansion of multifunction machine)
- Change in home appliance demand due to climate change
- Stabilization of parts procurement

Risks

- Post-Covid-19 demand trends
- More strict regulations of environment and energy conservation worldwide
- Decrease in home appliance sales due to economic fluctuations overseas

04 Growth strategy

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

By the increase of profitability as well as the expansion of

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

05 KPI

	FY2022 results	FY2023 target
[1] Number of orders received in the new domain	2 items	1 item
[2] Number of new products introduced into the market	2 items	1 item released

TOPIC

Expansion of utilizing overseas production bases

Home appliance manufacturers, who are our group's customers, are promoting local production overseas since the air conditioning equipment market is expanding around the world due to climate change and economic development in emerging countries. To follow this movement, our group will utilize the production network cultivated through our automotive parts business to propose optimal production locations to our customers.



Development of air quality sensor products

In 2021, we launched a CO₂Lamp that detect and display indoor carbon dioxide concentration. We are currently developing a product that displays "air quality" including other components by utilizing our sensing, analysis, display, and communication technologies.



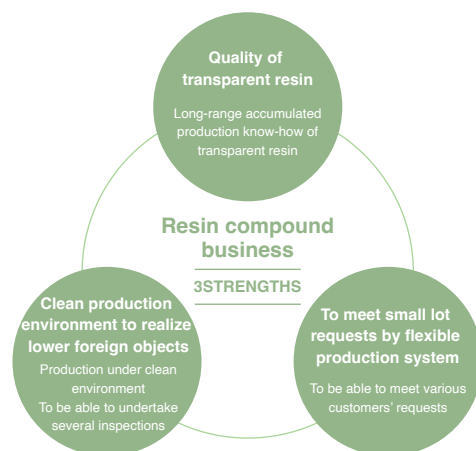
Resin compound business

Developing coloring business on high-performance resin materials of transparent resins (for vehicles, LED lighting, lenses, medical use, etc.).

Expanding our business in Japan, Thailand, China, etc. Our main customers are major chemical manufacturers.

01 Strength of Resin compound business

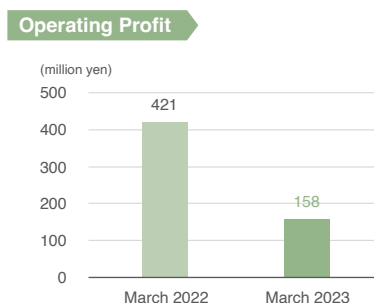
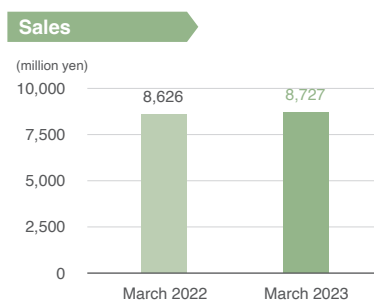
In resin compound business, the sales of high functional plastic materials and high value-added products like optical products with super low foreign substances utilized by the advantage of our strengths are further promoted acceleratingly for constructing a stable revenue base. We will try to contribute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



02 Overview of the fiscal year ending in March 2023

In the fiscal year ending in March 2023, although sales exceeded the previous period, profits decreased due to a decrease in orders for materials for high value-added optical lenses, an increase in orders for low-value-added items, and the impact of soaring electricity rates.

In the future, we will develop film materials that take advantage of our strengths in transparent, low-contamination materials, materials for medical care, food, and cosmetics that require a high level of quality control management, and highly functional materials equipped for automobiles in anticipation of the electrification of automobiles. We will focus on expanding sales for those materials. We will strive to secure a stable earnings base by increasing the ratio of high value-added products.



Achievable SDGs goals through the activity



03 External Environment

Opportunities

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

Risks

- Unstable orders of in-car applications
- Unstable orders of optical products
- Increase in oil prices and rising utility costs
- Market slowdown for final products

04 Growth strategy

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

our group.

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

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

05 KPI

	FY2022 results	FY2023 target
[1] Number of new business partners for clean items (including GMP-required items)	2 companies	3 companies
[2] Promotion of individual company’s recycling efforts (reduction of waste materials)	17 tons reduction	34 tons reduction

TOPIC

Promotion of ISO22000 acquisition

We are focusing on new order expansion for medical care and food materials, and plan to obtain ISO22000 certification in March 2024 in order to meet the high-quality demands of our customers. We will continue to supply safe and reliable resin materials by establishing a manufacturing and management process that is of higher quality and is cleaner than the normal resin compounding process.



Expansion of outsourced processing of bio and recycled materials

The number of inquiries and prototypes has been increasing due to the increasing demand for bio and recycled materials. We are focusing on the technological development of biomaterials, as we anticipate that the market will grow significantly and social demands will also increase in the future.



Car sales business

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

Group companies

HONDA Yonrin Hanbai Nagaoka Co., Ltd.

Sales business for HONDA cars in Niigata

Niigata MAZDA Co., Ltd.

Sales business for MAZDA cars in Niigata

CAR STATION Niigata Co., Ltd.

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

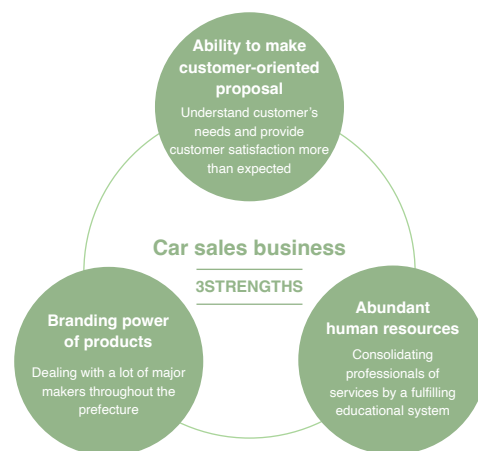
MAZDA mobility Niigata Co., Ltd.

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

01 Strength of Car sales business

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

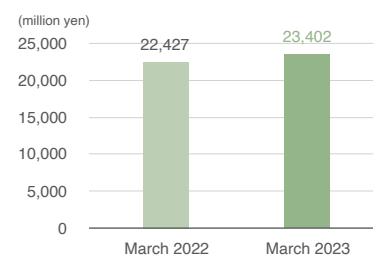
For solving several problems in our society, we always try to create new values by foreseeing the movement of the future market demand as well as social values, applying community-based and customer-oriented sales approach, and being innovative.



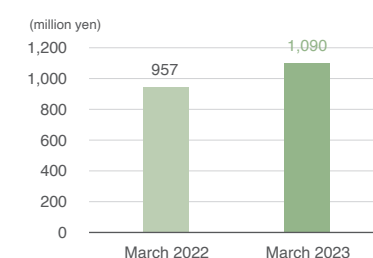
02 Overview of the fiscal year ending in March 2023

Although the impact of the new coronavirus has been mitigated, the global semiconductor shortage continues, and even if we receive new car sales orders (contracts), customers continue to have to wait for delivery, resulting in chronically long delivery times. However, in order to make up for delays in the supply of new cars, each company in our group focused on strengthening used car sales, car maintenance, car insurance, and commission income, as well as improving operational efficiency and streamlining operations, resulting in increased sales and profits. The production situation of automakers has finally improved over the past two years, and as electrification and subscriptions continue to advance, we are working on developing new ways to purchase cars, making forward-looking investments, and developing human resources.

Sales



Operating Profit



Achievable SDGs goals through the activity



03 External Environment

Opportunities

- Arrival of a new form of perception by CASE
- Active new function development and new sale method development
- Great alternative business opportunity due to EV paradigm
- Dealer reorganization movement by car manufacturers
- Top-ranked core earning power nationwide

Risks

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

04 Growth strategy

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

In terms of the expansion of business scale and domain, we will acquire and establish new businesses by the hybrid deployment: the investment for restructuring stores located in advantageous places and consumer lock-in by IT. We will exploit M&A

and accelerate alliance deployment, and try to enhance functionalities that we lack, and to gain additional regions where we supply our services.

Furthermore, our group is trying to evolve the business and business format of car dealerships, which are about to undergo major changes in the CASE era. We will promote the creation of a conglomerate that combines the automobile sales business and other industries, and not only sell and maintain cars, but also improve experiential customer satisfaction through synergies with our group's businesses. We will propose and provide a well-being lifestyle centered on cars to each and every customer.

05 KPI

	FY2022 results ^{*1}	FY2023 target ^{*2}
[1] Residual value sales ratio	29%	35%
[2] Core revenue coverage ratio	102%	Aim for over 100%, exceeding the previous year's results
[3] SG&A sales ratio	19.9%	Compared to previous year's results -1point
[4] Indirect personnel ratio	27.7%	Compared to previous year's results -1point

^{*1} Group dealer best value ^{*2} Each group dealer companies

TOPIC

Niigata Mazda "Joetsu store" renovated as a new generation store

Niigata Mazda "Joetsu Store" was renovated into a new generation store with a new Mazda concept in January 2023. We aim to further improve our brand power by creating a comfortable service and hospitality space in a highly visible showroom with a strong presence by taking advantage of this new construction renovation. In addition, we will strive to further improve the quality of after-sales service by expanding the number of service factories that conduct vehicle inspections and other inspections.



Joined the franchise chain "Car Seven", a used car purchasing store, and opened its first store in Joetsu City in Niigata prefecture.

Car Station Niigata joined as a member of the "Car Seven" franchise chain (FC), a major used car purchasing store brand, and opened its first store, "Car Seven Joetsu Store" in April 2023. We aim to expand our used car business by strengthening car purchase utilized with the company's "Safety Declaration" brand strength.

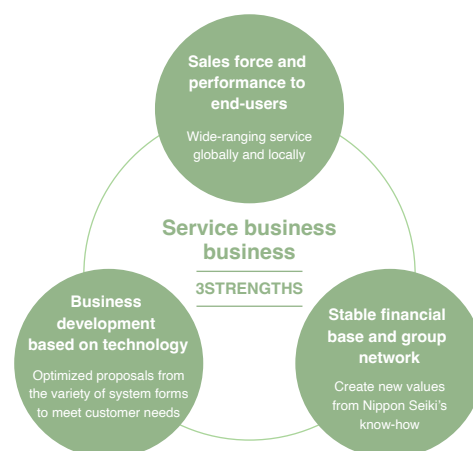


Service business

In order to meet various needs, Nippon Seiki Group have deployed the following two service businesses: Nissei Service Co., Ltd. dealing with logistics, insurance agencies, advertising agencies, and food services; NS Computer Service Co., Ltd. dealing with information system development, networking, and software and hardware development.

01 Strength of Service businesses

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

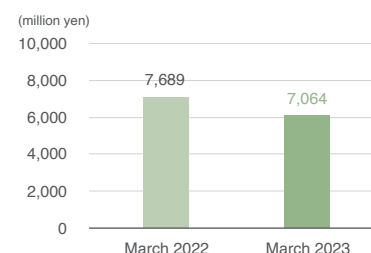


02 Overview of the fiscal year ending in March 2023

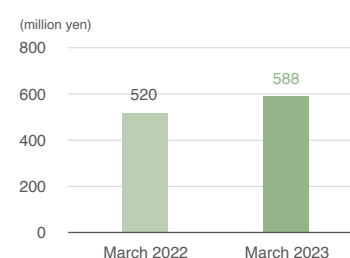
Sales decreased due to a decrease in cargo volume in the logistics business affected by production adjustments in the automobile industry as well as a difficult environment in the food service business. In addition, sales in the IT-related business dropped compared to the previous fiscal year, when demand for services for local governments was very strong. However, profit increased thanks to the increase of the highly profitable BPO business, making a significant contribution to profits.

We will continue to strengthen our earnings base by providing new products and services that more closely reflect customer needs in response to social situations, and by strengthening functions across the entire value chain.

Sales



Operating Profit



Achievable SDGs goals through the activity



03 External Environment

Opportunities

- Arrival of new lifestyle due to post-corona virus
- Change of consumer's lifestyle
- Social needs for sustainable business development
- Socioeconomic productivity and hospitality & society

Risks

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

04 Growth strategy

While market needs for services are diversifying, we will respond to our customers' BPO (business process outsourcing) needs by maximizing our strengths and deciding the areas where we should move into using innovation streams and comprehensively integrating existing technologies and functions.

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

In order to respond to changes in business content in the new normal era, we will propose BPO services to private companies and local governments in the information system services business domain more than ever. We will provide our customers with value such as effective use of human resources, concentration on core operations, and high-quality business processing by visualizing problems and issues through the operation of the systems we developed. We aim to solve social and regional issues and contribute to the realization of a more prosperous society by expanding BPO services.

05 KPI

	FY2022 results	FY2023 target
[1] BPO sales of individual demand	1,452 million yen	1,500 million yen
[2] BPO sales of public demand	1,866 million yen	2,000 million yen
[3] Retail products service	2 models released	2 models released
[4] Number of distributors nationwide	54 companies	380 companies

TOPIC

Construction begins on a new distribution warehouse in Nagaoka City.

Our group's logistics subsidiary, Nissei Service, is currently constructing a new logistics warehouse in Nagaoka City, where our head office is located. The warehouse is scheduled to begin operations in June 2024. We will consolidate our logistics bases in the Nagaoka area to improve efficiency, and aim to expand our business by strengthening our logistics service proposals to acquire not only our group products but also cargo from outside the group.



Business partnership with Oस्पoc Co., Ltd., a third-sector company in Niigata prefecture

In February 2023, NS Computer Services, an information services subsidiary of our group, concluded a business partnership agreement with Oस्पoc Co., Ltd. (headquarters: Tokamachi City, Niigata Prefecture). Through this business partnership, we will introduce systems for local governments and private companies, expand operation and maintenance services, and improve operational efficiency by sharing technology and know-how.





Nippon Seiki Group ESG Policy

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

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

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

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

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

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

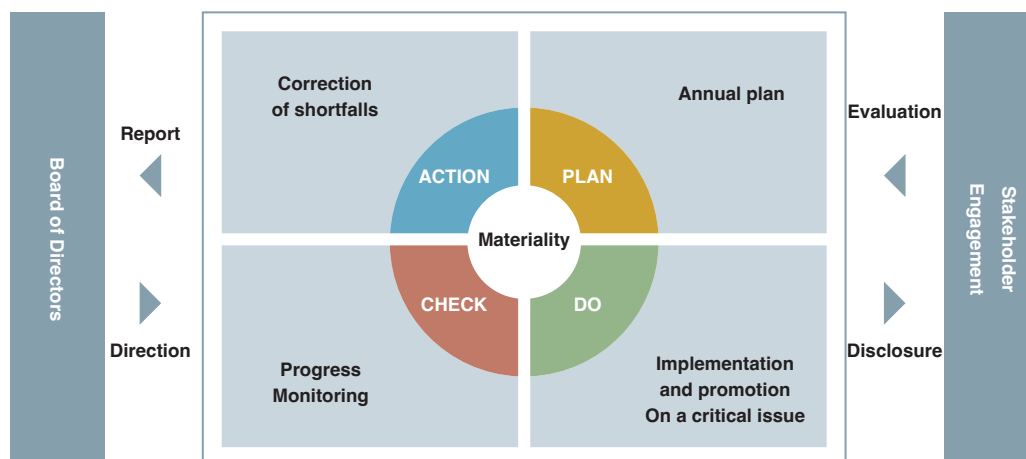
"The perspective of ESG is a restraint of business risk" is the perspective of being aware of environmental or social risk factors, what measures are being taken in response to such factors, and what impact do you have on financial stability.

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

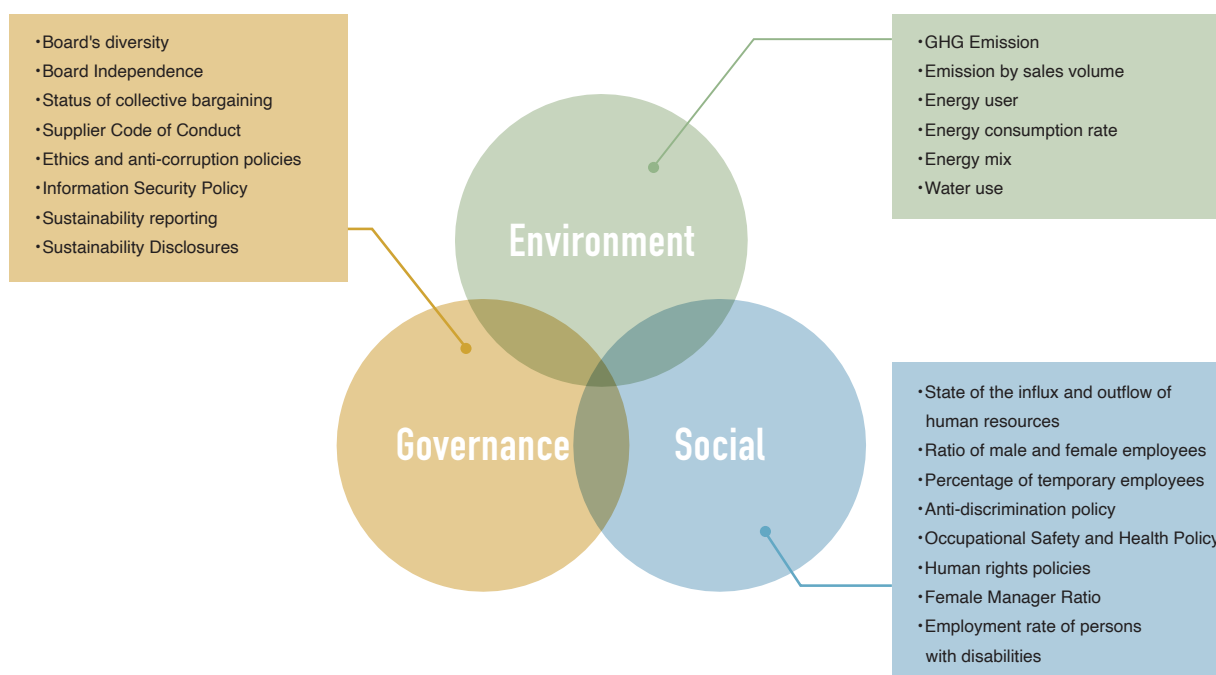
ESG Management of Nippon Seiki Group

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

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



Nippon Seiki Group's ESG Management Indicators



Basic Vision toward the Environment

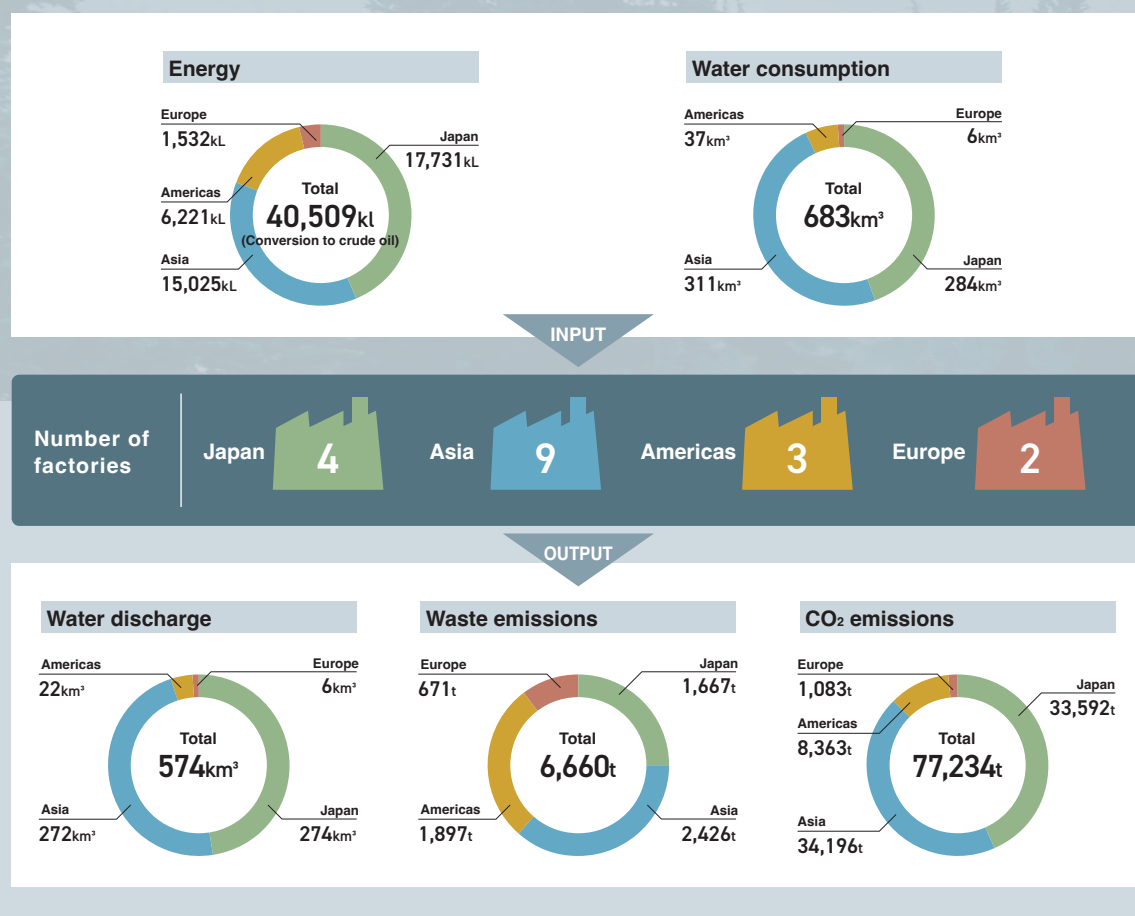
Nippon Seiki group has established the Basic Environmental Policy, and has positioned global environmental issues as an important management issue. With the aim of realizing a safe and sustainable society in harmony with the environment, the Group is making continuous improvements to achieve the realization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



Environmental Declaration

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

Environmental Impact of Nippon Seiki Group(FY2022)



The Eighth Environmental Target 2020-2022

We set environmental objectives and targets every three years and continue to promote activities to reduce environmental impact. The results for FY2022 are as follows.

Action themes	Item	Subjects	FY2022 Targets	FY2022 Results	Evaluation
Prevention of global warming	Electric power	All manufacturing operation	1.0% reduction (per unit of production) (base year 2021)	1.4% increase	×
		All indirect departments	1.0% reduction (electricity consumption) (base year 2021)	2.7% reduction	○
	Heavy oil	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	220.4% increase *	×
	City gas	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	19.6% reduction	○
Conserving Water Resources	Water supply	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	129.2% increase *	×
To reduce, reuse, and recycle waste	Amount released	Designated manufacturing sector	1.0% reduction (per unit of production) (base year 2021)	20.5% reduction	○
	Recycling rate	Entire company	99.90% or more	99.79%	×
Develop eco-friendly products	Environmental factors for products	Design division	For each product group Improvement of product environmental indices	12 themes are implemented, with an average achievement rate of 92%	×
Proper Management of Chemical Substances	Containing products Management of chemical substances	Design division	Establishment of a system to guarantee non-inclusion of RoHS2 additionally banned substances	1 theme is developed, all of which achieved 100% target.	○
	Handling management	Relevant division	Control and eduction of use of PRTIR-designated substances	6 themes are developed, with an average achievement rate of 100%	○
Promotion of green procurement		Procurement-related departments	Environment for suppliers Improvement of performance evaluation	3 themes are developed, with an average achievement rate of 100%	○
Global environment performance improvement	CO ₂ emissions	TQM Promotion Office	To gather environmental data from domestic and international affiliates	Continue to collect common environmental data from manufacturing affiliates	○
Emergency response	Strengthening BCP compliance	Risk Management Related departments	Strengthening our ability to respond to natural disasters	Implementation of simulation test for BCP	○
Conservation of biodiversity	Environmental Conservation	General Personnel Affairs Department	Implementation of activities related to biodiversity conservation	Conducted environmental conservation activities outside the company (discontinued in the previous year)	○

○ : Target achieved △ : Reduction/improvement over the previous year, but target not achieved × : Worsened from the previous year and target not achieved
 ※ Due to the reduction in display manufacturing volume, the basic unit (efficiency) deteriorated.

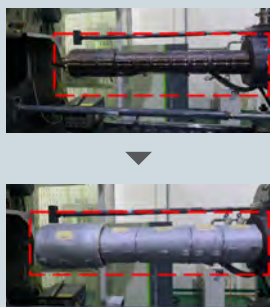
[Initiatives Related to the Achievement of Environmental Targets]

Power reduction by keeping resin molding machine cylinder warm

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

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

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

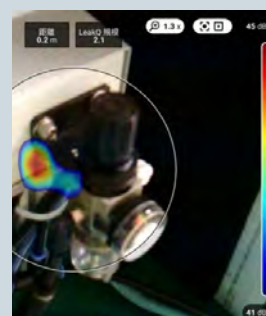


Power reduction through air leak detection

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

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

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



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

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

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

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



Governance

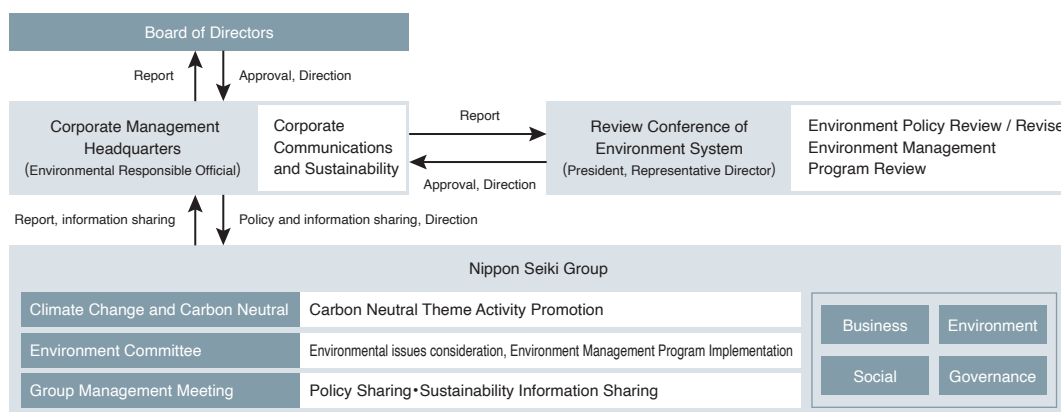
In order to strengthen our sustainability efforts, Nippon Seiki established a new "Public Relations and Sustainability Promotion Department" within the Business Management Headquarters in 2022 to integrate sustainability, including climate change, and public relations activities.

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

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



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



Risk Management

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

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

Strategy

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

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

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

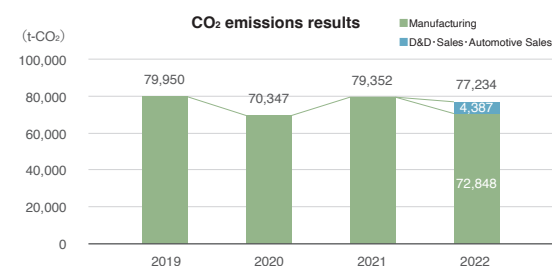
IPCC the 6th Assessment Report SSP Scenario		
Scenario	Scenario outline	Approximate RCP Scenario
SSP1-1.9	Scenario of restraining temperature rise under 1.5°C with sustainable development Introducing policies to restrain temperature rise under 1.5°C CO ₂ emission net zero in the late 21st century	None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

Quoted from Japan Center for Climate Change Actions

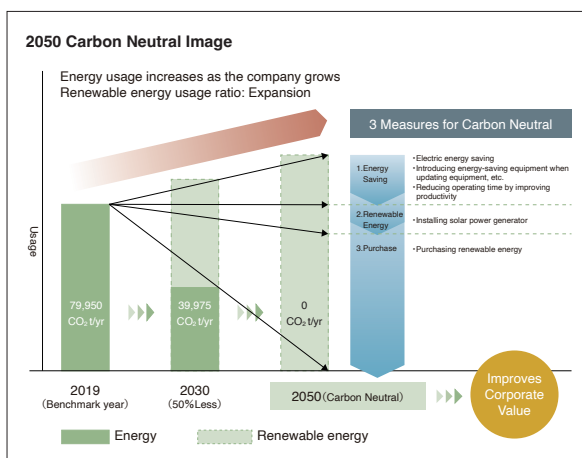
Scenario	Factor	Risk	Opportunity	Effect	Countermeasures
Transfer effect to 1.5°C/2°C society	Carbon Price	• Cost increase by carbon taxation to materials	• Product weight saving, design and production engineering improvement • Introducing sustainable material	High	• Energy efficiency production (introducing high efficiency machinery) • Energy efficiency design (material saving, alternative material usage)
		• Cost increase by carbon taxation to fuel	• Various renewable energy (solar, hydrogen, alternative fuel, etc.)		• Change to renewable energy, installing solar panel • Purchasing non-fossil certificate, reducing GHG by electrification • Making GHG reduction plan and implementation
		• Cost increase by alternative energy investment	• Choosing effective investment		• Introducing internal carbon pricing
	Energy Price (Electricity, oil, gas)	• Energy cost soaring • Manufacturing cost increase by energy cost soaring • Transport cost increase by fuel cost soaring	• Various renewable energy (solar, hydrogen, alternative fuel, etc.)	High	• Reducing GHG by electrification • Change to renewable energy • Installing solar panel
	GHG regulation become strict	• Restriction by GHG emission regulation • Material cost soaring	• High energy efficiency equipment development	High	• High energy efficiency production and design • High energy efficiency equipment development
Physical effect in 4°C climate change	Plastic Restriction	• Plastic emission regulation • Material cost increase by plastic emission restriction	• Introducing sustainable material	Middle	• Considering alternative material, and applying to products
	Recycle Restriction	• Recycle material cost soaring, D&D cost increase by design change to recycle material	• Introducing sustainable material • Recycle process development	Middle	• Considering alternative material, and applying to products • Reducing material purchase and emission by recycle
	Heavy rain and flood increase	<ul style="list-style-type: none"> • Heavy rain, sea level rising • Operation stoppage by flood • Moving factory, warehouse location to avoid flood risk • Product shipping stoppage by supply chain discontinuation 	• Transformation to resilient factory	High	• BCP improvement • Disaster prevention manual • Enhancing flood resilience
		• Unstable labor resource	• Introducing efficient and flexible working way		• Flexible remote working

Goals and indicators

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



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



Basic approach to society

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

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



Safety management policy

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

Learn more



Occupational Safety and Health Management System

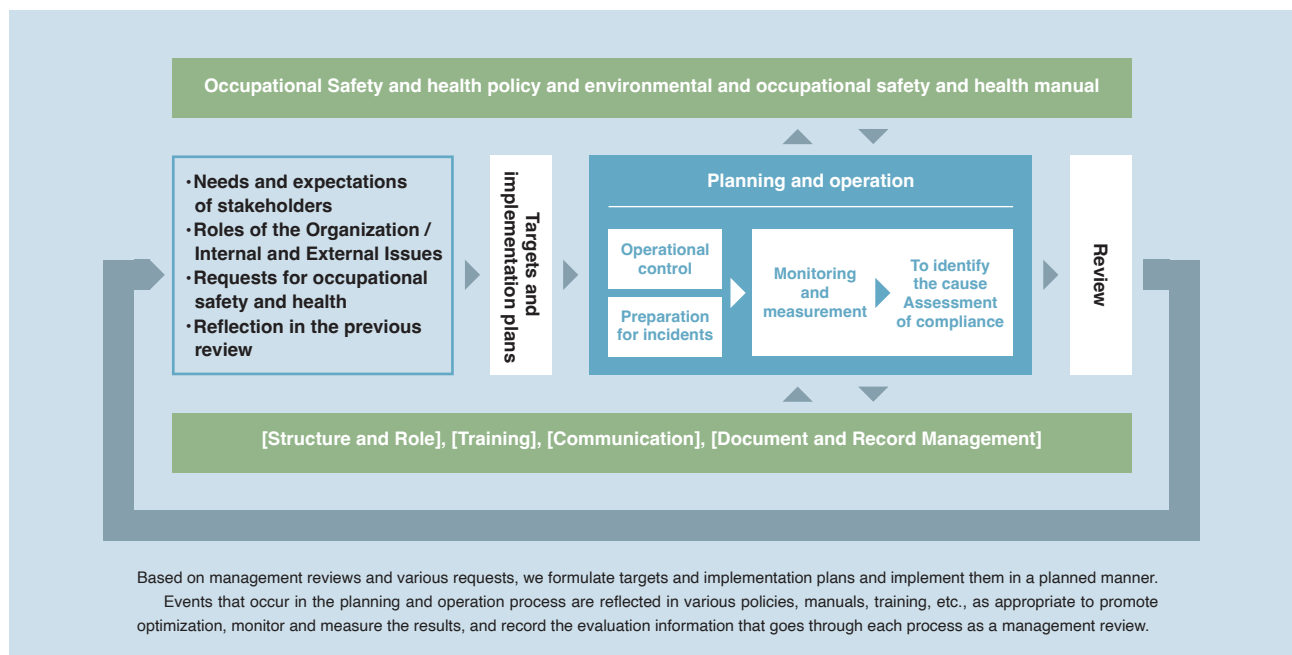
In August 2020, Nippon Seiki acquired the Occupational Safety and Health Management System (ISO 45001) certification and complied with the process.

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

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

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

Occupational Safety and Health Management Process



Quality management policy

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

For more information
This way.



Quality Management System

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

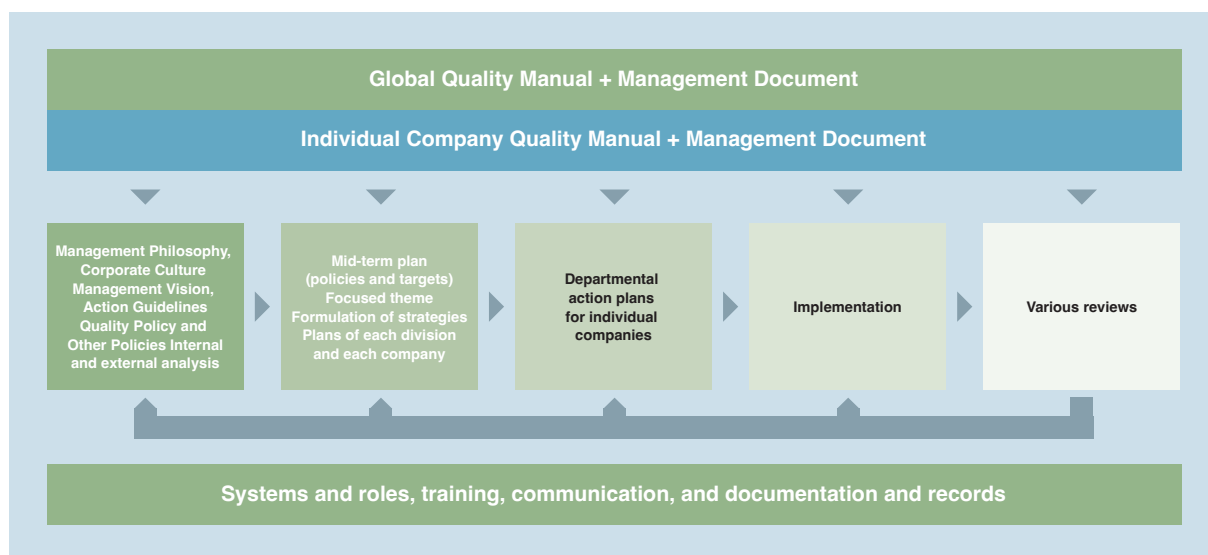
As for the quality management system, in fiscal 2017, the head office adopted the Automotive Industry Quality Management System Standard, an international standard.

We have completed the transition to a quality management system compliant with (IATF 16949) and integrated it with our business processes. Group companies completed the transition to ISO 9001 (2015 version) and IATF 16949 in fiscal 2020, and are working to improve their products and services by deploying unified standards globally based on the concept of quality first.

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

In the future, we will further adapt our businesses to the evolution of industry and automotive technology.

Aiming to establish the world's highest quality and technology, we will pursue quality that meets customer expectations while making continuous improvements.



Responsible Mineral Procurement

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

Social Contribution Activities



Participation and Sponsorship of local festivals

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



Sports Promotion / Regional Revitalization

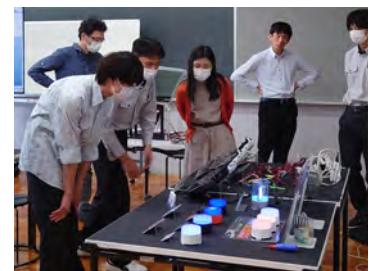
Together with Albirex Niigata Ladies, we visit local elementary schools to hold soccer hands-on sessions and career education under the theme of "creating a bright future together and developing human resources who can contribute to society. Our employees also participate in the planning and management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



Community Collaboration through Industry-Academia Collaboration Classes

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

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



Responding to local issues



Operation of Programming Schools

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



Agreement on the Supply of Fuel in Times of Disaster

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



Community Contribution Activities of International Subsidiaries



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

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



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

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



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

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

As a result, 27 employees volunteered to participate.

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



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

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

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



Improving Workplace Environment



Promoting Diversity

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

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



Supporting Employees in Juggling both Work and Family

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

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



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

Supporting Diverse Work Styles

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

Flex-time system

Hourly annual paid leave system

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

Telework system

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

Shorter work hours

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

Voice of Employees Taking Childcare Leave



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

Legal Affairs,
Corporate Planning
Department
Kengo Ikarashi

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

My superiors and colleagues have shown their understanding of taking

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

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



Human Resource Development

Basic Policy

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

Development of Autonomous Dynamic Human Resources

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

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

Career Design Support

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

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

Idea contest

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

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



2023 Idea Contest Awarding Ceremony

Voice of the idea contest secretariat

To be a place where imaginative ideas to be generated

Sensor solutions
Development Department

Mizuki Otuka



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

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

Respect for Human Rights



Establishment of Human Rights Policy

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

Human rights policy

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

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

Initiatives for Human Rights

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

Priority themes

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

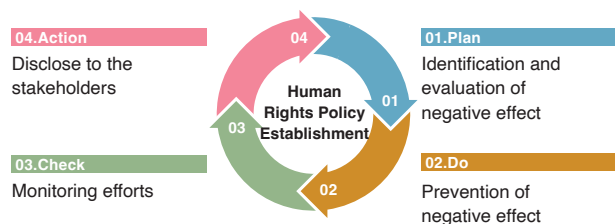
Promotion of Human Rights Due Diligence

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

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



PDCA of Human Rights Due Diligence



Health Management



Health Management Vision

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

Nippon Seiki Group Health Declaration

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

Strategy Map for Health Management

In health management
Health issues to be solved

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

Final health-
related target
indicators

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

Indicators related
to changes in
employee awareness
and behavior

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

Indicators related to
the status of health
investment measures

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

Health investment

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

Health Management Initiatives

Thorough Implementation of Health Checkups

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

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

Mental Health Initiatives

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

Health Promotion Through Fun Events

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

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



Healthy
collaboration menu



Health promotion event by bicycle

TOPIC

Health Management Awards

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



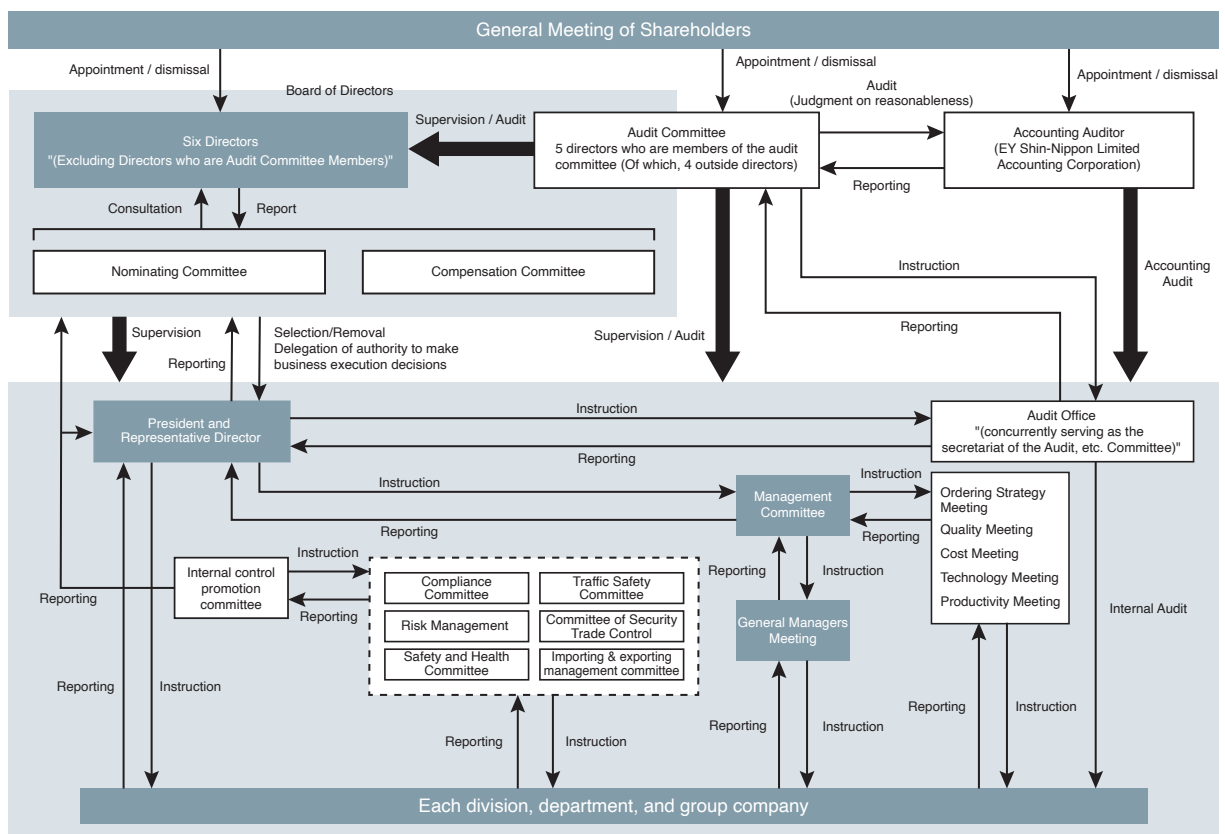
Basic Corporate Governance Concept

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

prompt decision-making by directors and others.

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

< Diagram of Corporate Governance and Internal Control System >



< Composition and main roles of each organization >

<div> <div></div> Internal <div></div> Outside Director (male) <div></div> Outside Directors (Female) </div>				
Organization	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee
Members	Chair person 11 (7 internal, 4 external)	Chair person 5 (1 internal, 4 external)	Chair person 5 (2 internal, 3 external)	Chair person 5 (2 internal, 3 external)
Main role	<ul style="list-style-type: none"> Basic management decision-making and oversight of business execution Appointment of the representative director Decisions on important business operations (including decisions on matters entrusted to the president and director) 	<ul style="list-style-type: none"> Audit of directors' duties / Supervision Statement of Opinions on Designation and Remuneration, etc. of Directors Who Are Not Audit Committee Members 	<ul style="list-style-type: none"> Deliberate on matters related to the appointment and dismissal of directors, and report to the Board of Directors 	<ul style="list-style-type: none"> Discussion of policy regarding remuneration of directors and individual remuneration amount Report to the Board of Directors

The Board of Directors Effectiveness

Evaluation of the Board of Directors effectiveness

«Evaluation process»

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

«Summary of evaluation results»

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

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

Election of Directors

Nomination policy for director candidates

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

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

- (1) Knowledge and experience as an expert to the formulation of management strategies and plans and the execution of important operations reflecting in the decision-making process.
- (2) Ensuring that conflicts of interest do not arise between the Company and the Board of Directors.
- (3) Reflecting the opinions of shareholders and other stakeholders.

Nomination of candidates for director as audit committee members

Knowledge that enables us to appropriately fulfill the roles required of the Audit Committee when nominating candidates for the Board of Directors who are members of our Audit, etc. Nominations are made after comprehensively considering knowledge, experience, abilities, and personal achievements.

< Board Composition and Skill Matrix >

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

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

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

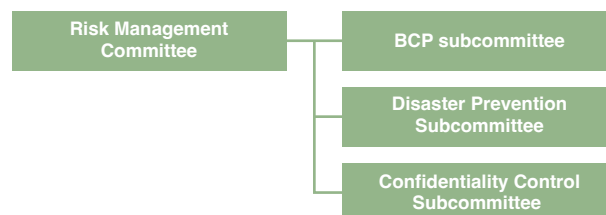
Directors' Remuneration

Officer classification	Total remuneration, etc. (million yen)	Total amount by type of remuneration, etc. (million yen)			Number of officers targeted
		Fixed remuneration	Variable remuneration		
			Incentive fee	Stock-based compensation	
		Basic fee	Performance-linked bonus	Stock compensation-type stock options	
Director (Excluding Audit Committee Members and Outside Directors)	197	115	71	9	8
Audit committee members (excluding outside directors)	40	40	-	-	2
External Director	32	32	-	-	4

Risk Management

Risk Management System

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



Basic Concept of BCP

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

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

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

Information security management

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

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

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

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

Intellectual Property

Basic Concept on Intellectual Property

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

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

distribute our products and to our competitors.

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

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

Compliance

Basic stance on compliance (compliance declaration)

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

We aim to become a corporate group trusted by society by

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

We will also contribute to the prosperity of society by providing high-value products and services that satisfy customers.

Compliance Promotion System

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

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

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

Compliance Training and Education

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

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

These measures are implemented by all group companies. In

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

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

Whistleblowing System

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

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

obligations on those in charge.

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



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

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

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

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

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

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

corporate values in the medium and long term.

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



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

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

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

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

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

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

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

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

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

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

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

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

Next Page →

Q4 How about the communication ability as a company?

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

Q6

Toward formulating a new medium-term management plan

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

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

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

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



Consolidated Financial Statements

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	March 31, 2022	March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	24,796	30,043
Trade and other current receivables	40,502	54,553
Other current financial assets	78,001	55,114
Inventories	69,577	92,475
Other current assets	8,991	12,811
Total current assets	221,870	244,999
Non-current assets		
Property, plant and equipment	67,125	68,829
Goodwill and intangible assets	8,097	8,667
Trade and other non-current receivables	455	430
Other non-current financial assets	27,931	28,408
Deferred tax assets	3,193	4,371
Other non-current assets	879	248
Total non-current assets	107,683	110,955
Total assets	329,553	355,954
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	40,432	42,850
Short-term loans	56,047	64,668
Other current financial liabilities	1,897	1,923
Income tax payables	1,315	1,808
Short-term employee benefits	4,817	5,142
Provisions	778	686
Other current liabilities	1,329	1,411
Total current liabilities	106,618	118,491
Non-current liabilities		
Long-term loans	13,084	14,468
Other non-current financial liabilities	3,064	3,223
Long-term employee benefits	4,091	3,875
Provisions	184	285
Deferred tax liabilities	7,331	8,385
Other non-current liabilities	304	775
Total non-current liabilities	28,061	31,014
Total liabilities	134,679	149,505
Equity		
Common stock	14,494	14,494
Capital surplus	4,438	4,435
Retained earnings	149,946	149,307
Treasury stock	(1,014)	(972)
Other components of equity	18,392	32,351
Equity attributable to owners of the parent	186,257	199,616
Non-controlling interests	8,616	6,832
Total equity	194,874	206,449
Total liabilities and equity	329,553	355,954

Consolidated Statement of Income

(Unit: Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	223,621	275,776
Cost of revenue	(187,514)	(237,151)
Gross profit	36,107	38,625
Selling, general and administrative expenses	(38,362)	(36,173)
Other income	1,329	1,163
Other expenses	(3,350)	(774)
Operating profit (loss)	(4,276)	2,840
Finance income	3,053	3,913
Finance costs	(176)	(263)
Profit (loss) before tax	(1,399)	6,490
Income tax expense	(3,143)	(4,400)
Profit (loss) for the year	(4,543)	2,089
Profit attributable to:		
Owners of the parent	(5,180)	1,380
Non-controlling interests	637	709
Profit (loss) for the year	(4,543)	2,089
Earnings per share attributable to owners of the parent:		
Basic earnings (losses) per share (Yen)	(85.88)	22.87
Diluted earnings (losses) per share (Yen)	(85.88)	22.85
Profit (loss) for the year	(4,543)	2,089
Other comprehensive income		
Items that will not be reclassified to profit or loss, net of tax:		
Gains(losses) on financial assets measured at fair value through other comprehensive income	(8)	1,170
Remeasurements of net defined benefit liabilities (assets)	140	111
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	131	1,282
Items that may be reclassified to profit or loss, net of tax:		
Foreign currency translation adjustments	15,480	13,108
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax	15,480	13,108
Other comprehensive income (loss) for the year	15,612	14,391
Total comprehensive income for the year	11,069	16,481
Comprehensive income attributable to:		
Owners of the parent	9,467	15,501
Non-controlling interests	1,601	979
Comprehensive income for the year	11,069	16,481

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(Unit: Millions of yen)

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

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

For the year ended March 31, 2023

(Unit: Millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2022	14,494	4,438	149,946	(1,014)	7,533	—
Impact of changes in accounting policies	—	—	258	—	—	—
Beginning balance after restatement	14,494	4,438	150,205	(1,014)	7,533	—
Comprehensive income						
Profit for the year	—	—	1,380	—	—	—
Other comprehensive income (loss)	—	—	—	—	1,170	95
Total comprehensive income (loss)	—	—	1,380	—	1,170	95
Transactions with owners						
Dividends paid	—	—	(2,413)	—	—	—
Share-based payment transactions	—	14	—	—	—	—
Purchase of treasury stock	—	—	—	(0)	—	—
Disposal of treasury stock	—	(42)	—	42	—	—
Acquisition of non-controlling interest	—	25	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	162	—	(66)	(95)
Other	—	—	(26)	—	—	—
Total transactions with owners	—	(2)	(2,277)	42	(66)	(95)
As of March 31, 2023	14,494	4,435	149,307	(972)	8,637	—

	Equity attributable to owners of the parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the parent		
	Foreign currency translation adjustments	Total			
As of April 1, 2022	10,858	18,392	186,257	8,616	194,874
Impact of changes in accounting policies	—	—	258	77	335
Beginning balance after restatement	10,858	18,392	186,515	8,694	195,210
Comprehensive income					
Loss for the year	—	—	1,380	709	2,089
Other comprehensive income (loss)	12,854	14,120	14,120	270	14,391
Total comprehensive income (loss)	12,854	14,120	15,501	979	16,481
Transactions with owners					
Dividends paid	—	—	(2,413)	(277)	(2,691)
Share-based payment transactions	—	—	14	—	14
Purchase of treasury stock	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	0	—	0
Acquisition of non-controlling interest	—	—	25	(2,557)	(2,531)
Transfer from other components of equity to retained earnings	—	(162)	—	—	—
Other	—	—	(26)	(6)	(33)
Total transactions with owners	—	(162)	(2,400)	(2,841)	(5,241)
As of March 31, 2023	23,713	32,351	199,616	6,832	206,449

Consolidated Statement of Cash Flows

(単位:百万円)

	Year ended March 31,2022	Year ended March 31,2023
Cash flows from operating activities:		
Profit (loss) before tax	(1,399)	6,490
Depreciation and amortization	11,916	12,068
Impairment loss	3,090	291
Interest and dividends income	(1,481)	(2,669)
Interest expense	169	263
Gains and losses related to step acquisition(Gain)	—	132
(Gain) loss on sale of property, plant and equipment	81	(323)
(Increase) decrease in trade and other receivables	4,063	(10,311)
(Increase) decrease in inventories	(19,577)	(19,263)
Increase(decrease) in trade and other payables	773	(310)
Increase (decrease) in provisions	(765)	(91)
Increase (decrease) in retirement benefit liabilities	179	39
Foreign exchange losses(gains)	407	(29)
Other, net	(906)	(1,498)
Subtotal	(3,447)	(15,211)
Interest and dividends received	1,524	2,428
Interest paid	(170)	(286)
Income taxes paid	(3,284)	(4,989)
Other, net	(60)	—
Net cash provided by operating activities	(5,437)	(18,057)
Cash flows from investing activities:		
(Increase)decrease in time deposits, net	(369)	30,108
Purchase of property, plant and equipment and intangible assets	(7,473)	(9,548)
Proceeds from sale of property, plant and equipment and intangible assets	572	597
Purchase of investment securities	(69)	(81)
Proceeds from sale of investment securities	1,175	80
Increase in loans receivable	(7)	(12)
Collection of loans	110	122
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(120)	(1,518)
Payments for investments in associates	(1,334)	—
Other, net	(2)	(33)
Net cash used in investing activities	(7,518)	19,713
Cash flows from financing activities:		
(Decrease) increase in short-term loans, net	3,000	4,100
Proceeds from long-term loans	7,040	13,000
Repayments of long-term loans	(10,755)	(7,837)
Repayments of lease obligations	(2,075)	(1,856)
Dividends paid to non-controlling interests	(296)	(402)
Net decrease (increase) in treasury stock	0	0
Dividends paid to owners of the parent	(2,411)	(2,413)
Expenditures due to acquisition of subsidiary shares without change in scope of consolidation	—	(2,531)
Expenses due to redemption of corporate bonds	—	(30)
Net cash used in financing activities	(5,498)	2,028
Foreign currency translation adjustments on cash and cash equivalents	1,601	1,562
Net increase (decrease) in cash and cash equivalents	(16,853)	5,246
Cash and cash equivalents at beginning of year	41,650	24,796
Cash and cash equivalents at end of year	24,796	30,043

Directors



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

1 Koichi Sato

Representative Director,
President Chief Executive Officer

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

2 Keiichi Nagano

Director/Senior Managing Officer

Apr. 1989 Joined Nippon Seiki Co., Ltd.
Nov. 2016 Director, Nippon Seiki (Europe) B.V.
Apr. 2020 Operating Officer Instrument Design Headquarter
Jun. 2020 Senior Operating Officer
Jun. 2021 Director, Senior Operating Officer
Jun. 2022 Director/Managing Officer
Apr. 2023 Chief of Automotive System Design Headquarter
In Charge of Engineering Headquarter
Region in Charge: Europe (Present)
Jun. 2023 Director/Senior Managing Officer (Present)

3 Masatoshi Azuma

Director/Managing Officer

Apr. 1984 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer,
Engineering Headquarter Automotive Instrument
Design Supervision dept. Deputy Senior Manager
and HUD Engineering dept. Senior Manager
Jun. 2018 Senior Operating Officer
Jun. 2020 Managing Director (Present)
Apr. 2021 Chief of Corporate Management Headquarter
Region in Charge: ASEAN/Taiwan(Present)
Apr. 2023 In Charge of Corporate Management Headquarter
Region in Charge: ASEAN/Taiwan/India(Present)

4 Yuji Osaki

Director/Managing Officer

Mar. 1982 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer
Oct. 2016 Senior Manager of Business Supervision dept. 1,
Business Headquarter
Apr. 2018 Chief of Sourcing Headquarter
Jun. 2019 Senior Operating Officer
Jun. 2020 Director/Managing Officer (Present)
Jun. 2022 Chief of Sourcing Headquarter,
Apr. 2023 In charge of Sourcing, Sensor+EMS+
Parts Business, Consumer Business Headquarter
Region in Charge Japan (Present)

5 Masahiro Yoshihara

Director/Managing Officer

Sep. 1985 Joined Nippon Seiki Co., Ltd.
Oct. 2016 Shanghai Nissei Display System Co., Ltd.
Apr. 2021 Operating Officer
May. 2021 Chief of Production Engineering Headquarter
Jun. 2022 Director/Senior Operating Officer,
Chief of Production Engineering Headquarter
Apr. 2023 In Charge of Production, Production Engineering,
Quality Assurance Headquarter,
Region in Charge: Americas (Present)
Jun. 2023 Managing Officer(Present)

6 Kazuhiko Murayama

Director/Senior Operating Officer

Apr. 1985 Joined Nippon Seiki Co., Ltd.
May. 2015 Managing Officer, Nissei Display Sales and
Development Co., Ltd.
Apr. 2019 Operating Officer Business Headquarter International
Business Supervision dept.
Apr. 2021 Chief of Automotive Business Headquarter
Jun. 2021 Senior Operating Officer
Jun. 2022 Director/Senior Operating Officer(Present),
Chief of Automotive Business Headquarter
Apr. 2023 In Charge of Automotive Business, HUD Business,
Instrument Business Headquarter
Region in Charge: Americas (China)

7 Tatsuya Nagai

Director (Auditor)

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

8 Etsuo Saiki

Outside Director (Auditor)

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

9 Eiko Tomiyama

Outside Director (Auditor)

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

10 Kiyoshi Suzuki

Outside Director (Auditor)

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

11 Toshihiko Enomoto

Outside Director (Auditor)

Apr. 1985 Joined NSK Ltd.
Aug. 2008 Accounting Senior Manager NSK Ltd.
Jun. 2013 Operating Officer, Deputy Chief of
Financial Headquarter NSK Ltd.
Jun. 2015 Director, Audit Manager NSK Ltd.
Jun. 2016 Director, Audit Committee Member
Jun. 2021 Director NSK Ltd.
Jun. 2023 Director (Auditor)(Present)



Nomura Institute of Capital Markets Research
Head of Nomura Sustainability Research Center

Akane Enatsu

This is the third year that Nippon Seiki has published the integrated report. It aims to strengthen its earnings structure through medium-term management reforms and to take an "outside-in business approach" to develop its business by focusing on solving social issues. The company's ongoing initiatives, namely its commitment to management that integrates financial and non-financial aspects, are more clearly demonstrated in the report compared to the previous ones.

As for finance, in the midst of a period of transformation for the automobile industry, the company has a system in place to continuously run the PDCA cycle by setting KPIs for each business field and monitoring progress, thereby achieving the company's goal of maximizing added value. This indicates steady progress towards minimizing fixed costs.

Among non-financial aspects (ESG), in relation to the environment (E), Nippon Seiki announced its support for the TCFD recommendations in September 2022 and joined the TCFD consortium. Then, information disclosure based on the four disclosure items i.e., governance, strategy, risk management, indicators, and targets by the TCFD Recommendations has been enhanced. As of the end of September 2023, approximately 5,000 financial institutions and companies around the world and 1,500 in Japan have endorsed the TCFD. It is expected for Nippon Seiki, which is expanding its business around the world, that this will contribute to the expansion and facilitation of future transactions.

In relation to society (S), the company established a human rights policy in February 2023 while expanding its efforts in human capital management through human resource development, enriching the workplace environment, health management, etc. The company is already promoting human rights due diligence, and it is believed that appropriate responses to human rights issues will help avoid damage to corporate value and maintain and improve it.

In terms of corporate governance (G), the company explained that efforts are being made to continue to improve the board of directors, expand risk management and compliance promotion systems, ensure the safety of intellectual property and useful rights, and strengthen the utilization of rights.

Biography

She received a Master of Business Administration (Oxford University) and PhD in Economics (Saitama University)

She joined Nomura Capital Markets Research Institute in 2012 after working at Goldman Sachs Securities, Nikko Citigroup Securities, etc. and has been in her current position since December 2019. Her research interests include national and local finance, credit analysis and ratings, and sustainable finance. She has served as a committee member of the government, local governments, etc.

Literary works

Japanese Local Government Bonds (Single Author), The Era of Sustainable Finance - ESG/SDGs, Bonds market (Co-author) etc.

As written above, this integrated report clarifies that management that integrates financial and non-financial aspects is progressing smoothly. On the other hand, there are also some challenges. Since countries and regions around the world accelerate efforts for transition to a decarbonized society and realize a sustainable society, greater disclosure of non-financial information is increasingly demanded by stakeholders. Simultaneously, in addition to efforts by the International Sustainability Standards Board (ISSB) to develop global sustainability disclosure standards, some countries and regions are also beginning to make disclosure mandatory.

Needless to say, it is important for Nippon Seiki, which has a wide group network not only in Japan, but also in the US, Europe, and Asia, to be even more aware of these trends and to respond accordingly.

For example, focusing on the environment (E), Nippon Seiki currently sets CO₂ emissions reduction targets based on Scope 1 and Scope 2. But the number of companies which are aiming to reduce CO₂ emissions in the supply chain, i.e., Scope 3 is increasing globally. Furthermore, disclosure frameworks are being developed around the world, not only for climate-related topics, but also for topics such as biodiversity and natural capital. Therefore, preparations and responses concerning environmental issues are required.

Moreover, as ESG investment evolves in the global financial market, an increasing number of investors are trying to determine whether ESG-related initiatives by companies truly contribute to increasing value. In that sense, using data to clearly explain the logic of how ESG-related initiatives can lead to increased corporate value, along what path and over what time frame, will help to bring Nippon Seiki's appeal to the financial market. It is assumed that this will become increasingly important in communicating correctly.

This integrated report can be said to be a meter for measuring the progress and direction of the value creation process for Nippon Seiki. I hope that Nippon Seiki will continue to develop more and more, and its corporate value will further increase through information disclosure.

Message | Upon publication of the Integrated Report 2023



Director and Managing Executive Officer
In charge of business management headquarters

Masatoshi Azuma

Thank you for reading the Integrated Report 2023. We have tried to convey in an easy-to-understand manner of how our group's business activities utilize our "strengths" based upon our management philosophy and aim to balance business development with solving social issues, or value creation process.

continuing to transform into a more lean or muscular corporate structure, we are drawing up growth strategies through various challenges and moving forward toward the next medium-term management plan, which is currently being formulated. We hope that this information will help you understand the Group's medium- to long-term value creation.

We will continue to value opportunities for dialogue with everyone, strive to disclose information in a timely and appropriate manner, and endeavor to further improve corporate value.



NIPPON SEIKI