

# NISSHA

## Nissha Report 2020

English



Consumer Electronics



Sustainable Packaging Materials



# EMPOWERING YOUR VISION



Medical Devices



Mobility

# Sustainable Corporate Value Growth Initiatives

## Nissha Mission

We realize the enrichment of people's lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group.



### Nissha's Core Technologies

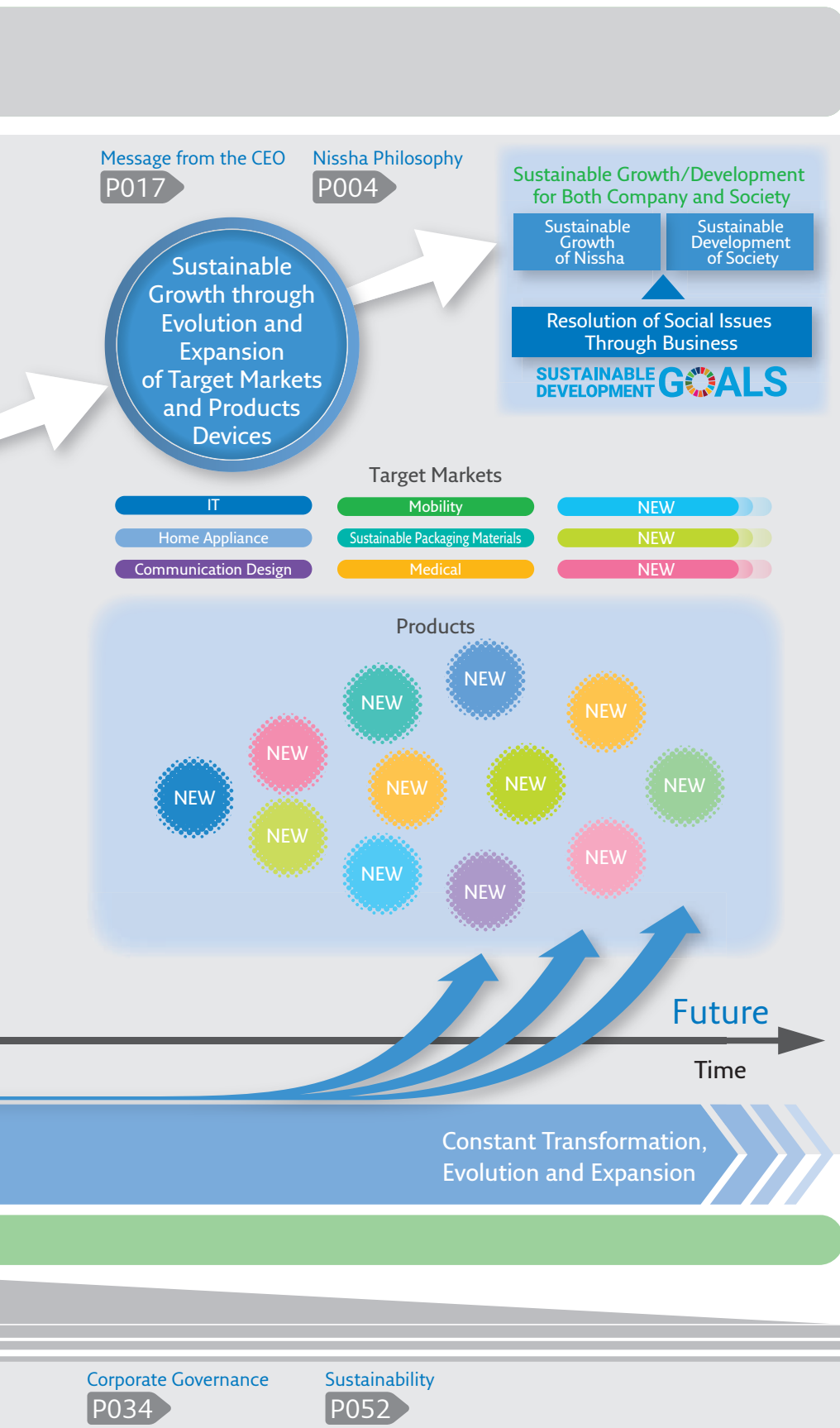
P005



Message from the CHRO P059

Employees with Diverse Talents and Passions

Infrastructure Supporting Sustainable Corporate Value Improvement



## Contents

### Nissha Today

Nissha Philosophy	004
Nissha Overview	005
Nissha Businesses	007
Financial Highlights	011
Non-Financial Highlights	013

### Sustainable Corporate Value Growth Initiatives

Growth History	015
Message from the CEO	017

### Medium-Term Growth Strategy

Medium-Term Business Plan	023
Message from the CSO	025
Message from the CFO	031

### Infrastructure Supporting Sustainable Corporate Value Improvement

Corporate Governance	034
Management Team	044
Message from Independent Outside Directors of the Board	047
Sustainability	052
Message from the CHRO	059

### Reference

11-Year Financial Summary	062
Management's Discussion and Analysis	063
Consolidated Financial Statements	067
Business and Other Risks	070
Company Outline	071



## About Nissha

- Founded: October 6, 1929
- Capital: JPY12,119 million \*As of the end of March, 2020
- Consolidated net sales: JPY174,035 million \*FY2019/12
- Employees: 5,812 \*As of the end of March, 2020
- Consolidated Subsidiaries: 66
- Bases
  - Domestic: 15
  - Overseas: 40 (Equity method affiliates are not included)



Junya Suzuki  
Chairman of the Board,  
President and CEO

## Editorial Policy

The Nissha Report presents the company's initiatives for sustainable corporate growth to our shareholders, investors, and other stakeholders. This document is an integrated report that provides a comprehensive view of financial information as well as non-financial information, including corporate governance, our progress related to the environment, and social issues.

In Nissha Report 2020, we provide an easy-to-understand report on the Nissha Group Mission, sustainability, medium- to long-term growth strategy, financial strategy, personnel strategy, and corporate governance. The central focus of our report is the CEO message.

In our editing process, we refer to the Ministry of Economy, Trade and Industry guidance on integrated disclosure and dialogue for co-creation.

Please refer to our corporate website for more detailed information related to these topics.

The latest financial information regarding earnings and forecasts can be found in the investor relations section of our corporate website.

- Investor Relations: [www.nissha.com/english/ir/index.html](http://www.nissha.com/english/ir/index.html)
  - More detailed information regarding non-financial information can be found in the sustainability section.
  - Sustainability: [www.nissha.com/english/sustainability/index.html](http://www.nissha.com/english/sustainability/index.html)
  - Sustainability Report: [www.nissha.com/english/sustainability/pdfdownload.html](http://www.nissha.com/english/sustainability/pdfdownload.html)
  - ESG Data: [www.nissha.com/english/sustainability/data.html](http://www.nissha.com/english/sustainability/data.html)
- Unless otherwise noted, the contents of the report are current as of May 31, 2020.

Reporting Period: January 1, 2019 to December 31, 2019 (Report includes some activities before 2019 and after January 2020)

Scope of Report (Organizations): Nissha Group (Nissha Co., Ltd., consolidated subsidiaries, and affiliated companies)

## The Role of Nissha Report (Integrated Report)

### Financial Information

### Non-financial Information

Summarized



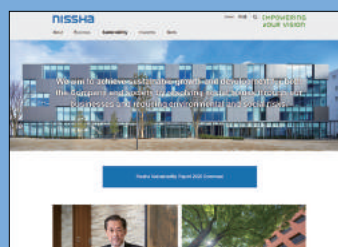
Integrated Report

### Website: Investor Relations



Securities Reports / Financial Results /  
Presentation Materials and so on

### Website: Sustainability



Sustainability Report / ESG Data /  
Corporate Governance Report and so on

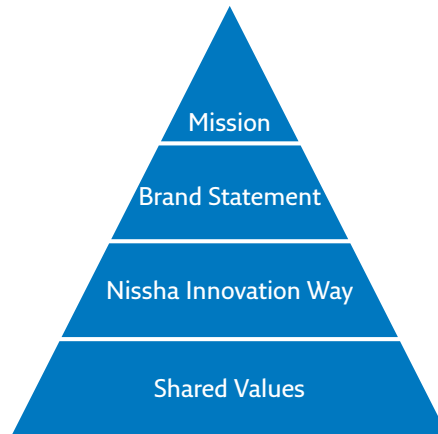
Detailed



Nissha has integrated its standards of thought, rules of conduct into Nissha Philosophy that is greatly valued.

**Mission**

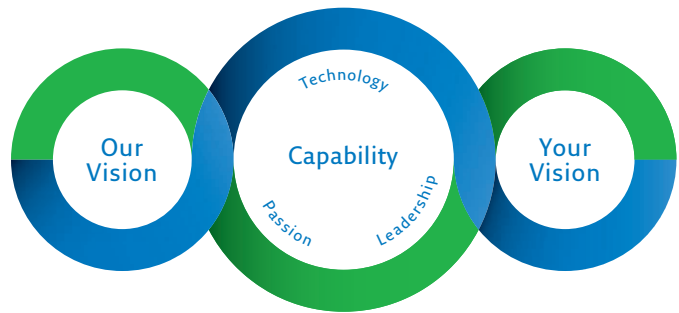
We realize the enrichment of people’s lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group.



**Brand Statement**

“Empowering Your Vision” expresses the relationship of Co-existence between Nissha and our stakeholders. Both we and our customers, shareholders, employees, suppliers, and society have visions, and we mutually affect each other toward realizing it. We maximize our capabilities driven by our Technology, Passion, and Leadership, and with the energy infused in us by our stakeholders, together create value for the future.

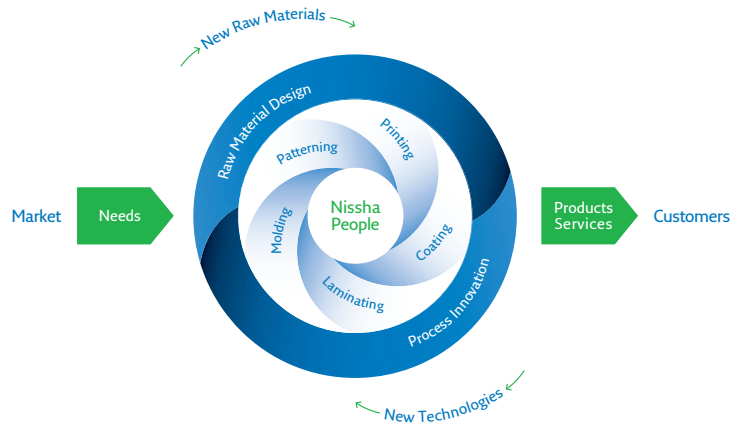
**EMPOWERING YOUR VISION**



**Nissha Innovation Way**

We capture market needs accurately and fuse our diverse capabilities and core technologies into innovation that creates new value for our customers.

- Our current core technologies comprise “Printing”, “Coating”, “Laminating”, “Molding” and “Patterning”. We will continue to expand and evolve by incorporating new technologies and materials.



**Shared Values**

**Customer is Our Priority**

We are committed to maximizing customer value.

**Diversity and Inclusion**

We welcome diverse capabilities interacting as equals and enhancing our organizational performance.

**Commitment to Results**

We work with diligence and deliver results.

**Done is Better than Perfect**

We take actions first rather than sacrificing time value for perfection.

**Act with Integrity**

We act with integrity and maintain the trust placed in us.

### Target Markets

#### 4 Priority Markets



Consumer Electronics (IT)



Medical Devices



Mobility (Automotive/Transport Equipment)



Home Appliances



Communication Design



Sustainable Packaging Materials

### Business & Products

#### Devices



Gas Sensors



Force Sensors



Film Touch Sensors

#### Medical Technologies



Medical Electrodes



Medical Surgical Devices

#### Industrial Materials



Decorative Film, Molded Parts



Metallized Paper



Transfer Foil

### Nissha's Core Technologies

Constant Transformation, Evolution and Expansion



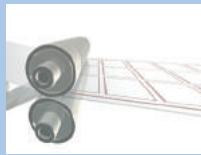
#### Printing

Processing technology of applying designs and functions with ink



#### Coating

Processing technology of forming thin layers



#### Laminating

Processing technology of laminating multiple thin substrates



#### Molding

Processing technology of forming various shapes in three dimensions



#### Patterning

Processing technology of forming functional patterns



Decorative Film



Molded Parts

#### Information and Communication



General Printing

Nissha has been working to enhance our core technologies by fusing various technologies, including coating, laminating, molding, and patterning, with the printing technologies cultivated since our founding. We have grown over the years by diversifying our businesses and expanding into global markets. Our products are used across a wide variety of markets.

## Nissha's Core Technologies

The Nissha core technologies consist of printing, coating, laminating, molding, and patterning. At least one of these core technologies is used on every one of our products. As we expand our core technologies, we also combine them to generate distinctive products. We create value in various markets, including IT, mobility (automotive and transport

equipment), medical devices, and sustainable packaging materials.

Nissha will continue to evolve and expand our business domains through constant transformation, evolution, and expansion of our core technologies.

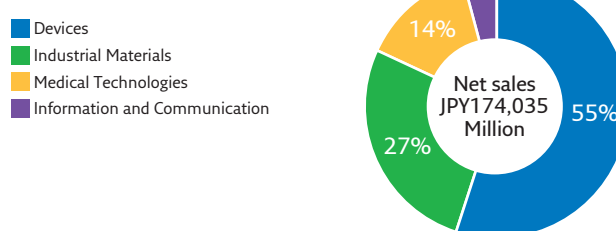
Business	Major Products & Services	Core Technologies				
		Printing	Coating	Laminating	Molding	Patterning
Industrial Materials	Decorative Film/Molded Parts	○	○	○	○	—
	Transfer Foil	○	○	○	—	—
	Metallized Paper	—	○	—	—	—
Devices	Film Touch Sensors	○	○	○	—	○
	Force Sensors	○	○	○	—	○
Medical Technologies	Medical Electrodes	○	—	○	—	○
	Medical Surgical Devices	—	—	—	○	—
Information and Communication	General Printing	○	○	○	—	○

## Four Businesses

Nissha has extended our Industrial Materials, Devices, Medical Technologies, and Information and Communication businesses across the globe.

The Devices business accounts for about 55 percent of total net sales, mainly through our mainstay film touch sensors. The Medical Technologies businesses manufactures and sells medical devices. In the four years since the launch of operations, the Medical Technologies business has grown to contribute 14 percent of total net sales.

Composition of Net Sales by Business (FY2019/12)

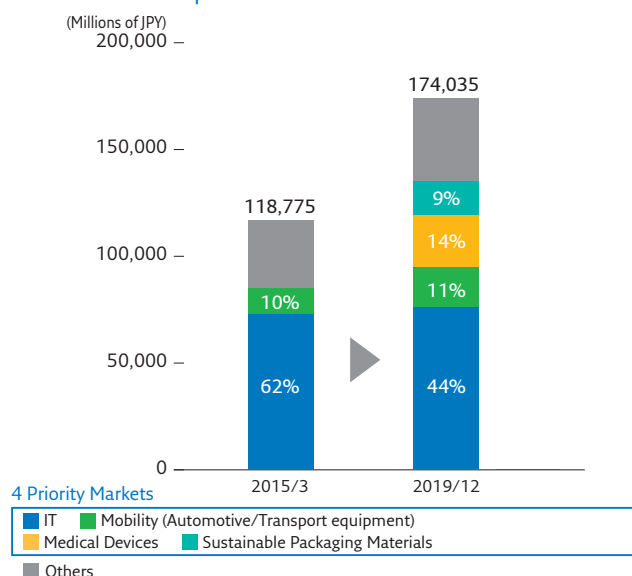


## Target Markets

Since the latter half of the 1990s, we have concentrated our management resources in the consumer electronics (IT) market, achieving high growth. However, market growth has slowed significantly, marked increasingly by sharp fluctuations in product demand and price declines. While we continue to capture business opportunities in the IT market, we aim to develop a more balanced management base to maximize corporate value over the medium and long term. We plan to accelerate business development in markets that differ in nature from IT market, yet are expected to grow steadily on a global scale over the long term.

We began operating under the Sixth Medium-Term Business Plan (FY2018/12-FY2020/12) in January 2018. This plan defines our priority markets and how we will accelerate growth in these markets. In addition to IT, our priority markets include mobility (automotive and transport equipment), medical devices, and sustainable packaging materials.

Amount and Composition of Sales Per Market



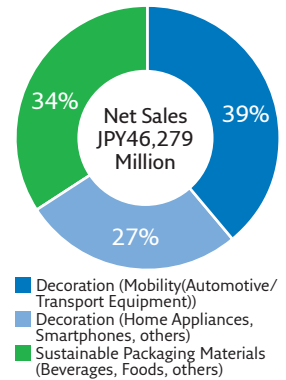




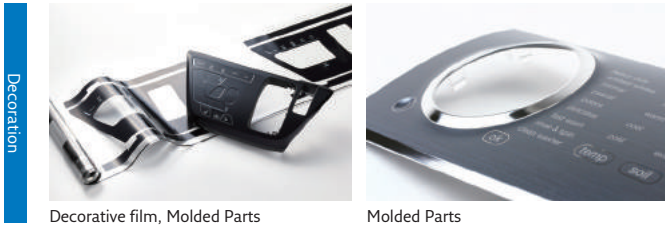
## Industrial Materials

The Industrial Materials Business Unit leverages proprietary technologies that add value to the surface of various materials. This business conducts operations in two areas: Decoration, involving decorative film and injection molding solutions, and Sustainable Packaging Materials, which deals in metallized papers. Core technologies used in decoration include IML, IME, and IMD, in which films printed with patterns or functions are inserted into the mold and transferred to the surface of a plastic as it is formed. These technologies are used widely in the global market, including in mobility (automotive and transport equipment), home appliances, and smartphones. Metallized paper, a core product in our Sustainable Packaging Materials business, is a special type of paper in which a layer of metal is adhered to a paper backing using vacuum deposition, providing a metallic, decorative effect. Nissha metallized paper features high printability and outstanding recyclability thanks to being plastic-free. This product occupies the top position in the global market for sustainable food and drink packaging.

Composition of Net Sales by Market (FY2019/12)



### Products



Decorative film, Molded Parts

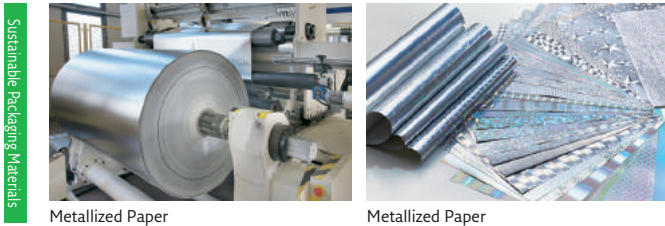
Molded Parts

### Markets



Automotive/Transport Equipment

Home Appliances



Metallized Paper

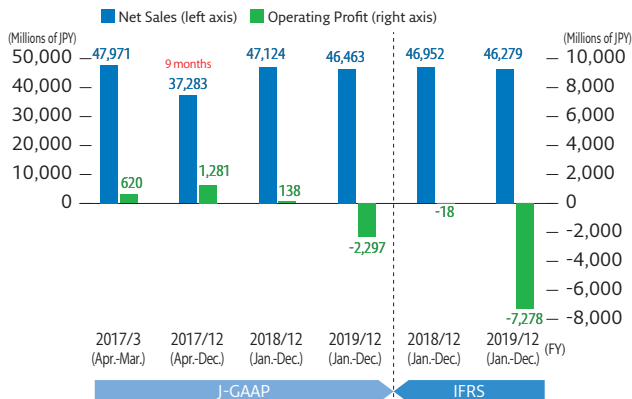
Metallized Paper



Beverages

Foods

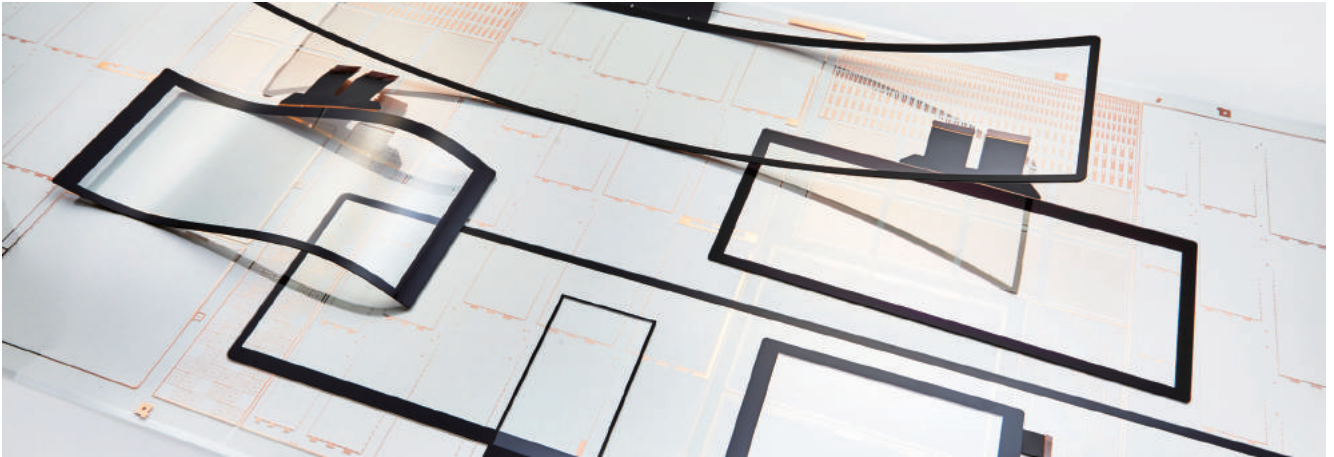
## Net Sales/Operating Profit



## Overview for FY2019/12

During the fiscal year ended December 2019, slowdown in demand for products for China contributed to a reduction in Japanese domestic factory utilization. Further, some overseas factories continued to face impediments to improving profitability. Therefore, we recorded an impairment loss related to non-financial assets.

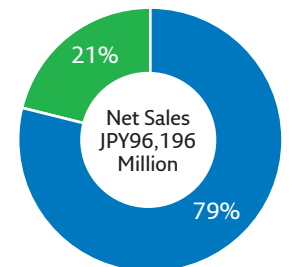
As a result, consolidated net sales for the current consolidated fiscal year amounted to JPY46,279 million, a decrease of 1.4% year on year. We recorded an operating loss of JPY7,278 million versus an operating loss of JPY18 million in the previous fiscal year.



## Devices

The Device Business Unit offers products and modules designed for precision and functionality. Our mainstay products here are film touch sensors that leverage the characteristics of film for thinness and light weight, while providing high visibility and narrow frames. Given these features, our film touch sensors have been adopted widely in smartphones, tablet devices, portable game players, industrial equipment (logistics related), and mobility (automotive and transport equipment) applications across global markets. In addition, this business offers force sensors that detect input force and gas sensors, including hydrogen detectors for use in fuel cell vehicles. We also develop sensor products using wireless sensor networks for IoT applications, by means of which we work actively to expand our business domains.

Composition of Net Sales by Market (FY2019/12)

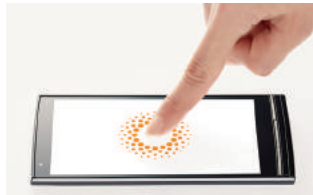


■ IT (Smartphones, Tablet Devices)  
 ■ Portable Game Players, Industrial Equipment (Logistics related), Mobility (Automotive/Transport Equipment), others

### Products



Film Touch Sensors



Force Sensors



Gas Sensors (Hydrogen Detector)

### Markets



Smartphones, Tablet Devices



Portable Game Players

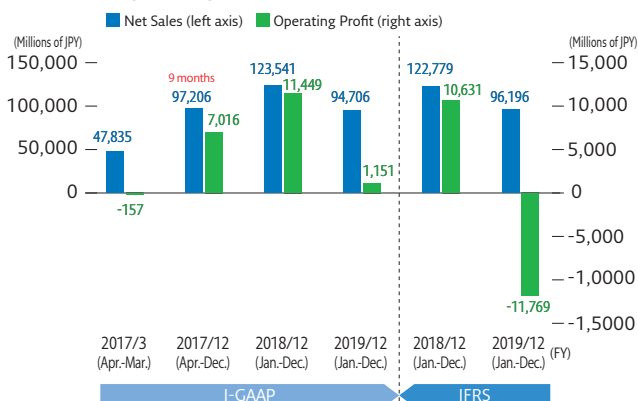


Industrial Equipment (Logistics related)



Mobility (Automotive/Transport Equipment)

### Net Sales/Operating Profit



### Overview for FY2019/12

Although product demand expanded and profits recovered during the second half of the fiscal year ended December 2019, demand for products for smartphones fell significantly short of initial expectations and profitability declined due to changes in the business environment. These conditions led to booking an impairment loss on non-financial assets.

As a result, consolidated net sales for the current fiscal year amounted to JPY96,196 million, a decrease of 21.7% year on year. We recorded an operating loss of JPY11,769 million compared with an operating profit of JPY10,631 million in the previous fiscal year.

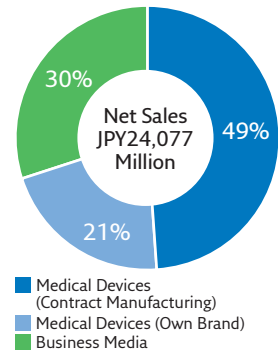




## Medical Technologies

The Medical Technologies Business Unit aims to contribute to safe, secure, and healthy life worldwide through business activities by providing high quality and high value-added products in the medical devices market and other related markets. Main products include medical electrodes and minimally invasive medical surgical devices for cardiac patients. We are engaged in contract manufacturing for major medical device manufacturers around the world (handling all processes in product design, development, and manufacture) related to products such as medical surgical devices and wearable bio-sensors. We also manage and sell to medical institutions a diverse range of our own "Vermed®" brand of medical consumable products, including medical electrodes and paper for medical charts. We are also involved in business media, manufacturing and selling products such as industrial chart paper and tickets.

Composition of Net Sales by Market (FY2019/12)



### Products

Medical Devices Contract Manufacturing

Medical Surgical Devices

Medical Electrodes

Industrial Chart Paper

\* Currently, Nissha does not manufacture or sell in Japan.

**Medical Devices Brand**  
—Vermed—

Product name: Vermed Claravue  
Japanese Medical Device Nomenclature: Single-use electrocardiograph electrode  
Medical Device Notification Number: 26B2X10027V03001

Graphic Controls  
Data Recording by Nissha

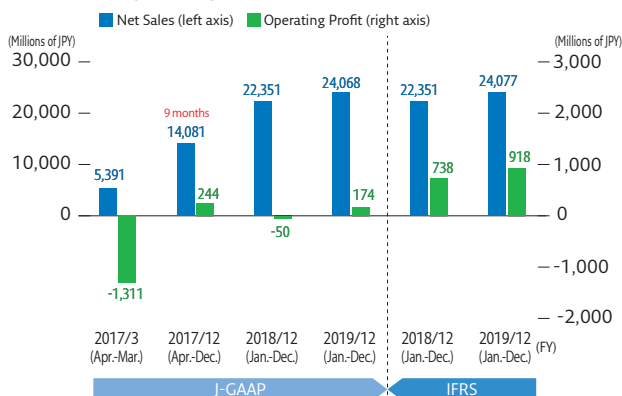
### Markets

Medical Devices (Contract Manufacturing)

Medical Devices (Own Brand)

Business Media \* The photo is a conceptual image

### Net Sales/Operating Profit



### Overview for FY2019/12

Despite one-time growth strategy-related expenses such as corporate acquisitions, demand for products was firm, primarily in our mainstay contract manufacturing business.

As a result, consolidated net sales for the fiscal year amounted to JPY24,077 million, an increase of 7.7% year on year. We recorded an operating profit of JPY918 million, an increase of 24.5% year on year.

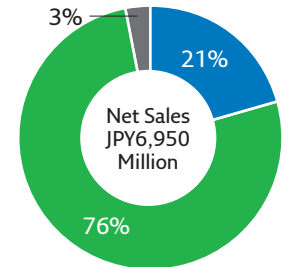




## Information and Communication

The Information and Communication Business Unit aims to create new value with communication design and processing technologies. The business is involved in publication printing for exhibitions, photography collections and fine art books with luxury bindings, as well as performing commercial printing of catalogs, brochures, and posters. The business also provides art solutions that leverage technologies to precisely digitize cultural properties and to reproduce originals as faithfully as possible. Both of these services contribute to passing on cultural assets to future generations. Further, this business unit produces sales promotions that correctly address customer challenges.

Composition of Net Sales by Market (FY2019/12)



■ Publication Printing  
■ Commercial Printing  
■ Others

### Products



Exhibition Catalogues



Catalogs

### Markets



Publication Printing

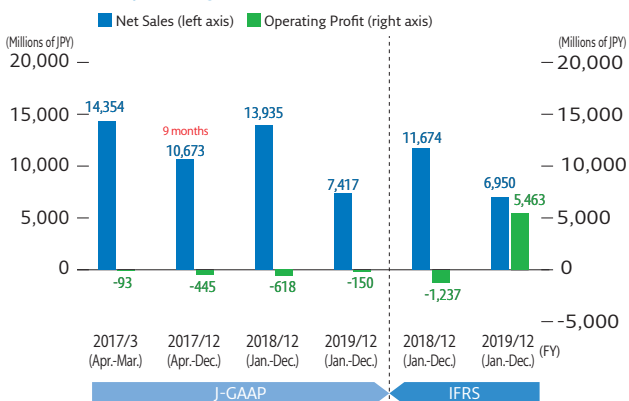


Commercial Printing



Photography

### Net Sales/Operating Profit



### Overview for FY2019/12

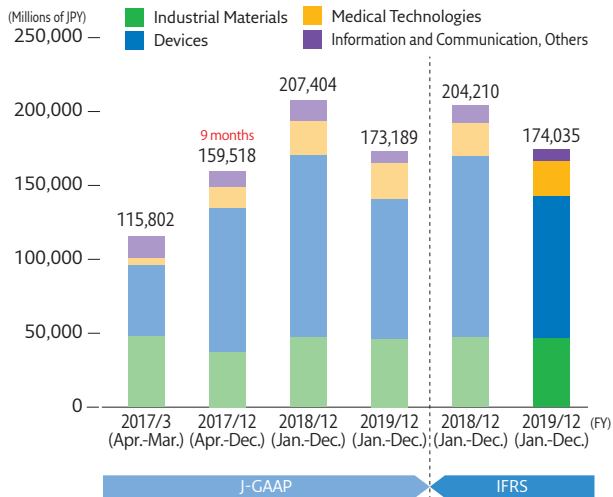
Although factory utilization was temporarily low due to moves and integrations, the consolidation of our business foundation in the Kansai region and production system streamlining measures led to improved profitability. In addition, factory moves and integrations resulted in a gain on sale of property, plant and equipment not used as business assets.

As a result, consolidated net sales for the fiscal year amounted to JPY6,950 million, a decrease of 40.5% year on year. We recorded an operating profit of JPY5,463 million compared with an operating loss of JPY1,237 million in the previous fiscal year.

We voluntarily adopted International Financial Reporting Standards ("IFRS") for the Group's consolidated financial statements of the Annual Securities Report for the fiscal year ending December 31, 2019.

## Net Sales

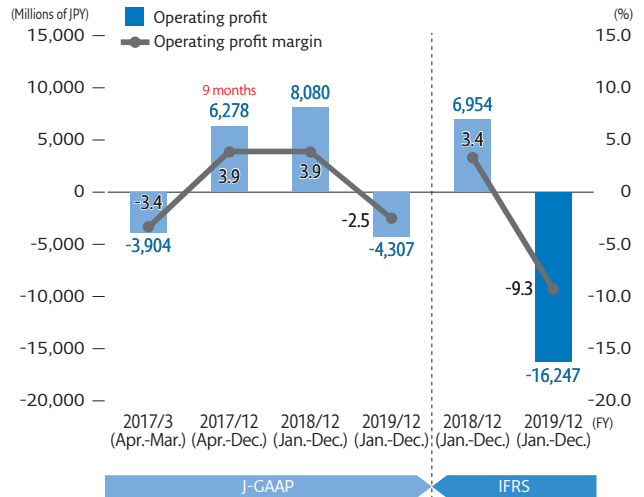
JPY 174.0 billion



The Devices business enjoyed expanding product demand in the second half of the year for its mainstay smartphone-facing products. However, the final results for the year fell significantly short of initial expectations. Product demand was strong for the Medical Technologies business. As a result, net sales decreased 14.8% year on year to JPY174,035 million.

## Operating profit

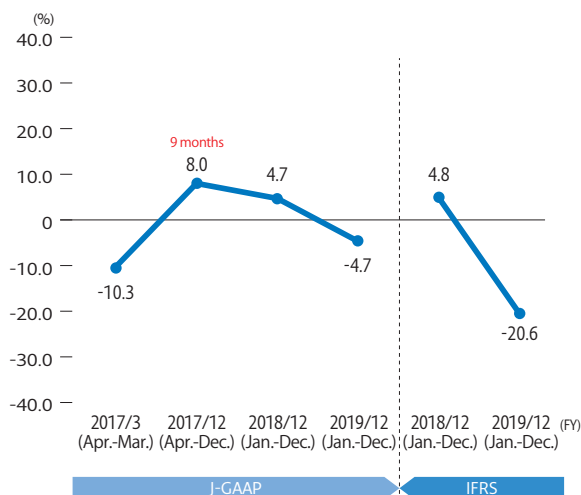
JPY -16.2 billion



In addition to the impact of lower sales, some overseas factories in the Industrial Materials business continued to face challenges in improving profitability. As a result of conducting an impairment test based on the International Financial Reporting Standards (IFRS), we recorded an impairment loss of JPY15,917 million. As a result of the preceding, we recorded an operating loss of JPY16,247 million.

## ROE

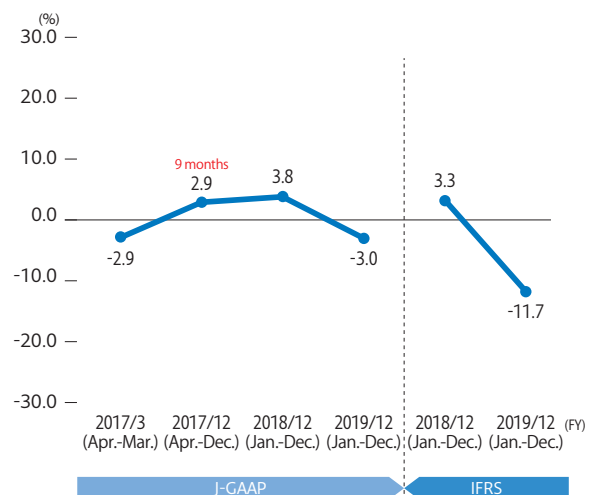
-20.6%



We divide ROE into net profit ratio, total asset turnover, and financial leverage (total assets divided by total equity attributable to owners of parent). Financial leverage increased due to factors such as a decrease in retained earnings. At the same time, our net profit ratio decreased for FY2019/12 due to a decrease in sales and the recording of an impairment loss. As a result, ROE was -20.6%.

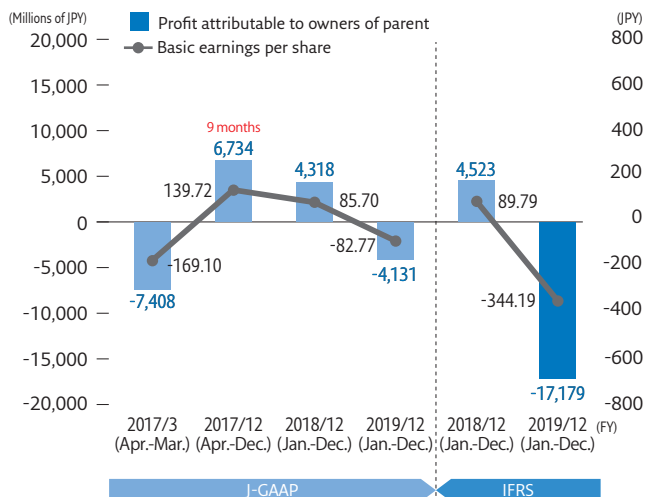
## ROIC

-11.7%



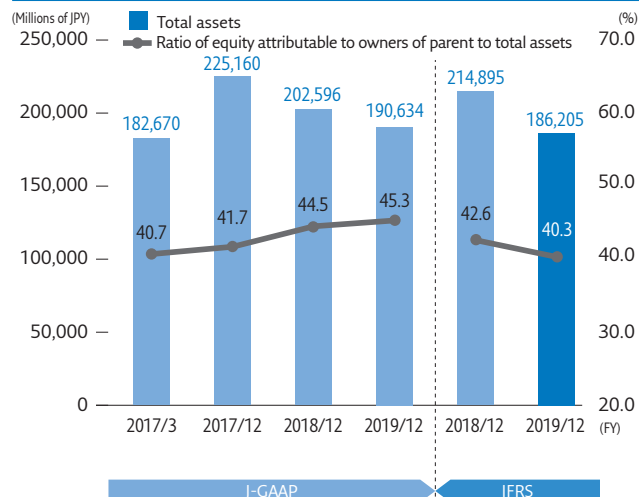
We define return on invested capital (ROIC) as operating profit after taxes (operating profit x (1-effective tax rate)) divided by invested assets (working capital + property, plant and equipment + goodwill + intangible assets + right-of-use assets + cash, and cash equivalents + investments accounted for using the equity method + other financial assets (non-current)). Raising ROIC requires maximizing the numerator in this formula, which is operating profit after taxes, and minimizing the denominator, which is invested assets. Although we saw a decrease in investment assets due to a decrease in property, plant and equipment, operating profit also declined significantly due to the recording of impairment loss on non-financial assets. As a result, ROIC was -11.7%.

## Profit attributable to owners of parent/Basic earnings per share JPY-17.1billion / JPY-344



In addition to recording an operating loss, interest payments and other financial expenses led to a JPY17,179 million loss attributable to owners of parent. Basic loss per share was JPY344.19.

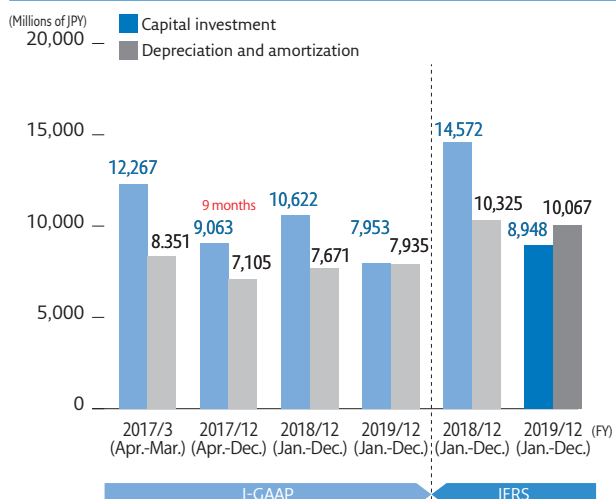
## Total assets/Ratio of equity attributable to owners of parent to total assets\* JPY186.2billion / 40.3%



Total assets amounted to JPY186,205 million, down JPY28,689 million compared to the end of the previous year. This result was mainly due to decreases in inventories and property, plant and equipment. Total equity attributable to owners of parent amounted to JPY75,010 million, down JPY16,554 million. This result was mainly due to a decrease in retained earnings. As a result, the ratio of equity attributable to owners of parent was 40.3%.

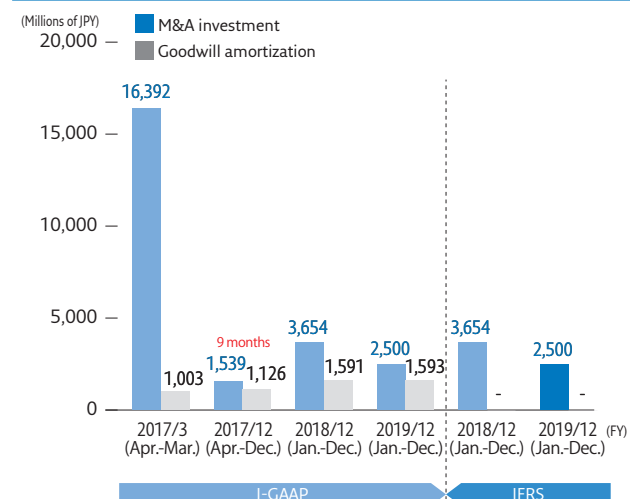
\* Ratio of total equity attributable to owners of parent: Total equity attributable to owners of parent divided by total liabilities and equity (Under Japanese accounting standards [equity ratio]: Equity divided by total liabilities and net assets)

## Capital investment/Depreciation and amortization JPY8.9billion / JPY10.0billion



Capital investment amounted to JPY8,948 million as a result of expanding factories and manufacturing facilities in North and Central America, as well as refurbishing domestic factories in Japan. Depreciation and amortization expense was JPY10,067 million. Note that under IFRS, right-of-use assets are included in the ratio of capital investment divided by depreciation and amortization.

## M&A investment/Goodwill amortization JPY2.5billion / -



M&A investment was JPY2,500 million due to acquisition of domestic companies. Goodwill is amortized over a certain period under Japanese standards, but is not amortized under IFRS.



## Global Expansion

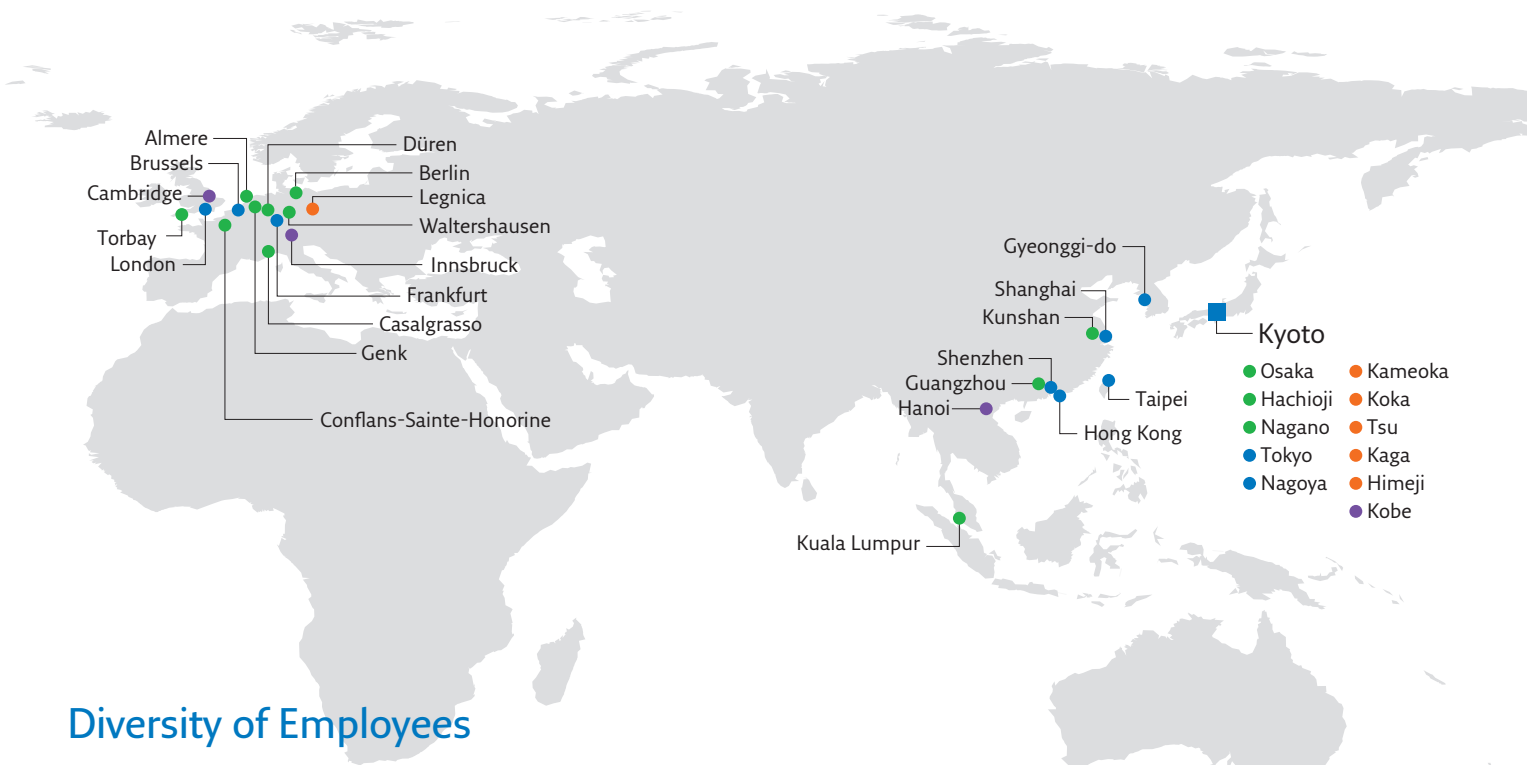
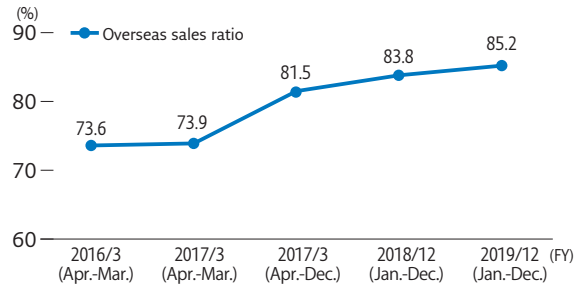
### Bases

55 locations around the world  
 Nissha has 15 locations in Japan, including our Global Headquarters in Kyoto, and 40 locations in overseas countries.

### Consolidated subsidiaries

66

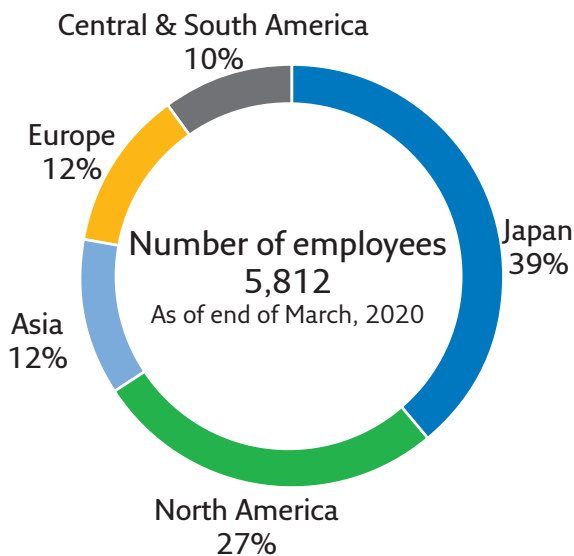
### Overseas sales ratio



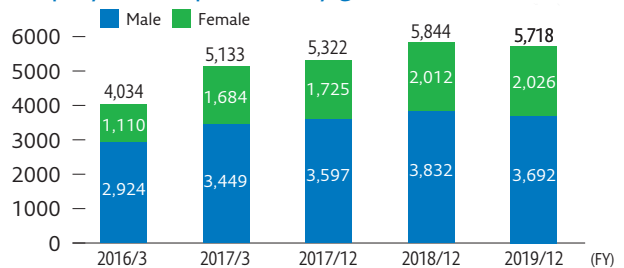
## Diversity of Employees

Our employees are acting globally, roughly 60% of them working overseas.

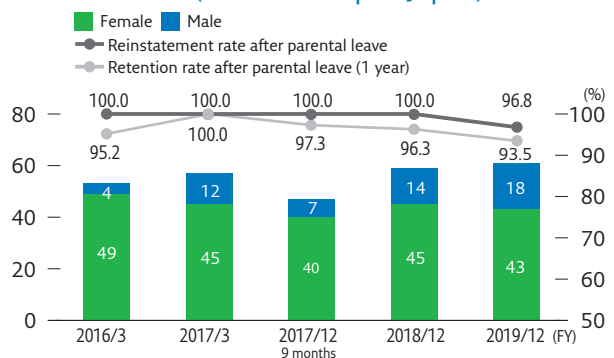
### Employee composition by region



### Employee composition by gender

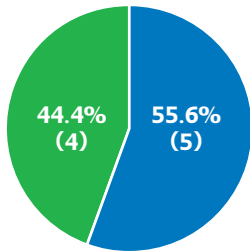


### Parental leave (Nissha Group in Japan)

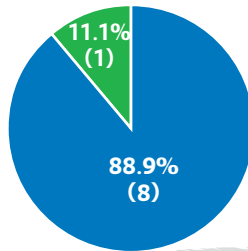


# Governance

Internal/Outside (Directors of the Board)

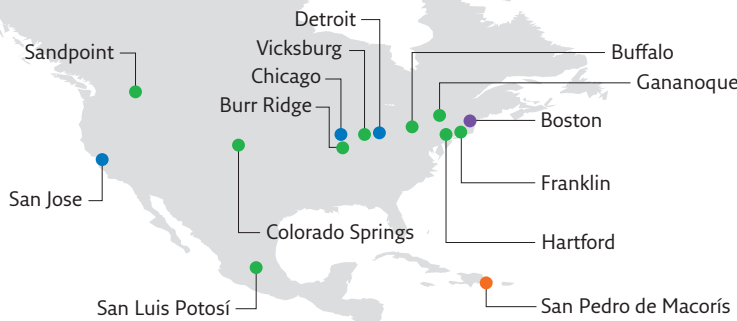


Nationality Breakdown (Directors of the Board)



FY2019 Initiatives to Improve Board of Director Effectiveness

Visits to facilities in Japan	2
Independent outside director participation in start-of-year joint meetings with all department heads	3
Exchanges between independent outside directors and executives	2
Reports from CEOs of major overseas subsidiaries at board of director meetings	3
Voluntary reporting to encourage substantive discussions (Agenda presentations, including resolution background and company efforts)	15

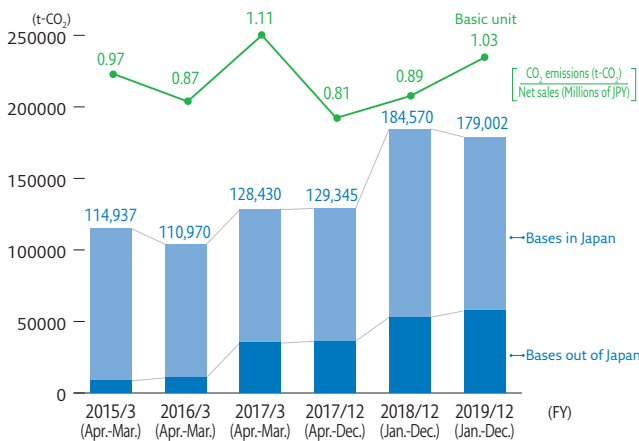


As of the end of May, 2020

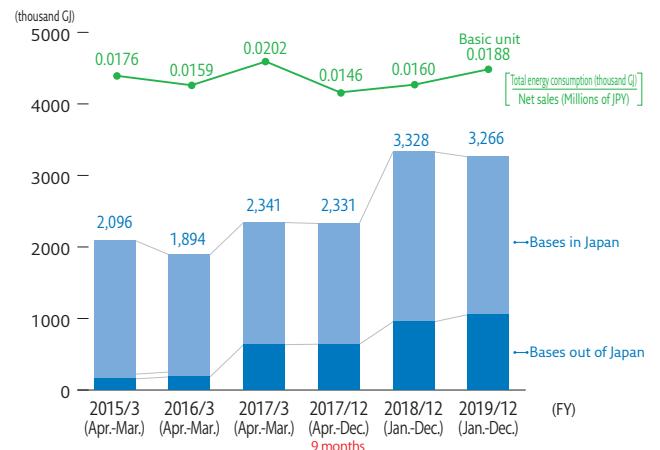
# Environment

Both CO<sub>2</sub> emissions and energy consumption for the fiscal year ended December 2019 decreased versus the previous year due to the impact of reduced product demand; however, basic units for both measures deteriorated.

Trends in CO<sub>2</sub> Emissions and Basic Unit



Trends in Energy Consumption and Basic Unit



# The Evolution of Nissha

Working to diversify our products and target markets through the evolution of our printing technologies and entering the global market, Nissha has achieved growth by expanding our business domain.



Founder, First CEO  
**Naoki Suzuki**  
1929 Founded the Company



Chairperson Emeritus, Second CEO  
**Shozo Suzuki**  
1959 Assumed post of President

Information and Communication Industrial Materials Devices Medical Technologies Others

1929

1940

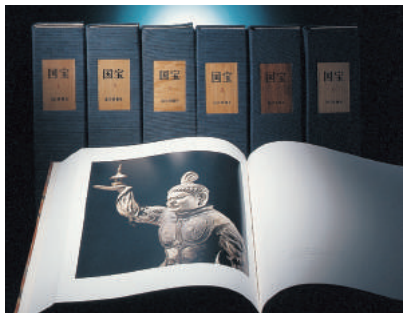
1950

1960

1970

## Founding 1929~

Aspired of high-quality photographic printing



“We pursue high-quality photographic printing no other can compete with, as anybody can be just a type-set printer.”

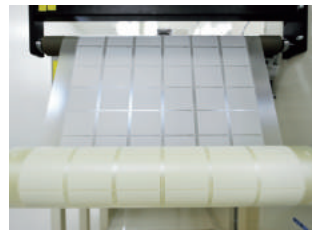
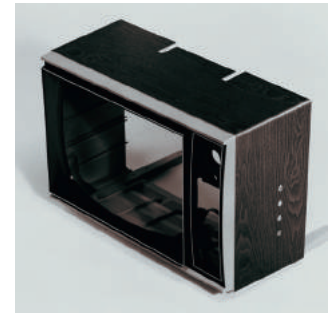
-The statement as the Company founded

Through numerous art books and exhibition catalogues representing the times, established Nissha's reputation for high-quality art printing

- 1949 “NEW JAPAN” (The Mainichi Newspapers)
- 1962 “Koku-hou (National treasure)” (The Mainichi Newspapers)
- 1966 “Genshoku Nihon no Bijutsu (Art collection of Japanese cultural inheritance)” (Shogakukan)

## 1st Phase of Diversification 1960's

Beginning of our Industrial Materials and Devices Businesses



Promoting new product development by evolving printing technology

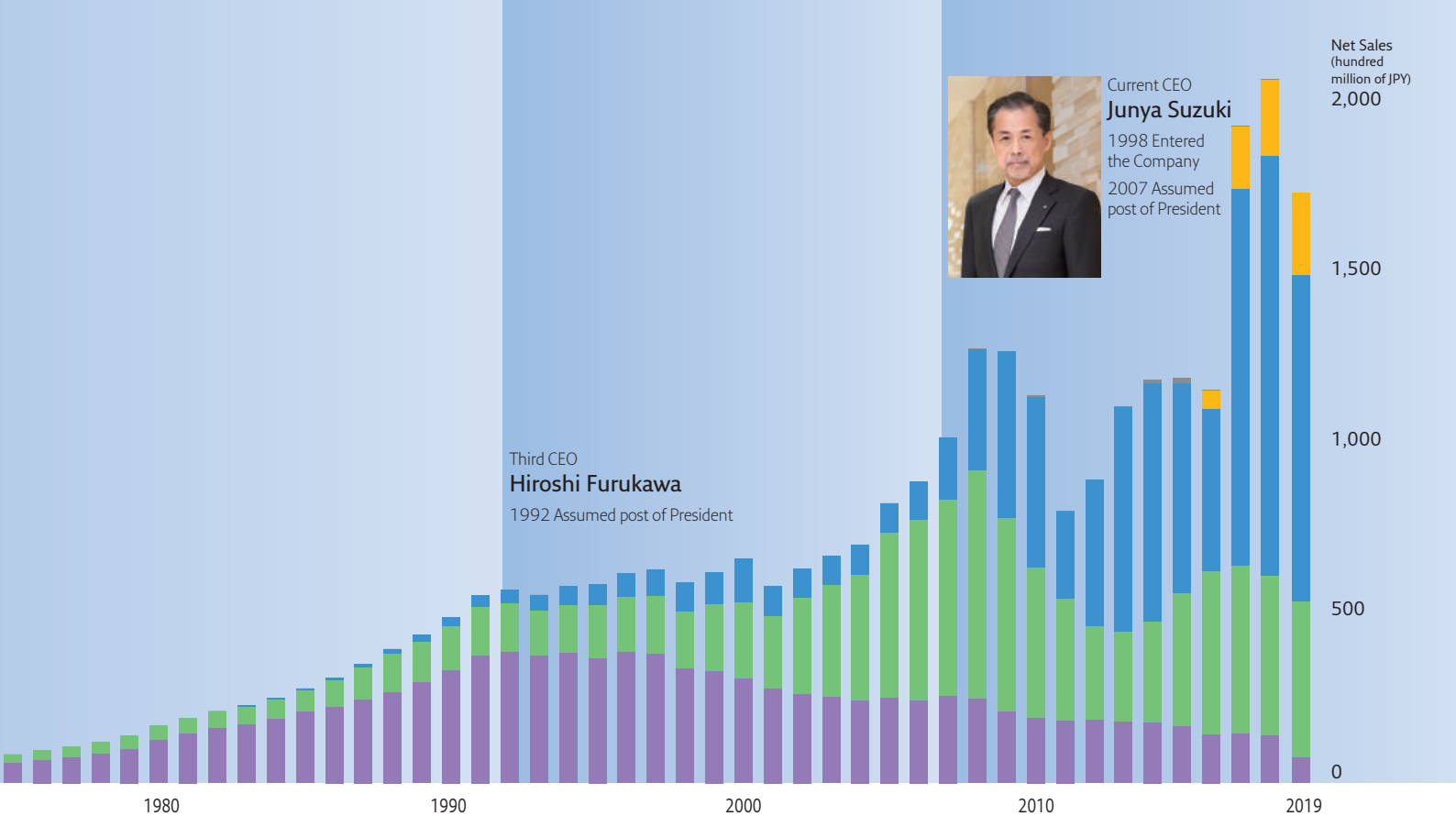
Expanding target markets by new products such as transfer foil and electronic components

### Beginning of current Industrial Materials Business

- 1967 Entered home appliances market with the first wood-grain transfer foil in Japan
- 1983 Developed a simultaneous molding and decorative transfer system (IMD)

### Beginning of Devices Business

- 1970 Opened new production factory for electronic components such as lead frame
- 1990 Developed “FineTouch” (Origin of current film-based touch sensors)



## Globalization 2000's

Our products and the Nissha brand penetrates the global market



Upgraded our business management as the business activity globally expanded

- 2007 Surpassed 50% in Net Sales ratio of overseas
- 2007 Through an acquisition of molding company in the US, established global supply chain of molding between Japan, the US, China and Southeastern Asia
- 2012 Developed capacitive-type touch sensors by photolithography process

## 2nd Phase of Diversification Current

Growth by diversification of core technologies and people's capabilities



The business domain evolves beyond the bounds of printing

Diversification of new business domain through M&A

- 2014 Acquired gas sensor manufacturer (Japan)
- 2015 Acquired top global metallized paper manufacturer (Belgium)
- 2016 Acquired medical device manufacturer (the US) and newly entered the market, started Medical Technologies Business as our 4th Business
- 2016 Acquired automotive interior plastic molded parts and decorative films manufacturer (Germany)
- 2019 Acquired pharmaceutical company (Japan) and newly entered the market





Chairman of the Board,  
President and CEO

## Sustainability ~Nissha Growth and Development is Our Contribution to the Economy and Society

### Mission

We realize the enrichment of people's lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group.

The Nissha Mission, which we revised completely in January 2018, provides a syllogism through three important perspectives. In other words, we define our role in society according to clear statements about ideal employee skills and work, ideal business activities, and ideal relations with society, in that order. Further, a major feature of our statement is that these three perspectives are connected by causality. When we began drafting our statement in the second half of 2017, we decided that solving social issues was the central purpose of our business activities from the perspective of being a good Global Citizen. In this way, we avoided falling into the simple notion that profits are important over all. As a company, we constantly discuss how to generate social impact through our tangible and intangible assets, now and in the future.

Recently, the Business Roundtable, a U.S.-based association of business executives, stated its intent to reassess the traditional shareholder-first orientation of companies. At the same time, there is a growing movement in the stock market to emphasize a consideration of stakeholders other than shareholders. This is an obvious and natural way of thinking

for our company. When I was named president in 2007, we issued a statement that our stakeholders consisted of our customers, shareholders, employees, suppliers, and society. We defined our relationship in society in terms of continuing efforts to balance stakeholder interests and the company's interests, regardless of the business environment. I call this relationship the Nissha Circle of Trust. [See P.58](#)

In the process of developing our own way of thinking as a company, I became passionate about incorporating the influence of global thought leaders both in Japan and abroad into my own philosophy. By thought leaders, I do not necessarily mean great business managers. I also looked to social science researchers, artists, doctors, and industrial designers, among others. When these individuals talk about their contributions to society, they say there are times when the results of their work can be seen in social contributions and times when their efforts are not readily visible. There is no doubt that every job is valuable and precious. But in my own way, I believe the results produced by contributors may not necessarily be an end product or service. There are times when contributions are not visible or widely recognized. I think the nature of the job and changing social situations can impact the urgency assigned to the job.

The same can be said for corporate performance. There are times when a company can more easily deliver the type of quarterly performance sought by short-term-oriented shareholders and investors. There are other times when management efforts over the long term bear greater fruit. How efforts are viewed by society also depend on whether the output is a consumer good or an industrial good. In either case, managers make their best efforts to be disci-

plined in accomplishing the work-related goals they have set. Differences are likely to occur between management approaches and the expectations of shareholders and investors. Therefore, managers must continue to engage in dialogue and build greater understanding through shareholder relations (SR) and investor relations (IR).

## The Impact of COVID-19 on Our Perspective on Sustainability

Since the beginning of 2020, the world has faced a crisis in the form of the COVID-19 pandemic. As I write this message from my home office in mid-May 2020 (I, like many in our company, am teleworking), more than 5 million people worldwide have been infected with COVID-19 and the death toll has risen above 300,000 victims. Many countries and regions, including Japan, have declared states of emergency. Governments have issued restrictions on citizen activity, including voluntary restrains or outright prohibitions on commuting and other unnecessary travel outside the home. Services industries and other businesses that might spread infection have suspended operations. The number of people experiencing mental anxiety and economic loss continue to grow. We hear reports that medical services are collapsing or on the verge of collapse as caregivers are under tremendous pressure to save an increasing number of patients in the face of dwindling medical supplies.

In response to the COVID-19 situation, industries began discussions and decisions about whether they qualified an essential industry. In the midst of a pandemic, we are selectively operating essential industries (industries with a high degree of urgency), while suspending other business operations to limit consumer activity and prevent the spread of infection.

Our business engages with customers across a variety of markets, including IT devices, consumer electronics, automotive, medical devices, food, and more. Therefore, I have been monitoring developments in these industries since the outbreak of COVID-19. We can look at the impact of COVID-19 on product demand from the aspect of our position in supply chain for intermediate materials and components in terms of timing differences and geographical differences. We can define timing differences as Q1 (January through March) and Q2 (April through June) and geographical differences by timing of the outbreak (China, Europe, America, Japan, etc.). In either case, we can generally categorize medical devices, packaging materials for food and beverage products, electronic components for IT devices (smartphones, tablets, etc.) as essential businesses for which we continue factory operations.

On the other hand, our decorative film and molded parts for automotive is not considered essential, particularly when most OEM manufacturers have suspended factory operations. In response, we have slowed our production operations in this business. Demand for the specialty recording media we supply to casinos evaporated instantly in the United States and Europe when these businesses suspended operations to prevent the spread of infection.

Upon receiving more detailed reports, we learned that the United States and Europe, our major markets for medical devices, demand for medical electrodes (wearable sensors)

used in electrocardiograms to save infected patients skyrocketed, outpacing production capacity. However, orders have decreased for components for high-function surgical instruments used in elective surgery. One could say that even among medical devices, some have not been considered essential.

I can cite several examples of how Nissha has responded to the debate about whether a business is essential. To help alleviate the growing shortage of medical supplies, our Medical Technologies business decided to begin offering face shields for the first time as a product for Japan, the United States, and Europe. To solve the urgent social issue as quickly as possible, employees in our Industrial Materials and Medical Technologies businesses contributed their skills from locations across Japan, Korea, and the United States. In slightly more than two short weeks, we moved from concept to actual shipping. We are working on a second and third product in addition to the new face shields. At the request of a local university, our U.S. production base cooperated in developing prototypes and providing shortened delivery for similar equipment. Our production base in China fulfilled contracts to quickly produce parts for manufacturing equipment used by companies that ramped up surgical mask production.

In the face of the COVID-19 crisis, corporate leaders are analyzing how the global economy might change in the future. For example, the economic value of essential industries may be viewed with even higher regard than in the past. These essential industries include health, medical, hygiene, and food, as well as the digital, telecommunications, logistics, clean energy, and other sectors that help industries operate more efficiently. I also consider education and cultural support for the children who will be leaders of our future society to be in this category. These sectors and their goals are aligned closely with the areas defined under the Sustainable Development Goals of the United Nations. COVID-19 is a clear danger to life, lifestyles, and economies and the impact of this disease will likely shift individual behavior and corporate strategies even more toward sustainability. In terms of our businesses, we see an increased awareness of infection prevention (sterilization, etc.), development of medical staff and related systems, more digital consumption based on home delivery, an increase in telework using collaboration platforms, and more.

Just as we interpret the meaning of our above-mentioned Mission, Nissha approaches business by emphasizing solutions to social issues, social impact, and sustainability. We execute our business under three-year medium-term business plans. The business portfolio strategies under our Fifth (FY2015-FY2017) and Sixth (FY2018-FY2020) Medium-Term Business Plans have reflected the approach defined in our Mission.



Launch of face shield sales

## Optimizing Our Business Portfolio

Here, I will address the changes in our business portfolio and our future strategies.

We grew into a global company over the span from the late 1990s to the 2000s. This global expansion was driven mainly by global market growth in mobile phones, laptops, and other IT devices. In the 2010s, tablets and smartphones drove global market growth. In all of these fields, we won high marks from our global corporate customers stemming from our advanced technical capabilities, stable manufacturing, and quality in our Industrial Materials and Devices businesses. As we expanded our businesses, we created a greater track record of financial results. At the same time, we made commensurate improvements in the skills of our employees related to quality management, project management, and other factors that contributed to even stronger front-line capabilities. In parallel with growth in the IT sector, our business infrastructure supported global growth in the automotive, medical device, home appliance, food, and other non-IT sectors.

However, on the other side of the abundant developments in the IT device market is a short cycle of technology innovation and specification changes. Meanwhile, capital investment is enormous and seasonal demand fluctuations are extreme. These factors combine to form a segment that is highly volatile with no guarantee of sustainable performance, even when working to maximize investment benefits and maintain stable earnings. Recent trends point toward devices, big data services, and big data solutions as growth areas driving the markets, rather than the pure sales of smartphones and other devices.

Accordingly, while the main focus of our business portfolio strategy in the IT sector is to engage in application development for data solutions, logistics, and other areas that differ from our other ongoing efforts, we will also strengthen our non-IT businesses, reorganizing in a way that decreases the impact of IT on our earnings results indicators. By reducing our dependence on the highly volatile IT sector, we expect to stabilize cost control, particularly in our Japanese manufacturing operations. We consider ourselves to be transitioning from a current stage of selection and focus in the IT sector

to a stage of diversified products and target markets in non-IT sectors.

As I mentioned above, the 2000s and 2010s were a period of aspiring to globalization in corporate management. We intend to continue making further progress in management globalization in the future. In the 2000s, our main business model focused on exports based on our strengths in Japanese manufacturing technology. In the 2010s, we added localized manufacturing and sales (local production and local consumption) through an active execution of corporate acquisitions.

This trend is a very important part of our business portfolio reorganization. IT industry manufacturing has polarized to China. For example, even if our customer is based in the U.S., the actual export destination is likely to be an electronics manufacturing service (EMS) in China. This is a very typical logistics pattern in the industry. However, if the target market is a non-IT industry (e.g., automotive, medical devices, home appliances, food, etc.), a customer's manufacturing and logistics channels are likely to be distributed globally and localized. Therefore, our manufacturing and sales structure must also switch to local production and local consumption. For example, when we entered the market for medical devices, which we regard as a leader in our non-IT efforts, we understood the need to immediately build a local production, local consumption business structure. We accomplished this through our acquisition of Graphic Controls in 2016. Acquisitions have allowed us to quickly enter other industries, and even gain access to overseas markets. In the 2010s, we executed a number of acquisitions to this effect.

## Corporate Acquisitions

The success of acquisitions hinges not only due diligence, but also on post-merger integration (PMI). We have a relatively long 20-year history of corporate acquisitions. Even so, we knew the need to strengthen our due diligence and PMI as our targets grew in size and varied in industry. Early in the 2010s, we formed a team to specialize in corporate acquisitions and hired experts from outside the company to establish a system. I believe we have built an advanced framework

## Strengthen Non-IT (Sustainability, Essential Businesses)







Medical Technologies Business Unit Management Council

for strategy formulation and investment evaluation related to corporate acquisitions.

We were pleasantly surprised that we learned practical knowledge in due diligence and negotiations from the chief executives of the overseas entities we acquired when it came time to make follow-on acquisitions. Post-merger integration does not necessarily reveal itself in immediate results or goal achievement. While it doesn't take time to share sales channels or purchasing routes with the companies we acquire, it could take at least three years to achieve synergies in marketing and product development. In any case, I and the vice presidents at headquarters maintain close communications with local managers on a daily basis. To generate further synergies, our challenge for the future is to encourage greater collaboration across countries and organizations between middle management and younger employees, rather than just me and our vice presidents. We must send these individuals on overseas assignments or designate them as short-term trainees to provide practical training and foster a culture in which the senior employees in our organization encourage younger employees to take on challenges.

Generally speaking, a strategy for business portfolio reorganization calling for diversification in target markets and product lineups risks an undisciplined pursuit of expansion. In particular, corporate acquisitions and new product introductions could result in a so-called conglomerate discount. Here, managers and management resources are not allocated sufficiently or properly, leading to results in every business that cannot be declared unqualified successes. This path does not lead to increased corporate value. In our case, we are striving to correct a disproportionate impact of IT business results by expanding our non-IT businesses. Here, we have defined our ideal business portfolio and scale, investing in non-IT and IT businesses accordingly (capital investment, corporate acquisitions), and then making decisions on personnel assignments and other management resource allocations. As we move from the investment to the business operations phase, we assess progress on a monthly or quarterly basis in qualitative and quantitative measures. We put the brakes on any movement to expand recklessly.

Take our acquisition of Graphic Controls, a company that

deals in medical devices, for example. This acquisition was based on our clear intent to enter the medical devices market. At the same time, however, the deciding factor was that Graphic Controls was a stable performer in their sector, or a cash cow in other words. Our Devices business, which handles the IT sector, was the star player in our business portfolio. However, struggles with volatile demand led us to acquire a cash cow intentionally for our portfolio. We believe post-merger integration of Graphic Controls is progressing well and we are executing a growth strategy that leverages this company. However, sales in the core Medical Technologies business of Graphic Controls remains relatively small, at only 15% of group sales. Some less-informed analysts have asked whether our acquisition was a mistake, misunderstanding our decisions. In the future, we plan to concentrate our management resources further in support of our strategy to strengthen sustainability and our performance in essential businesses.

## The Basis of Our Business Definitions

When optimizing a business portfolio from the standpoint of corporate management, a company must periodically review how they define the businesses that comprise the portfolio. We generally revise our business definitions on the same three-year cycle of our medium-term business plan. In our most-recent three medium-term plans, we used the traditional product-market growth matrix to categorize and define businesses under one of four patterns: domains, target markets, existing business, and new business. In this way we formulated strategies and allocated resources without clinging excessively to the successes of existing products in existing markets.

Our Seventh Medium-Term Business Plan, which we will launch in fiscal 2021, will reflect a newly emerging change in business methods as another element in our business definitions. In other words, a business method is a business model or how we provide a benefit to our customers. For example, shifting from simple component sales to sales of assembled modules, or transitioning from in-house manufacturing to leveraging partner firms, or even moving away from product-oriented sales to services and other solutions sales. Accordingly, we define our business according to three dimensions: technology and products, target markets, and business model.

Since our founding in 1929, we have grown as a technology-oriented manufacturer, shifting target markets along the way. Fine art printing used high-definition plate-making and printing technology at the time around our founding. These technologies evolved later into our Industrial Materials and Electronics (now Devices) businesses as applicable fields expanded. Through this process of growth, our core technologies grew beyond printing, supported by expansion into other fields, including coating, laminating, molding, and patterning. The basic idea behind our business strategy was to search for application areas of our core technologies.

Seeing our evolution from IT devices to medical devices, automotive, food, and other target market, some people wondered exactly what kind of company we had become. Our answer is clear. We want everyone to know our five core technologies and understand how they apply across a

Message from the CEO

diverse range of sectors. Our message is that we are not currently in a stage of selection and focus, but rather a stage of diversifying our technologies, products, target markets, and business models. Further, we will engage in careful management to avoid causing a conglomerate discount as we expand. At the same time, we must not let the power of the core technologies we possess keep us from building businesses because we have neglected to understand the needs of the market. We must not fall into the trap of aggressive, one-sided technology sales in a so-called product-out model. Even BtoB companies such as ours have to be active in influencing the market, and we recognize that we require stronger marketing to uncover the latent needs of the markets that we may be overlooking.

Changing HR Systems for True Work-Style Reform

No business definition or strategy will work unless we assign talented individuals in an optimal manner. Our business portfolio reorganization is also a means to diversify and reorganize the capabilities of our employees. From our origins in the printing industry through the 1990s, the main specialty of our engineers was in chemistry. As our IT materials and components businesses began to expand in the 2000s, we extended our expertise to include machinery, physics, electrical engineering, information engineering, and other fields. At the same time, we have fostered numerous employees who have international business backgrounds and skills. One example of our future challenges is whether employees who have built careers in IT sales or development can pivot their skills to medical devices in a timely fashion when required.

In fiscal 2020, we introduced a change to our HR system. Now, we rotate our younger employees to experience different jobs earlier in their careers. Further, we want to

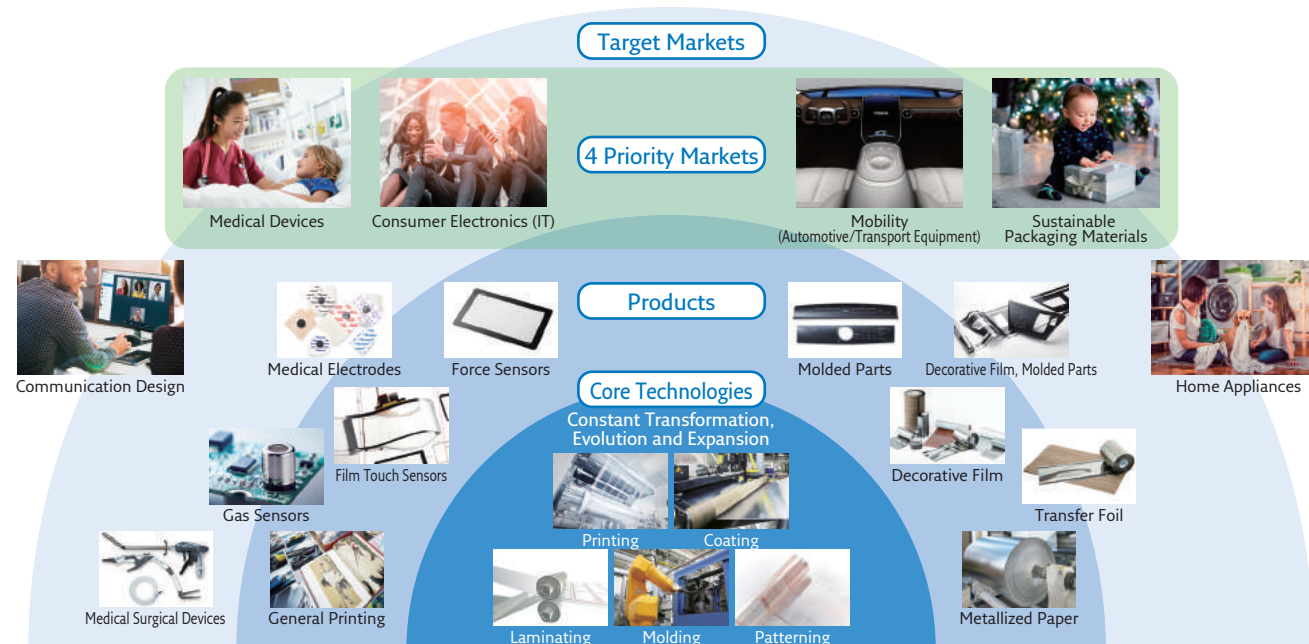
develop human resources with multiple skill sets, providing experiences as project leaders and giving greater weight to overseas work experience. In this way, we will secure people who can respond quickly to the reorganization of our business portfolio.

The foundation of Japan's HR systems is rapidly shifting from traditional lifetime employment and seniority to one that rewards performance. I believe this is the ultimate aim of Japan's work-style reform movement. As Japan's population declines, corporate productivity and profitability become linked directly to the degree we maximize per-capita results (output) over a shorter time period (input). The changes we introduced to our HR system also reflect this reality. In the future, the most competent employees will be entrusted with important work, regardless of age, and evaluated appropriately based on performance. Performance evaluations will focus on whether an employee demonstrated the skills to do the job required of them. Rather than practical skills, I focus on whether an individual demonstrates leadership and passion to guide their team to their goal. Our younger generation has reacted very positively to these changes in our HR system. We have high expectations that this system will be a driving force behind achieving our mission.

A Solid Governance System and Corporate Culture

Last, I want to address the governance system we have put in place to achieve the Nissha Mission in the midst of turbulent economic and social trends. Our governance system functions in a sound manner, designed for optimal relationships among the board of directors, members of the Audit and Supervisory Board, the Nomination and Remuneration Committee, and vice presidents responsible for business execution under the direction of the presi-

Expanding Business Domains



dent. This system meets the requirements of the Japan's Corporate Governance Code. As an aside, although discussions related to corporate governance continue even today about compliance or the difficulty in complying with the code, I personally believe there are no requirements within the code that are anything but complete common sense. There is nothing unusual in an organization wanting to avoid being buried in its own internal logic by seeking and using outside advice. When I was named president in 2007, we established independent outside board directors to incorporate outside opinions into our company. In fact, these independent outside directors provided the leverage for the type of internal reform we needed to become a global company. In my opinion, outside directors provide fairness and valuable useful advice, which may be difficult to hear at times.

As president, I am both a descendant of our company's founder and a major shareholder. I am committed to and sincerely hope for the long-term growth of our company. I am concerned, however, that I may be my own enemy in my strong commitment and desire to lead. In so doing, I must remember to avoid becoming fixed in my opinions, missing the true point of discussions, and as a result, hindering our decision-making process. This is something to which I pay careful attention. As of May 2020, I am satisfied with the diverse mix of experience our independent outside board directors bring to our company. In addition, our internal directors consist of individuals who share my aspirations for our company, while contributing diverse expertise, character, and backgrounds. Our board of directors bring together their strengths and complement each other. I am not looking for a clone to eventually take over as president or serve as directors. What I hope to do is foster talent who embraces the vision we have.

Our board of directors is very enthusiastic and supportive of management. We are evolving our decision-making process to respond to potential acquisitions at any time. In the event of board meetings on short notice, we make use of video conferencing systems and other tools. I believe this flexibility in operations is one of our strengths.

Listening to external voices is all about absorbing new abilities from outside ourselves. This is not only a question of the composition of our board, but also a question of open innovation and joint development with other companies, rejecting the Not Invented Here Syndrome. It is a question of engaging in M&A to secure new products and sales channels. Our focus on hiring experienced professionals as well as through the traditional annual hiring process is another prime example.

Incorporating new capabilities into our company not only contributes to better execution and enhanced insight, but also brings a breath of fresh air into our organizational culture. Allow me to share a success story of which I am particularly proud. In 2008, we rented a precision electronics plant with advanced clean room facilities from a company that closed due to the global financial crisis. We also hired some of the employees who worked at this plant. Our intention was to acquire manufacturing technology for smartphone electronic components, which we would soon begin producing. The work was extremely complex and I felt that we would not succeed based on our own expertise. The new employees we hired made a great contribution. Our other

employees also learned a great deal. Through this experience, we increased our front-line capabilities and ultimately created a new organizational culture matching the level required to produce precision electronic equipment.

It is exciting when new blood comes in and continues to raise the metabolism of an organizational culture. On the other hand, not knowing our history or having an understanding of our good traditions to hand down to others is a significant issue. People who join us to perform a specific job may excel in their work, but they do not experience our history or our good traditions through their careers, lacking this important piece of information. As far as I can see, our mid-career hires do not offer guidance to their subordinates with this history in mind. This is something that I strive to do during board discussions, especially in front of our independent outside board directors. I believe that true corporate governance involves making decisions with an understanding of a company's history, background, essential nature, and traditions, while accepting external perspectives as well. I am a descendant of our company's founder. I have a very good understanding of our 90-year history, and this understanding represents an important contribution to my work as president.

## Do Good and Make Money

In fiscal 2020, we established a new Sustainability Committee as part of our corporate governance system. In the past, we identified non-financial materialities related to risk for our company under the auspices of the CSR Committee. Our main concern was incorporating the PDCA cycle in reducing risk. However, we believe we are a company that engages in business activities that contribute to solving social issues and have a social impact. For this reason, we added the materiality of creating business opportunities in parallel with reducing risk. As we state in our medium-term business plan, the materiality of creating business opportunities focuses on reorganizing our business portfolio and addressing priority markets (medical devices, mobility, sustainable packaging materials, and IT devices). Creating business opportunities supports the concept of Do Good and Make Money through our business units.

On the other hand, reducing risk as a materiality means preparing for events related to corporate ethics and compliance, BCM, labor and human rights, environmental safety, information security, trade management, and quality. I also feel that we must be well prepared for pandemics such as the COVID-19 crisis.

Last, as I mentioned at the beginning, Nissha will continue to conduct management in pursuit of our mission to realize the enrichment of people's lives through our business activities. I hope that we continue to be a company that aspires to the challenges of an ever-changing economy and social environment, living true to the principles of a human resources policy that company growth is employee growth and employee growth is company growth. I ask you, our shareholders and investors, for your continued support of our strategy to reorganize our business portfolio and our efforts toward long-term growth.



## Review of the Fifth Medium-Term Business Plan (FY2016/3-FY2017/12)

### The Fifth Medium-Term Business Plan Vision for Business and Product Portfolio Optimization

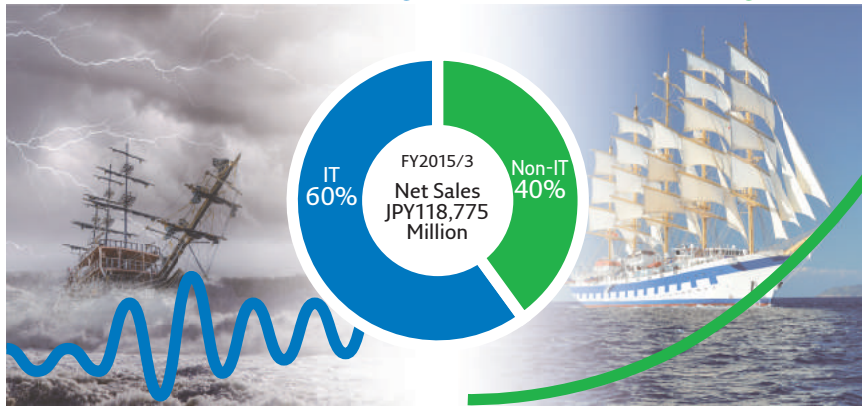
#### Management Issues

Significant Impact on Earnings by IT Market Fluctuations

- Sharp fluctuations in demand, rapid changes in technology trends
- Declining prices for products and services

**IT Market:**  
There are plenty of business opportunities, however, severe environmental changes

**Non-IT Market:**  
Stable growth is expected on a global basis



The Fifth Medium-Term Business Plan (FY2016/3-FY2017/12)

Product and Market Portfolio Optimization (Balanced Management)

- IT market growth
  - Growth in markets having different characteristics than IT
- Entry into global, stable growth markets

#### The Medium-Term Vision

We will acquire and merge new core technologies into printing technologies and completely reorganize our business portfolio in global growth markets.

#### Thorough reorganization of business portfolios

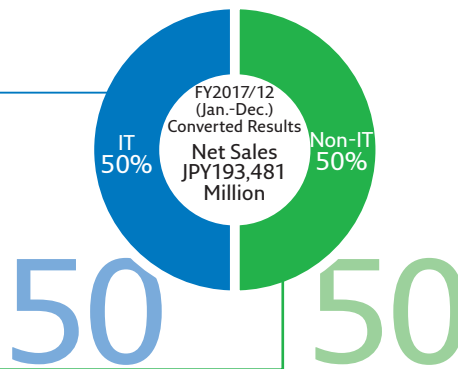
- 1 Reorganize product and market portfolios
- 2 Withdraw from unprofitable fields
- 3 Promote vertical integration in supply chains
- 4 Introduce new core technologies
- 5 Growth using M&A

### Achievements and Challenges From the Fifth Medium-Term Business Plan

**Achievements:** Expanding Into Non-IT Markets, Balancing IT and Non-IT Sales

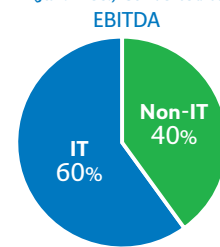
Winning Major Orders through Product Development and Capital Investment

Securing a Non-IT Business Foundation via M&A



**Challenges:** Profit was biased toward IT

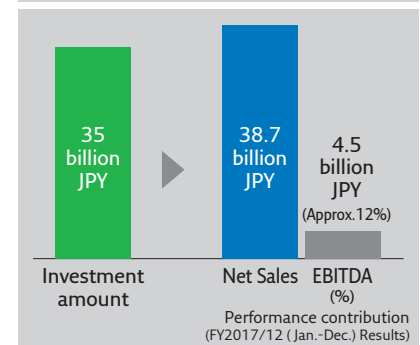
FY2017/12 (Jan.-Dec.) Converted to 12 months



M&A Under the Fifth Medium-Term Business Plan

Investment amount:  
JPY35 billion, ROIC\*9%

\*cash-based ROIC = EBITDA × (1 - tax rate 30%) ÷ Investment amount



**Automotive Schuster Group**

- Acquired in October 2016
- Head Office: Germany
- Establish foothold in European decoration and molding
- Secure customer base among European automotive manufacturers
- Secure IML technology to complement IMD

**Sustainable Packaging Materials AR Metallizing Group**

- Acquired in August 2015
- Head Office: Belgium
- Largest global manufacturer of metallized paper for luxury labels and packaging
- Entry into new markets from upstream in the printing value chain
- Capture share in the beverage, food, household good, and other trade areas

**Medical Devices Graphic Controls Group**

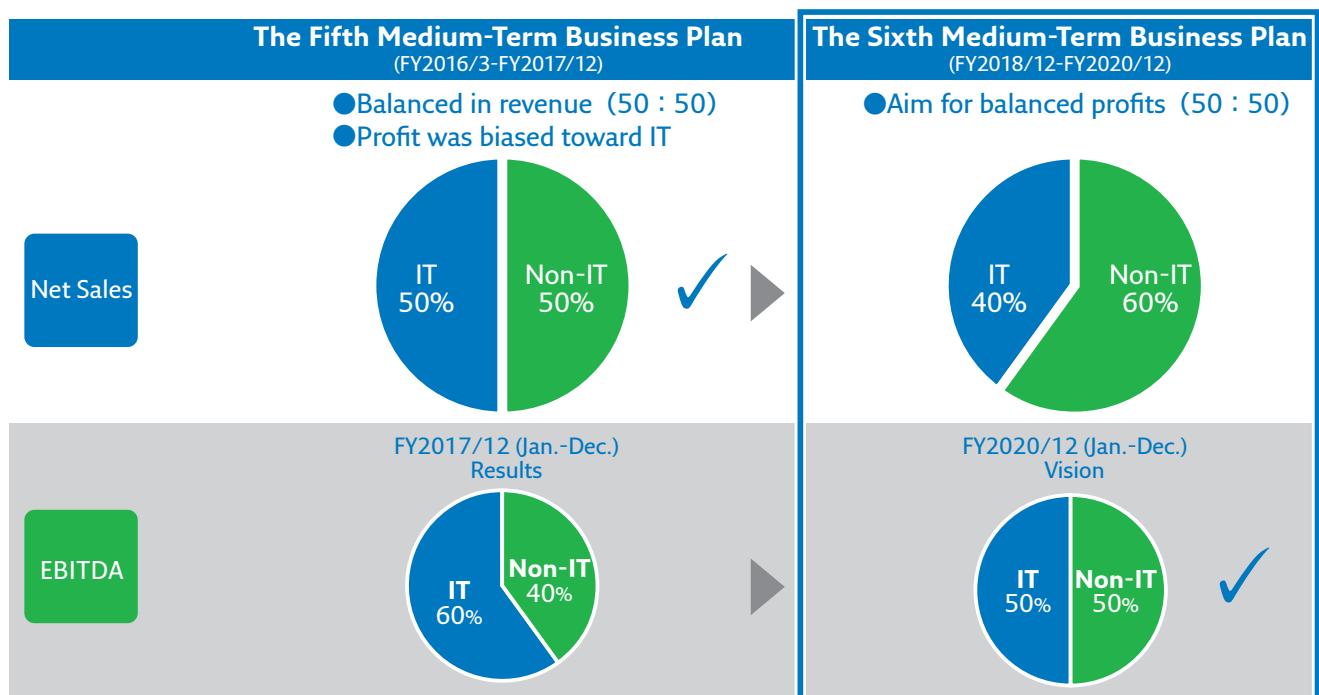
- Acquired in September 2016
- Head Office: U.S.A.
- Entry into the medical devices market
- Acquire medical devices product lineup
- Capture trade area share on a global basis

## The Sixth Medium-Term Business Plan (FY2018/12-FY2020/12)

Following the Fifth Medium-Term Business Plan, the Sixth Medium-Term Business Plan defines priority markets in IT, mobility (automotive and transport equipment), medical devices, and sustainable packaging materials. The plan aims to bring a completion of balanced management to reach higher levels of business portfolio reorganization and optimization, achieved through global growth strategies that maximize the business foundation we have created to date.

### The Sixth Medium-Term Business Plan Vision (Qualitative content) Aim for “Completion of Balanced Management in Our Business Portfolio”

We will aim for an optimal distribution of consolidated net sales, operating profit, and EBITDA in the four priority markets of the Sixth Medium-Term Business Plan: IT, Mobility (Automotive and Transport Equipment), Medical Devices, and Sustainable packaging materials.



On February 14, 2018, the company announced our Sixth Medium-Term Business Plan, which focuses on growth through the reorganization and optimization of our business portfolio. However, due to the decrease in demand for smartphone-related products in our mainstay consumer electronics (IT) business and the impact of greater-than-expected seasonal fluctuations, we recorded a significant operating loss for the fiscal year ended December 2019. In addition, we anticipate the market environment to become even more severe in the future due to changes in technological trends. Therefore, we expect demand for products to decline further. As a result of careful consideration, we have decided to withdraw the quantitative portion of the our Medium-term Vision, which is a component of our Medium-Term Business Plan.

We will continue to pursue Completion of Balanced Management, reflected in the qualitative portion of our Medium-term Vision.

### Three Actions Taken in Response to Reduced Demand for Smartphone-Related Products

	Previous assumption	Present	Actions
IT	<ul style="list-style-type: none"> <li>Increasing demand</li> </ul>	<ul style="list-style-type: none"> <li>Decreasing demand</li> <li>High seasonal fluctuation in demand</li> </ul>	1 Save of fixed cost
Capital for investment	<ul style="list-style-type: none"> <li>Generated out of IT</li> </ul>	<ul style="list-style-type: none"> <li>Not enough only from IT</li> </ul>	2 Encashment of non-business properties
Non-IT	<ul style="list-style-type: none"> <li>Expansion, Strong magnitude</li> </ul>	<ul style="list-style-type: none"> <li>Expansion, Medium magnitude</li> </ul>	3 Attentive M&A



Director of the Board  
Executive Vice President  
Chief Strategy Officer  
Director of Corporate Strategy Planning

Wataru Watanabe

## Aiming for a *Completion of Balanced Management*

Optimizing our business structure, shifting from IT to non-IT priority markets. Nissha Group is making resource allocation possible through stronger revenue-generation measures. At the same time, we are implementing growth strategies in the non-IT fields of mobility (automotive and transport equipment), medical devices, and sustainable packaging materials. In this way, we are aiming for a *Completion of Balanced Management*.

### Progress in Our Sixth Medium-Term Business Plan

On February 14, 2018, Nissha Group announced our Sixth Medium-Term Business Plan (FY2018-FY2020). The main thrust of this plan is to drive growth by reorganizing and optimizing our business portfolio. In addition to our mainstay consumer electronics (IT) business, we have worked to improve our corporate value through a globally balanced business foundation in the designated priority markets of mobility (automotive and transport equipment), medical devices, and sustainable packaging materials.

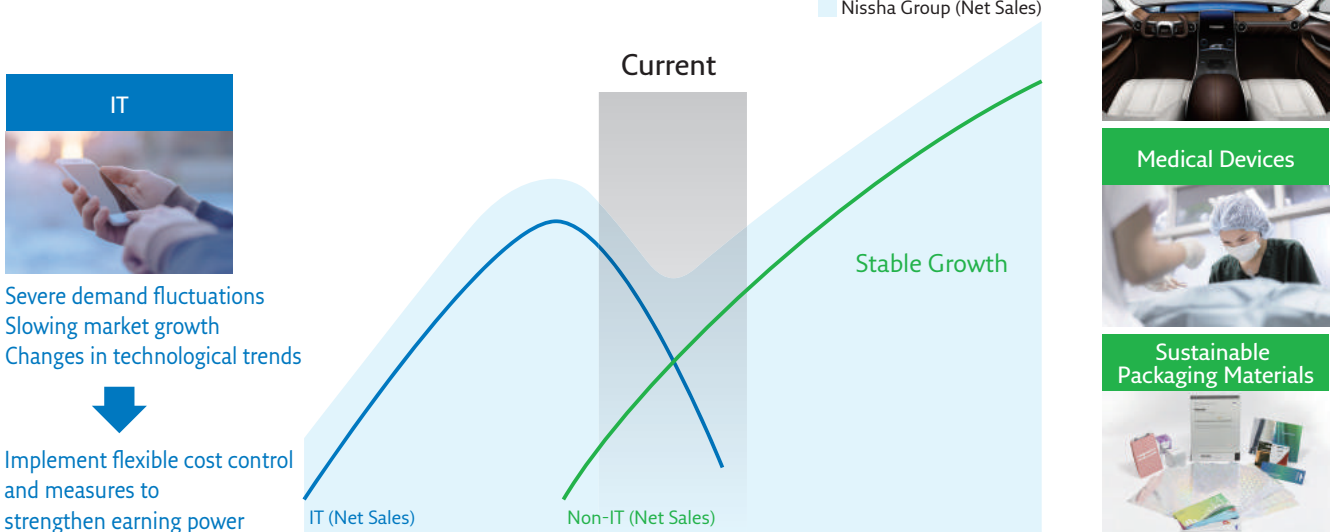
We have seen concrete progress in reorganizing our business portfolio. Looking at the foundation for future growth we have built, our past initiatives to diversify our businesses represented a major turning point that will shape the next ten years. In formulating our strategies under the Sixth Medium-Term Business Plan, we focused our discussions on certain questions to imagine our ideal state ten years in the future. These questions were whether our growth strategies faced social issues head on and whether those issues dealt with sustainability. As a result, we established three areas for growth: mobility (automotive and transport equipment), medical devices, and sustainable packaging materials. We believe these are our three priority market other than IT that will contribute to our efforts over the medium and long term.

At the same time, the pace of change in the environment surrounding IT has been dizzying. Demand for touch sensors, a mainstay product in our Devices business, typically undergoes a significant decline over the first half of the fiscal year (January through June) and an explosive jump in the second

half of the year (July through December). This is mainly due to the timing of new product announcements and the nature of consumer buying behavior. More recently, however, demand trends have experienced turbulent cycles, making it more difficult to control costs, be it variable or fixed. Amid these uncertain demand trends, investment in capital equipment has risen to enormous levels that preclude return on investment. This trend became obvious in fiscal 2019. Although the manufacturing facilities in our Devices business is concentrated in Japan, the decline in demand for smartphones, which accounts for much of our capacity, seasonal fluctuations, and other factors have had a negative impact on our performance. As a result, we recorded an operating loss for this business. We withdrew the quantitative targets in our Sixth Medium-Term Business Plan due to our expectations that the changes in market conditions and technology trends will become even more severe in the future.

In the wake of the global financial crisis in 2008, we focused on the IT market as the main driver of our business. However, the product lifecycles of smartphones, tablets, and similar products have reached a peak, and global sales in this business environment have decreased year by year. Given these circumstances, we are treating this market as one in which we should aim for efficiencies in maintaining and continuing our current businesses, rather than pursuing aggressive growth. Therefore, we intend to focus management resources on medical devices and other areas that are more sustainable due to how they address global social issues and the needs arising from these issues. In response to these developments,

## Toward a Period of Downturn in IT Market Product Demand Implement growth strategies in non-IT priority markets



we remain committed to the foundation of our Sixth Medium-Term Business Plan, *Aiming for the Completion of Balanced Management* through business portfolio reorganization.

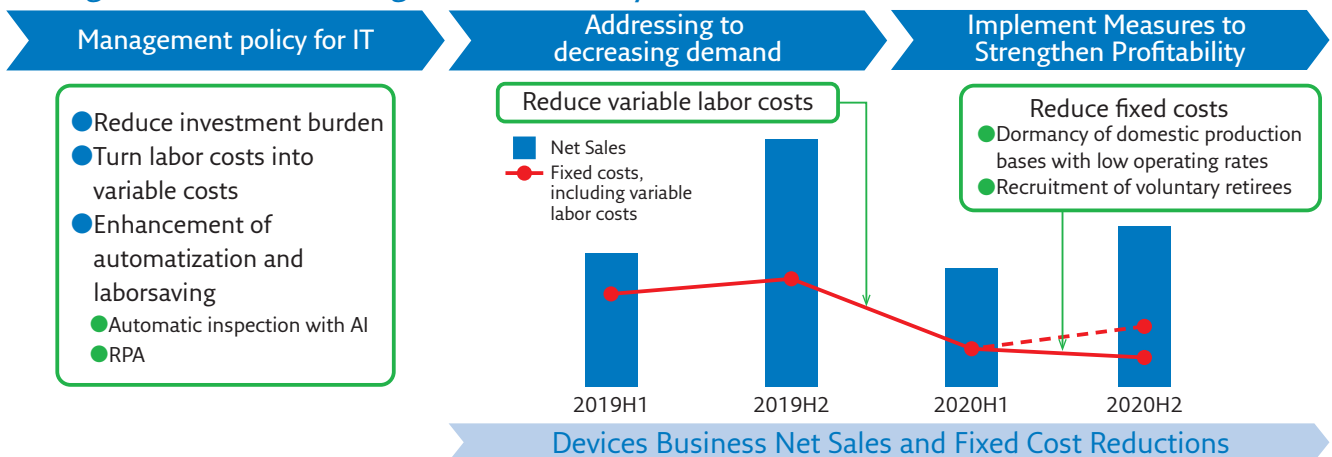
### Implementing Measures to Strengthen Profitability

In *Measures to Enhance Profitability*, published on February 14, 2020, we discussed measures to accelerate the implementation of this balance in management, opening the way to allocate resources to our growth businesses. This is what has provided momentum to strengthen earnings and secure sufficient capital for growth in order for use to reorganize our business portfolio from IT to non-IT priority markets. Our Measures to Enhance Profitability project cost improvements on the order of 2.5 billion yen annually. These improvements include idling low-utilization manufacturing facilities in Japan, calling for voluntary retirements, and other measures. While this has been a painful process, this discipline is an unavoidable part of the blueprint for reaching the type of growth to which we aspire as quickly as possible.

Our strength is our ability to propose product value to customers at appropriate prices by combining our five core

technologies with the needs of these customers. And the passion of our diverse base of people provides the necessary support. In the past, our strengths and product development outcomes tended toward the IT market. Therefore, we do not have a long history of capturing business opportunities in other markets. We plan to review this approach in the future, finding development outcomes in growth markets. We plan to review this approach in the future, finding development outcomes in growth markets. Beyond our five core technologies, we intend to develop a foundation of other necessary technologies for social issues. In the non-IT priority market in particular, responding to one-off customer demands leveraging our processing technologies will not lead to sustainable businesses. As we listen to our customers sincerely, we may find they ask for comprehensive proposals of technologies related to services and solutions beyond one-off products and processing technologies. Having an awareness of this external environment and challenges in internal resource challenges, we have drawn up growth strategies for the future, including the following:

## Build optimal business structure for decreasing demand through Measures to Strengthen Profitability





## Non-IT Growth Strategy

The COVID-19 pandemic has embroiled the world in chaos since early 2020. This pandemic is expected to cause significant changes in behavior and economic activity, even after it subsides. Some believe this plague has revealed a reflexive globalization that focuses solely on economic efficiencies and a warning bell to a chaotic consumer society. In the process of economic recovery, the lasting impact of the pandemic may transform the world's social structure and how we consume. Industries rooted in essential needs (health, medical care, sanitation, food, communications, logistics, clean energy, etc.) are being reevaluated in social significance as fields that protect life and safety. I believe everyone will remember how we viewed companies that made social contributions outside their traditional industries during this crisis. Corporate and individual social responsibility has become a more urgent notion concept than ever before. This is a shared responsibility that goes beyond the scope of some limited debates. Shareholders and investors, in particular, focus increasingly on the social significance of a company's business activities. The integrity and correlation among corporate philosophy, vision, and economic returns are matters of increasing importance. Against this backdrop, the world is faced with the task of economic recovery. We can expect greater interest in solutions to issues related to the supply of essential goods, as well as in how companies

engage in activities that are sustainable over the medium and long term. I believe the context of *flattening the curve* can be used not only to reference lowering the number of infected people at any one time, but also applied to encompass to the idea of flattening the curve of carbon dioxide and other greenhouse gases.

The current pandemic caused by globalization has been an opportunity to once again appreciate the social significance of our business activities related to medical devices and our priority markets. Namely, that we realize the enrichment of people's lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group. In embodying this mission, we become essential to the world, which in turn guarantees the existence of our company. Bringing this value chain to fruition is a deeply meaningful initiative that ties to co-creation with our stakeholders. We are accelerating our efforts in sustainable packaging materials to reduce the environmental impact through packaging for essential foods and beverages, as we strive to propose value for a sustainable society.

In the future, we intend to focus on value proposals in mobility that go beyond the narrow definition of cars, extending to safety and logistics efficiencies related to transportation.

## Sustainable Packaging Materials

Contribution to SDGs



Sustainable packaging materials is a business that provides security and safety for people who use essential products (food, beverages, pharmaceuticals, cosmetics, etc.). Nissha aims to create a sustainable recycling-oriented society through renewable packaging materials. We enrich people's lives by reducing global warming due to increased carbon dioxide emissions, which is a worldwide concern, and reducing environmental pollution due to microplastics and other petroleum-based plastic materials.

### The Expanding Business Opportunities for Metallized Paper

In August 2015, we made a full-scale entry into the sustainable packaging materials market by acquiring AR Metallizing (Belgium), a company that manufactures metallized paper. AR Metallizing owns the top share of the global market at nearly 50%\*, dealing in paper-derived food and beverage packaging. Metallized paper combines advanced environmental suitability and design, leading to renewable products that do not involve plastics. Lately, customer interest in sustainability and the environment has exceeded even the levels we predicted when we acquired AR Metallizing.

In response to growing demand from the world's largest food and beverage manufacturers, we acquired Eurofoil Paper Coating, a German competitor, in January 2020. This acquisition will allow us to expand production capacity and meet growing demand.

### Expanding Into New Package Materials

To expand our product line beyond metallized paper, Nissha is developing new products using molding technology, which is one of our core technologies. We are moving forward in answering needs for plastic reduction, developing packaging materials using natural components and environ-

mentally friendly plastics. This development is in response to specific talks and inquiries with customers.

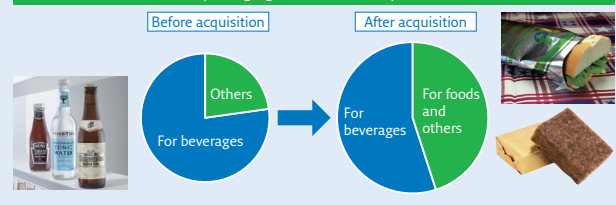
For 2020, which is the final year of our Sixth Medium-Term Business Plan, we aim to achieve JPY22 billion in sales of sustainable packaging materials (metallized paper, new products).

\*Global market share for metallized paper, excluding the Chinese market

### Securing of the leading position in metallized paper market by share extension Acquisition of Eurofoil Paper Coating in Germany completed (January 2020)

- Profitability improvement expected by leading the metallized paper market
- Enhance of R&D for new products by utilization of process engineering and production capabilities of Eurofoil

More new products to markets seeking sustainable packaging materials, mainly for food market



### New Sustainable Packaging Material: Formed Fiber Technology

Sustainable packaging materials using Nissha's core molding technology to maximize the features of pulp

Our business in mobility aims to create a sustainable society, pursuing a vision of offering the mobility market value that is beautiful and comfortable. Value that is beautiful and comfortable can be seen, felt, understood, used, and serve as a source of inspiration that enriches people’s lives. Nissha products and services in the mobility market enrich people’s lives.

The mobility market is going through a once-in-a-century transition. Trends such as CASE (Connected, Autonomous, Shared and Service, Electric) are changing and evolving into a market that addresses an entire social system related to mobility. In this context, people will expect more from mobility than simple movement from point A to point B. Consumers will expect unprecedented experiences in convenience and comfort. Nissha’s decorative products and film-based touch sensor products are used in mobility interiors. These products are the interface serving as a gateway for new experiences. In other words, the value our products offer is part of the value that people experience. We will continue to contribute to the development of the mobility market by providing unprecedented value that is beautiful and comfortable.

**Mobility Business Unit**  
(Integration of Industrial Materials and Devices)

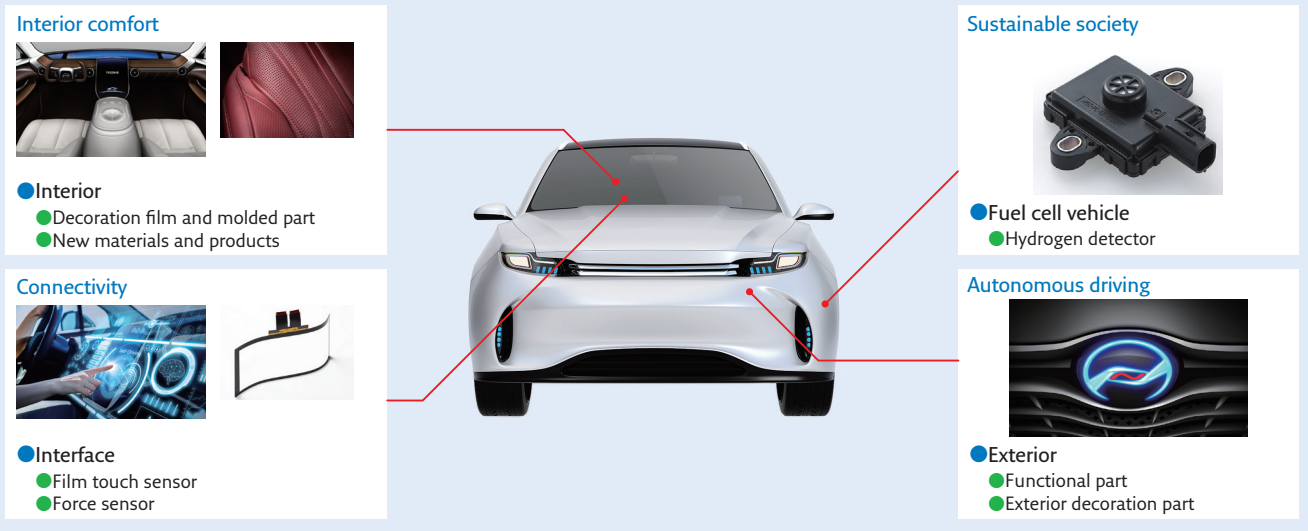
Our first product in the mobility field was a decorative film produced by our Industrial Materials business that was adopted in automotive interiors in 1995. In 2013, we expanded the scope of our business when the Devices busi-

ness produced a film-based touch sensor used in automotive displays. In 2019, we established the Mobility Business Unit, integrating these two businesses to provide maximum value in the transitioning mobility market. Decorative products from Industrial Materials Business serves as the prominent interface of the business, while touch sensors from the Devices business represent the switches that operate devices. The combination of these products forms a highly compatible whole. This allows us to provide high-value-added products through modularization and integration, rather than pursuing businesses singly. Even more, we are striving for greater mobility business growth by developing and offering unprecedented products that combine the strengths of these two businesses.

**Aiming for Consolidated Net Sales JPY50 Billion by 2025**

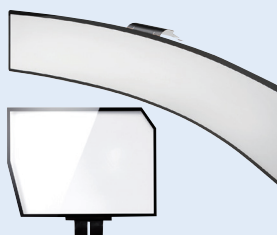
The current decorative products of the Industrial Materials business and the touch sensors of the Devices business combine to form modularized products. These products have become even more important with the changes in the mobility market, and we are aiming for even further business growth in the future. We intend to develop new products and invest in the market, leveraging our customer network in the mobility market and our core technologies that give rise to high-value-added products. Our goal is for JPY50 billion in consolidated net sales by 2025, looking to expanding into related services in order to provide value that is beautiful and comfortable.

**Integrating the Strengths of the Industrial Materials Business and the Devices Business**



**Film-Based Touch Sensors: Growth in Automotive Displays**

- Capable of meeting touch sensor needs for in-vehicle displays  
Nissha Film-Based Touch Sensor
  - Large Screen ✓
  - Irregularly Shaped, Curved ✓
  - Optical Properties ✓
  - Compatibility With OLED ✓
- Manufacturing system capable of stable supply in large volumes
- December 2019: Launched mass production for automotive displays



## Medical Devices

Contribution to SDGs



We entered the medical device market with the acquisition of Graphic Controls (U.S.) in August 2016. This business handles medical surgical devices used in minimally invasive treatments, single-use medical devices, and medical materials in the high-growth global market for heart disease treatments. In particular, we strive daily to aid secure, safe medical practices in acute care, including intensive care units (ICU). Our Medical Devices business pursues two models under which we deliver value. The first model is contract design and manufacturing for medical device manufacturers. Here, we offer a stable supply of surgical equipment for minimally invasive procedures, catheters, guide wires, and many other medical devices. These and other products meet the rising needs worldwide for improved patient quality of life (QOL). We intend to expand our global product design and manufacturing capabilities in North and Central America, Europe, and Asia, pursuing an optimized supply chain that meets the needs of a medical device manufacturer. Our second model is the manufacture and sales of our own branded products for hospitals and other medical institutions. Here, we aim to realize the enrichment of people's lives through manufacturing and selling ECG electrodes, defibrillation electrodes, electrode plates for surgery, and other products that respond to needs in ICUs and heart catheterization labs, etc.

### Experiencing Increased Demand as an Essential Business

During the COVID-19 outbreak in the first half of 2020, shortages of medical materials became more serious, triggering medical treatment collapse. In keeping with our social mission to provide essential products, we continue to supply

single-use electrodes for measuring electrocardiograms in the early stages of infection and other medical materials. Given this background, customer demand did not fall entirely, supporting our business, even in an environment in which limited travel has slowed the global economy. Even when the pandemic begins to subside, many expect demand for medical surgical devices to rise in connection with respiratory-related surgeries put off due to COVID-19.

### Technologies Cultivated in the IT Market, Integrated to Medical Devices

We completed construction of the Nissha Innovation Center Kyoto (NICK) in February 2018. The mission of NICK is to accelerate time-to-market, turning our five core technologies into economic and social value. The Medical Devices business is located mainly in North America, with manufacturing sites in North America and Europe. The big question is how to take in customer needs and provide a mix of optimal technologies developed in Japan. We intend to lead the next generation of value by leveraging the unmet needs of diverse customers through product development. For example, the new normal following the wind-down of COVID-19 will call for urgency in advancements of remote medical treatments. Digitalization, robotization, and other technologies will be indispensable in making these advancements. To meet these next-generation medical needs, we aim to integrate and develop our sensors and other proprietary products and technologies, which we first cultivated in the IT market. We expect Medical Devices segment sales to increase significantly from the JPY16.8 billion in 2016 (the year we acquired Graphic Controls), rising to JPY25.7 billion in fiscal 2020.

### Target Area Minimally invasive treatments, heart disease, acute care, consumable medical products

#### Contract Manufacturing



- Surgical equipment for minimally invasive medical treatments
- Catheters, guide wires
- Wearable medical sensors

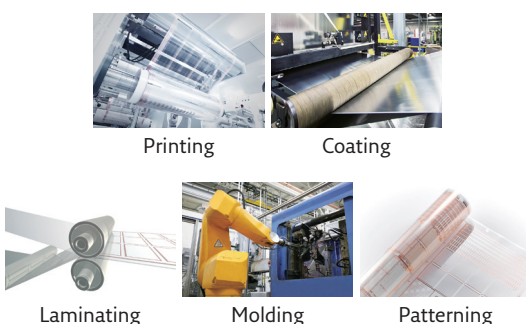
#### Own Brand



- ECG electrodes
- Electrodes for defibrillation
- Electrode plates for surgery

### Solving Medical Device Market Problems Using Technologies Cultivated in the IT Market

#### Five Core Technologies



Medical Device Market Needs



#### Developing New Products and Services in the Medical Devices Market

- Digitization and robotization



Surgical robots



Monitoring devices

\*Photo is a conceptual image.

The field of medicine is a Nissha priority market. Here, we have focused on drug delivery systems\* (DDS), taking advantage of our core technologies to advance development of film-like formulations (oral film formulations, transdermal formulations). Oral film formulations are thin film pharmaceuticals that can be taken without water, suitable for elderly or bedridden patients who have difficulty swallowing. Transdermal formulations are pastes, which involve fewer side effects related to liver metabolism. These formulations are easy for patients to self-administer. Both formulations aim to improve the QOL of people around the world as solutions that offer a different dosage form than tablets or injections.

**Entry Into the Pharmaceuticals Business via Acquisitions**

We have been engaged in the development of transdermal formulations since 2014. However, in November 2019, we acquired Zonnebodo Pharmaceutical Co., Ltd. (Hachioji City, Tokyo) and subsidiaries, making a full-scale entry into the pharmaceuticals business. Zonnebodo Pharmaceutical has been in business for 80 years, and the company manufactures and sells proprietary pharmaceuticals and quasi drugs. The company handles long-selling products, including a tinnitus relief product and Renovigo (tooth decay prevention), selling these products at dispensing pharmacies and drugstores throughout Japan. Zonnebodo also possesses advanced manufacturing technologies and quality control capabilities related to a variety of dosage formats, including

tablets, powders, and solutions. The company is building a solid business foundation in the pharmaceuticals market. Through this acquisition, Nissha obtained business licenses necessary to market film formulations in Japan, manufacturing plants conforming to GMP ordinances, quality assurance systems, sales channels, and more, serving as a foundation for business.

**Expanding Our Overseas Business**

In May 2020, we made a phased investment in Sparsha Pharma USA (California, USA), making the company an equity-method affiliate. Sparsha Pharma USA is a venture firm with strengths in development and manufacturing related to transdermal formulations. In 2020, Sparsha Pharma conducted a successful launch of a lidocaine patch (pain reliever), available as an over-the-counter drug and offering continued effects for 24 hours. The company plans to sell this product in the United States and other markets. Sparsha Pharma also has multiple development pipelines for prescription drugs. In addition to transdermal formulations, the company plans to expand its business in the U.S., the world's largest pharmaceuticals market, by transferring oral film formulation technology from Nissha. Nissha aims to enrich people's lives in the pharmaceuticals market as well, through the core technologies we have cultivated since our founding. We have set a goal for JPY20 billion in DDS sales by fiscal 2030.

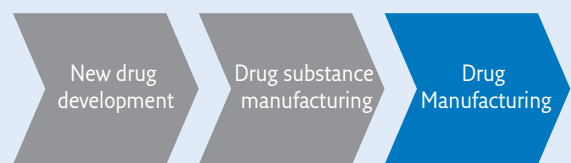
\* A medication system that aims to optimize the necessary amount of drugs necessary for the location being treated.

**Our DDS Strategy**

- Market opportunities in changing dosage forms from tablets and injections
- Target on film type of pharmaceuticals (central nervous system, pain, etc.)

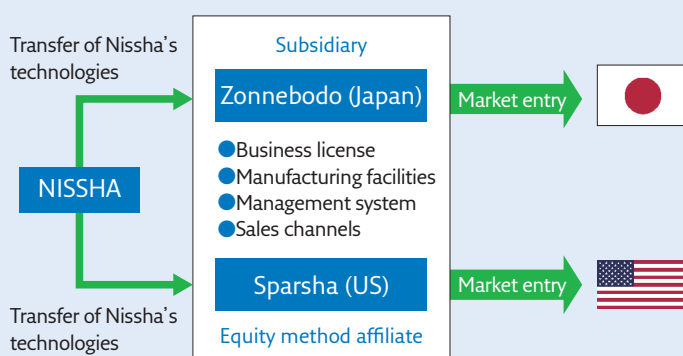


- Apply of our core technologies to drug manufacturing



Supply chain for drugs

**Transferred Nissha Technologies to Zonnebodo and Sparsha Pharma**



Zonnebodo Pharmaceutical Plant



Zonnebodo Long-Selling Products





Director of the Board  
Senior Executive Vice President  
Chief Financial Officer

Hayato Nishihara

## Securing Financial Soundness While Investing in Growth

We have adopted International Financial Reporting Standards (IFRS) to strengthen global business management of our group. In pursuing Completion of Balanced Management, we will proactively engage in growth investments that generate operating cash flow, while also ensuring financial soundness.

### Results for FY2019/12

Although the Devices business enjoyed expanding product demand in the second half of fiscal 2019 for mainstay smartphone-related products, the final results for the year fell significantly short of initial expectations. Japanese factories in our Industrial Materials business suffered a decline in utilization, and some overseas factories continued to face issues in improving profitability. Product demand was strong for the Medical Technologies business.

As a result, net sales were JPY173,189 million, a decrease of 16.5% year on year. Profit indicators showed unfavorable results. EBITDA was JPY5,221 million, a decrease of 69.9% year on year, and we recorded an operating loss of JPY4,307 million versus an operating profit of JPY8,080 million in the previous fiscal year. Ordinary loss amounted to JPY4,696 million versus an ordinary profit of JPY7,380 million in the previous fiscal year. Net loss attributable to owners of parent was JPY4,131 million versus a net profit attributable to owners of parent of JPY4,331 million in the previous fiscal year.

### Adoption of IFRS

Amid these circumstances, the Nissha Group has adopted IFRS (International Financial Reporting Standards) beginning with the fiscal year ending December 2020. We believe this transition will strengthen global business management and improve the international comparability of financial information.

Accordingly, following the February 14 announcement of financial results for the fiscal year ended December 2019, based on Japanese accounting standards, we also announced financial results for the same fiscal year under IFRS standards on March 25.

The use of IFRS has resulted in significant impairment losses on fixed assets. These losses are due to the disparity in calculation methods for carrying value and future cash flows between Japanese standards and IFRS. IFRS uses WACC (weighted average cost of capital) to discount future cash flows, which causes an impairment when calculating present value. However, this is effectively a shift to a more conservative viewpoint, which we believe will build a more stable, leaner capital structure. In terms of accounting, today marks the beginning of a new journey for us.

### Consolidated Financial Results for FY2019/12

	J-GAAP	IFRS
Net sales	173,189	174,035
Industrial Materials	46,463	46,279
Devices	94,706	96,196
Medical Technologies	24,068	24,077
Information and Communication	7,417	6,950
Others	534	532
Operating profit	(4,307)	(16,247)
Industrial Materials	(2,297)	(7,278)
Devices	1,151	(11,769)
Medical Technologies	174	918
Information and Communication	(150)	5,463
Others	(3,185)	(3,582)
Ordinary profit	(4,696)	-
Profit before tax	-	(16,628)
Profit attributable to owners of parent	(4,131)	(17,179)

## Results Forecasts for FY2020/12

Nissha Group is striving for the *Completion of Balanced Management* through the reorganization and optimization of our business portfolio. In our mainstay IT segment, we face not only declining product demand due to blunted growth in the smartphone market and seasonal demand shifts, but also an further worsening of the market environment due to changes in technology trends and other factors.

Anticipating this market environment, we have already been endeavoring to cut variable and fixed costs. However, we have also decided to implement further measures to enhance profitability, including offering voluntary retirement to employees.

We expect these profitability measures to result in one-time expenses in the first half of the fiscal year, with performance to improve as a result in the second half.

However, the COVID-19 pandemic has created a rapidly increasing uncertainty, requiring a cautious outlook.

### Consolidated Financial Results Forecast for FY2020/12

	FY2019/12 (Jan.-Dec.) Result	FY2020/12 (Jan.-Dec.) Forecast
Net sales	174,035	166,000
Operating profit	(16,247)	(2,000)
Profit before tax	(16,628)	(2,700)
Profit attributable to owners of parent	(17,219)	(3,500)

### Strategic Shareholdings and Idle Assets

We evaluate strategic shareholdings according their significance and the cost of capital. We report the results of these evaluations to the board of directors once a year. During fiscal 2019, we sold a portion of these holdings. We plan to continue these evaluations going forward. Further, we also evaluate the significance of idle assets on an ad-hoc basis. During fiscal 2019, we sold our Yachiyo Factory in Chiba. The significance of this factory had declined after the drawdown of Information and Communication business operations in the Tokyo area.

Unused fixed assets	Approximately JPY 5 billion by sale of ex-Yachiyo factory (September 2019)	Completed
Strategic holding shares	Sold approximately JPY6 billion in assets (June 2020)	Completed

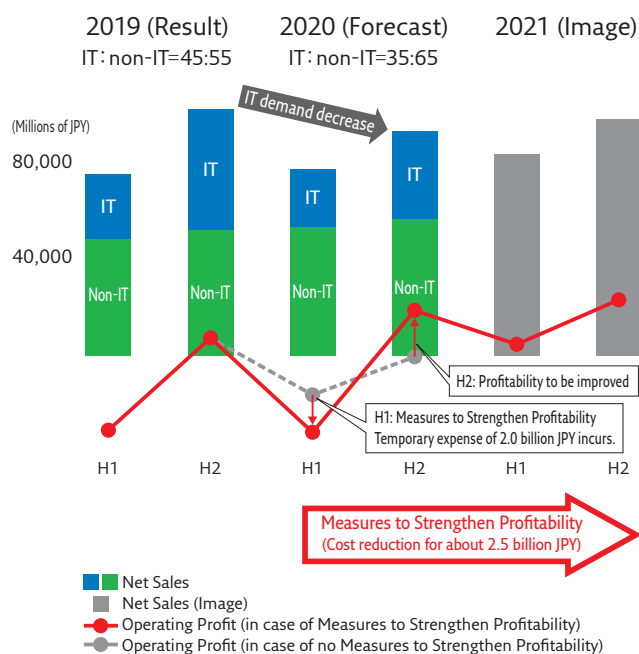
### Future Financial Management

As mentioned above, Nissha Group strives for the Completion of Balanced Management through the reorganization and optimization of our business portfolio. To this end, we have been active in making growth investments. This policy has resulted in negative free cash flow (FCF) over the past several years. To fill these gaps, we have been procuring funds through financial channels such as capital markets and bank loans.

We will continue to require these arrangements to make growth investments on our way to the Completion of Balanced Management. However, we believe we must be highly selective, more than ever before, in picking those investments that offer synergistic effects on business performance and operating cash flow generation.

At the same time, it is important to pay attention to financial soundness. In principle, we pay close attention to stability indicators such as equity ratio, current ratio, and fixed ratio, watching third-party credit ratings as we strive to maintain a balanced balance sheet.

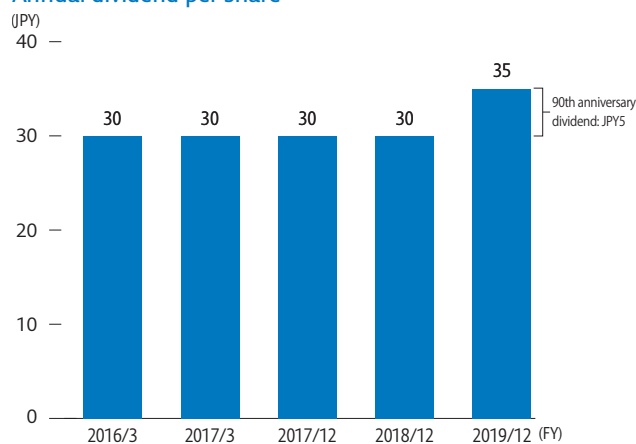
## Leverage Measures to Strengthen Profitability in 2020 H1, improve profitability in 2020 H2



### Dividend Policy

Given these circumstances, the company maintains our strong demand for investment toward the Completion of Balanced Management. We intend to focus our efforts in leveraging growth investments, such as M&A, capital investment, and R&D, that will contribute to improving corporate value over the medium and long term, while also working toward fiscal stability through operating cash flows. Accordingly, our fundamental approach is to provide stable, consistent dividends, offering a return to our shareholders commensurate with a holistic view of our current and future performance, dividend payout ratios, financial soundness, and other factors.

### Annual dividend per share



We believe that the Completion of Balanced Management is linked directly to the improvement of corporate value, and we ask for the continued understanding and support of our shareholders and other stakeholders.

# Infrastructure Supporting Sustainable Corporate Value Improvement

## Governance and Sustainability

Nissha strives to enhance our core technologies as we integrate various technological elements into the printing technology we have cultivated since our founding. We have achieved growth by diversifying our products and target markets across global markets.

Looking forward, the driving force behind our growth will continue to be through the evolution and expansion of our business domains, where we see social issues as business opportunities.

To ensure business continuity, we must strengthen corporate governance in relation to diversifying target markets and products, as well in connection with environmental and societal risk management.

Here we intend to introduce our infrastructure that supports ongoing improvement in corporate value.

**034** Corporate Governance

**044** Management Team

**047** Message from Independent Outside Directors of the Board

**052** Sustainability

**059** Message from the CHRO





# Corporate Governance



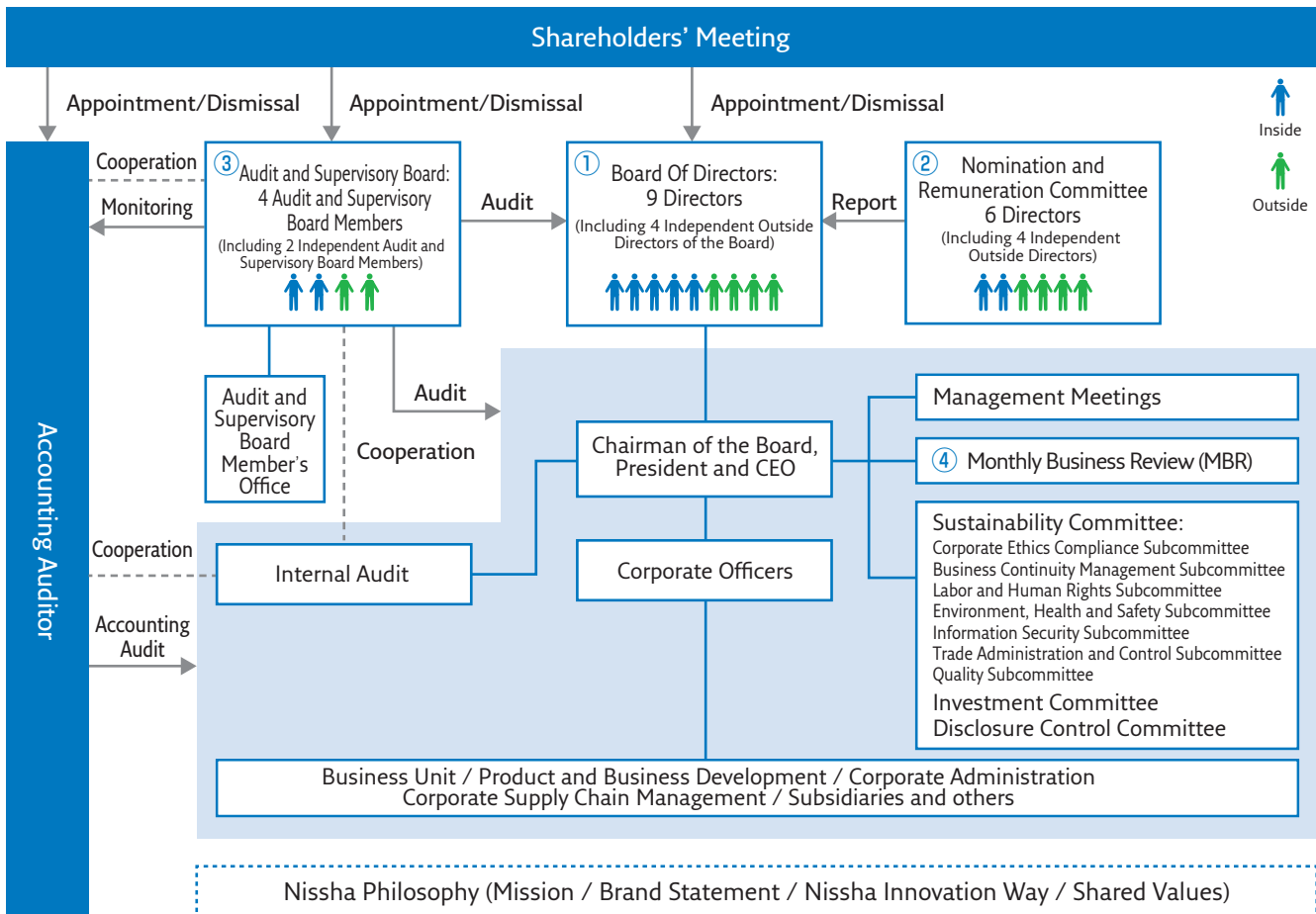
## Nissha Governance System

Since our founding, Nissha has implemented strategies under the strong leadership of our management to correctly address changes in the business environment. We believe that a combination of strong corporate governance and this type of leadership encourages swift, bold decision-making that ensures transparency and fairness in management. Our company views corporate governance as a top management priority. Guided by this awareness, we endeavor to ensure sustainable growth and improve corporate value over the medium to long term by maintaining and improving our corporate governance structure.

### Evolution of Governance

2007	<ul style="list-style-type: none"> <li>Reduced the term of office of Director of the Board from 2 years to 1 year and clarified management responsibilities for each fiscal year</li> <li>Appointed 1 Independent Outside director</li> <li>Abolished the executive retirement benefits system</li> </ul>
2008	<ul style="list-style-type: none"> <li>Adopted Corporate Officer System, separating the functions of strategy formulation and management oversight performed by the Board of Directors and business execution functions of the Corporate Officer</li> <li>Reduced the number of Director of the Board from 14 to 9 and increased the number of Independent Outside Directors from 1 to 2</li> </ul>
2014	<ul style="list-style-type: none"> <li>Increased the number of Independent Outside Directors from 2 to 3, and appointed a female Director of the Board (Independent Outside)</li> </ul>
2015	<ul style="list-style-type: none"> <li>Corporate Governance Policy is released.</li> <li>Established the Nomination and Remuneration Committee, Independent Outside Directors account for the majority of the committee members and serve as the chairman, and started operation</li> <li>Appointed 1 foreign Corporate Officer</li> </ul>
2016	<ul style="list-style-type: none"> <li>Started analysis and evaluation of the effectiveness of the Board of Directors</li> <li>Increased the number of Independent Outside Directors from 3 to 4</li> <li>Increased the number of foreign Corporate Officers from 1 to 2</li> <li>Started operation of performance-linked stock compensation plan for Directors of the Board (excluding Independent Outside Directors) and Corporate Officers</li> </ul>
2019	<ul style="list-style-type: none"> <li>Appointed a foreign Director of the Board (Independent Outside)</li> </ul>

### Corporate Governance Structure \*As of March 24, 2020



## Activities in FY2019

① The Board of Directors	② Nomination and Remuneration Committee	③ The Audit and Supervisory Board	④ Monthly Business Review (MBR)
20 meetings held	5 meetings held	13 meetings held	78 reviews held
99.4% attendance rate	100% attendance rate	100% attendance rate	—
Makes key management decisions and oversees business execution.	Advisory organ to the board of directors. Independent outside directors make up the majority of membership, with one independent outside director chairing the committee.	Audits the business execution of directors and executive officers based on laws, regulations, the Articles of Incorporation, and other rules.	Convened by the chairman of the board to confirm business execution status of executive officers.

### ① The Board of Directors

The board of directors is a body that makes decisions on matters deemed as having managerial importance, as well as those matters requiring board resolution per laws, regulations, and the Articles of Incorporation. Further, the board oversees the performance of directors and executive officers in business execution.

Deliberations at board of directors meetings are lively discussions among a small number of people. Time for presentations and deliberations are determined according to the importance of each agenda item for functional, efficient meeting management. For resolutions related to management plans, large-scale M&A projects, and other important matters, the board may issue several preliminary reports and hold discussions before the item for resolution is presented for a vote. This process ensures that the independent outside directors have a deep understanding of the issue and that sufficient discussions have been held.

In addition, for projects such as large-scale M&A or the establishment of subsidiaries and/or joint ventures, post-merger integration (PMI) reports are regularly provided in board meetings to share information on status and performance, facilitating oversight of PMI progress.

#### Major Agenda Items for FY2019 Meetings of the Board of Directors

- Review of the second year of the Sixth Medium-Term Business Plan (FY2018/12 to FY2020/12), formulation of a rolling plan for the fiscal year ending December 2020
- Preliminary deliberations and decisions regarding M&A projects
- Management reports from major overseas subsidiary CEOs
- Sale of idle fixed assets
- Application of IFRS (International Financial Reporting Standards)
- Innovation in HR systems for managers
- Activity reports from the CSR Committee (now the Sustainability Committee)
- Evaluations of the effectiveness of the board of directors
- Verification of reasonableness of strategic shareholdings
- Investor relations and shareholder relations reports



## ②Nomination and Remuneration Committee

The company established the Nomination and Remuneration Committee in 2015 as an advisory panel to the board of directors. The role of this committee is to ensure objectivity and fairness in the selection and remuneration of directors, in the selection of Audit and Supervisory Board members, and as a means to incorporate the knowledge of independent outside directors. The majority of committee members are independent outside directors, with independent outside director serving as chairperson. Based on consultation with the board of directors, the committee deliberates prospective candidates for the board of directors and the Audit and Supervisory Board. The committee also discusses the validity of policies, amounts, and structures of director remuneration.

### Members

#### Outside Members (4)



Kazuhiro Osugi  
Committee Chair  
Independent Outside  
Director of the Board

Makoto Ando  
Independent Outside  
Director of the Board

Asli M. Colpan  
Independent Outside  
Director of the Board

Kazumichi Matsuki  
Independent Outside  
Director of the Board

#### Inside Members (2)



Junya Suzuki  
Chairman of the Board,  
President and CEO

Wataru Watanabe  
Director of the Board  
Executive Vice President

### Major Topics Discussed in FY2019

- Director and Audit and Supervisory Board member candidates
- Approach and procedures related to succession plans
- Appropriate director compensation (policies, short-term incentives)
- Director compensation levels

## ■ Compensation for Directors and Audit and Supervisory Board Members

### (1) Basic Policy

Compensation for directors and Audit and Supervisory Board members shall be appropriately designed so as to lead to the sustainable growth of the group and the improvement of corporate value over the medium to long term. Compensation shall also be commensurate with the role of the individual in business execution and management oversight.

Compensation for directors engaged in business execution is designed to motivate each individual toward sustainable medium- to long-term performance improvements. Further, our compensation structure establishes shared values with shareholders and investors over the medium and long term. This structure is comprised of three elements: (1) base pay, which is a fixed salary, (2) bonuses linked to short-term performance, and (3) stock-based compensation linked to medium- and long-term performance.

Compensation for independent outside directors does not include performance-based remuneration, as these individuals supervise management from a standpoint independent of business execution. Independent outside director compensation consists solely of base pay determined in consideration of the individual's background and

responsibilities.

Compensation for Audit and Supervisory Board members consists solely of base pay, as these individuals are responsible for auditing the Group from an independent standpoint.

### (2) Determination Process

Policies, structures, and performance-linked mechanisms for director compensation are deliberated by the Nomination and Remuneration Committee. These findings are then submitted to the board of directors, who make determinations regarding these measures.

The remuneration levels for directors shall be within the scope set by resolution of the general meeting of shareholders and in accordance with a predetermined calculation method. The chairman of the board drafts a proposal for remuneration levels subject to the conditions above. This draft is discussed by the Nomination and Remuneration Committee. The findings of the committee are submitted to the board of directors, which makes a final decision.

Remuneration for Audit and Supervisory Board members is determined with the cooperation of said members within the scope set by resolution of the general meeting of shareholders.

### Type and Details of Director Compensation

Type of Compensation	Details	Fixed/Variable	Total Maximum Compensation	Date of Shareholder Resolution
(1) Base Pay	Determined based on scope of responsibility, position	Fixed	JPY 430 million per year (Including JPY 40 million per year for independent outside directors)	June 17, 2016
(2) Short-term Performance-linked Compensation (Bonus)	Determined by evaluating the officer's level of progress toward achieving single-year consolidated performance targets (e.g. consolidated net sales)	Variable (Single Year)	*No bonuses paid to independent outside directors	
(3) Medium-Term Performance-Linked Compensation (Stock Compensation)	Implemented a Board Benefit Trust (BBT). These plans link the evaluation periods to the three years of the medium-term business plans, with points awarded during these periods based on position, yearly consolidated performance, and level of progress toward achieving medium-term business plan targets. These points are confirmed in the final fiscal year of each medium-term business plan, determining individual payment amounts.	Variable (Medium to Long Term)	Maximums Every Three Fiscal Years: •Maximum amount of company contribution to trust: JPY113 million •Maximum total number of points awarded to officers: 94,000 (1 point = 1 share) *Not paid to independent outside directors	March 23, 2018

### Sample Payment Composition for Directors and Audit and Supervisory Board Members

Directors of the Board (Excluding Independent Outside Directors of the Board)	Fixed Pay 60%		Remuneration linked to Business Results 40%	
	Basic Compensation 60%	Bonuses 30%	Stock Compensation 10%	
Independent Outside Directors of the Board, Audit and Supervisory Board Members	Fixed Pay 100%			
	Basic Compensation 100%			

### Actual Compensation to Company Directors and Audit and Supervisory Board Members in FY2019

Position	Total Remuneration (JPY Million)	Remuneration by Category (JPY Million)			Number of Board Members
		Basic Remuneration	Bonuses	Stock	
Directors of the Board (Excluding Independent Outside Directors of the Board)	255	174	55	25	5
Audit and Supervisory Board Members (Excluding Independent Audit and Supervisory Board Members)	28	28	-	-	2
Independent Outside Directors and Independent Audit and Supervisory Board Members	50	50	-	-	8

### ③Members of the Audit and Supervisory Board

Members of the Audit and Supervisory Board are tasked with auditing the business execution of directors and executive officers. Members also make appropriate decisions on a number of subjects from an independent and objective standpoint, based on laws, regulations, the Article of Incorporation, and other rules. These subjects include the exercise of authority related to selection and dismissal of financial statement auditors and audit compensation. Further, independent Audit and Supervisory Board members leverage their expertise as attorneys and certified public accountants to contribute to the upkeep and improvement of the company's corporate governance system.

#### Activities in FY2019

##### • Audit Plans

In the fiscal year ended December 2019, we monitored specific management and execution progress for each of the following four key audit items.

- (1) Progress in Our Medium-Term Business Plan
- (2) Operational status of internal control systems: corporate ethics/compliance system, risk management system, internal controls related to financial reporting
- (3) Audit of director performance of duties
- (4) Audit of subsidiary management

##### • Activity Results

- ▶ Exchange of opinions between directors and major corporate divisions

Audit and Supervisory Board members regularly exchange opinions with the chairman of the board and other directors. Full-time Audit and Supervisory Board members also regularly meet and coordinate with general managers of business units and with major corporate divisions.

- ▶ Attendance at important meetings

Full-time Audit and Supervisory Board members attend major internal meetings, including those of the board of directors, the CSR Committee (now the Sustainability Committee), and Management Meetings. Here, these individuals offer suggestions and provide opinions as necessary.

- ▶ Monitoring and supervision of global management and group governance

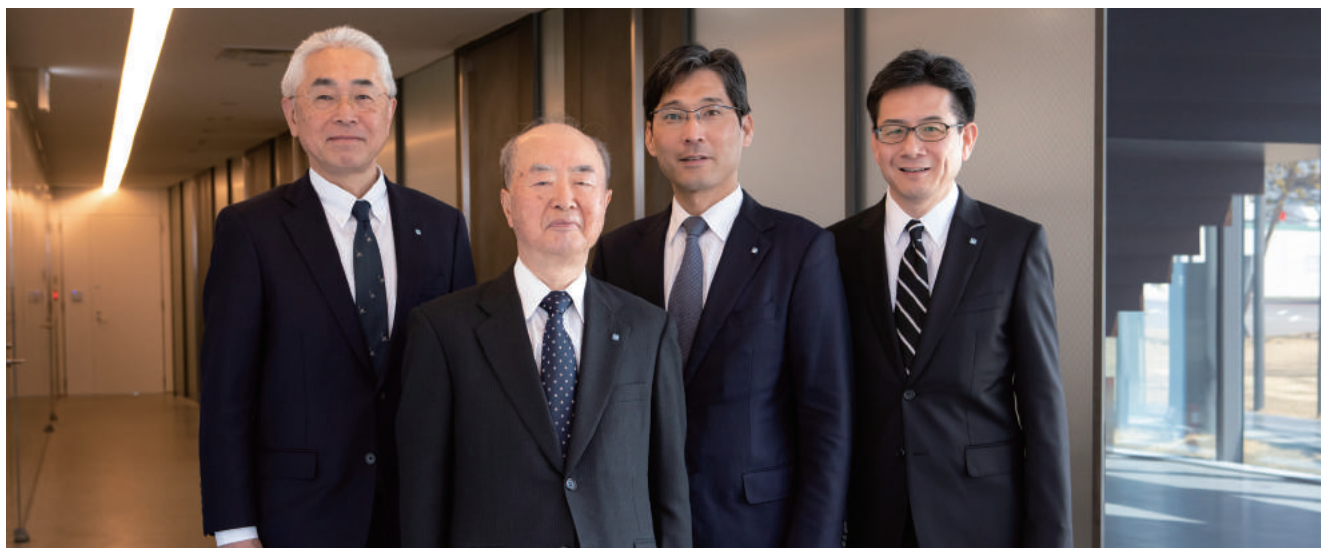
##### ◇ Site Audits/Inspections

Audit and Supervisory Board members formulate plans based on materiality and risk approaches, conducting site visits and inspections of domestic and overseas locations. During the fiscal year ended December 2019, Audit and Supervisory Board members visited seven overseas and seven domestic locations, interviewing management at each location. These interviews were used as a basis for recommendations made to the chairman of the board and to relevant directors. In addition, Audit and Supervisory Board members interview managers at overseas sites not visited during the year in question to monitor and supervise governance systems and internal controls across the Group.

##### ◇ Group Audit and Supervisory Board Meetings

Audit and Supervisory Board Members from each group company meet once every fiscal half-year to exchange information and enhance understanding and auditing of management status at each company.

Exchange of opinions between directors and major corporate divisions	44 times
Attendance at important meetings	47 times
Site Audits/Inspections	14 locations
Group Audit and Supervisory Board Meetings	2 times



Audit and Supervisory Board Members, left to right: Yasuro Nonaka (Full-time), Shigeaki Momo-o (Outside), Yusuke Nakano (Outside), Tetsuya Taniguchi (Full-time)

### ④Monthly Business Review (MBR)

Convened monthly by the chairman of the board, these meetings are held for each business unit, comprised of an internal director and members of management of the business unit in question (e.g. Corporate officers). These meetings confirm the progress of business strategies based on KPIs, exploring short-term actions to be taken, and continuing the PDCA cycle. These meetings determine the direction of a business unit after deliberating and/or discussing the present business outlook and individual strategic issues.






Further, the company has appointed members of management from major acquired subsidiaries as senior vice presidents within our Global Headquarters. These individuals report the progress of business plans and issues in management at monthly MBR meetings to the chairman of the board and to the Chief Strategy Officer (CSO).



## Management Team (Directors, Audit and Supervisory Board Members)

We believe that a team possessed of a range of diverse perspectives, experiences, and advanced skills is an effective means to adapt flexibly to changes in the management environment and improve corporate value over the medium to long term.

When considering diversity, we maintain an awareness of our medium and long-term growth strategies, placing importance on securing a wide range of experience, perspectives, and specialized knowledge in various fields related to management. From the standpoint of director functionality, Nissha also incorporates generational considerations, regularly working to rotate generations.

						
		Junya Suzuki	Takao Hashimoto	Hayato Nishihara	Daisuke Inoue	Wataru Watanabe
Title		Chairman of the Board, President and CEO	Director of the Board	Director of the Board	Director of the Board	Director of the Board
Desired Knowledge/Experience	Corporate management/management strategy	●	●	●	●	●
	Sales, Marketing	●				●
	Production, Technology, Research and Development		●			
	Finance/M&A	●		●	●	●
	HR/talent development			●	●	
	Legal, Compliance			●	●	
	Globalism/diversity	●		●	●	●
Background/qualification highlights *Independent Director						

### ■ Activities and Policies Supporting Independent Outside Directors of the Board and Independent Audit and Supervisory Board Members

The company makes a range of efforts to ensure the sufficient oversight and advising of the board of directors by independent outside directors, as well as auditing by independent Audit and Supervisory Board members.

#### (1) Appointment orientation, other information provision

Orientations are held around the time that independent outside directors and independent Audit and Supervisory Board members are first appointed to help each individual deepen their understanding related to the company. After appointment, these officers are duly provided with the information necessary to fulfill their roles and responsibilities. This information includes the status of company businesses.

#### (2) Prior distribution of materials, advance briefings for meetings of the board of directors

With the aim of improving the quality of discussions at board of directors meetings, directors and Audit and Supervisory Board members are provided with materials related to issues and agenda items of upcoming board meetings. In addition, on the day of monthly board of directors meetings, the chairman of the board and the executive officer in charge of the agenda hold preliminary briefing sessions with independent outside directors









and independent Audit and Supervisory Board members. At these briefings, these outside officers are presented the details and background of key agenda items and other details. As of the fiscal year ending December 2019, independent outside directors and independent Audit and Supervisory Board members have been meeting together. This has provided an opportunity for them to exchange opinions in a frank fashion, strengthening their mutual cooperation and enabling outside directors to collect internal company information.

#### (3) Dialogue and Exchange With Corporate Officers and Employees

We increase opportunities for dialogue and exchange between independent outside directors and Corporate officers and employees so that they can gain a multi-faceted understanding of the company. In this way, we secure a variety of opportunities for outside directors to collect information from the field level.

◇ Management reports from CEOs of key overseas subsidiar-



							
Kazuhito Osugi	Makoto Ando	Asli M. Colpan	Kazumichi Matsuki	Yasuro Nonaka	Testuya Taniguchi	Shigeaki Momo-o	Yusuke Nakano
Independent Outside Director of the Board	Independent Outside Director of the Board	Independent Outside Director of the Board	Independent Outside Director of the Board	Full-time Audit and Supervisory Board Member	Full-time Audit and Supervisory Board Member	Independent Audit and Supervisory Board Member	Independent Audit and Supervisory Board Member
	●	●	●		●		
	●	●			●		
	●	●					
●							●
		●		●			
●			●	●		●	
●		●	●			●	
Auditor, the Bank of Japan	Director, STB Network Business Unit, AVC Networks Company, Panasonic	Professor, Graduate School of Economics, Kyoto University Professor, Graduate School of Management, Kyoto University	Senior Vice President, Senior Assistant to Corporate Functional Officer and General Manager of Compliance Dept., Mitsubishi Corporation Managing Director, Hokuetsu Kishu Paper Co., Ltd. (currently, Hokuetsu Corporation)			An attorney, Momo-o Matsuo & Namba	A certified public accountant, NAKANO C.P.A. OFFICE

ies (AR Metallizing Group, Graphic Controls Group) at board of directors meetings

- ◇ Gatherings with Corporate officers
- ◇ Participation in and discussion at start-of-year joint meetings with all group department heads
- ◇ Participation in company-related events (innovation forums, etc.)



#### (4) Visit to Business Locations

We provide opportunities for independent outside directors and independent Audit and Supervisory Board members to visit domestic operating bases to deepen their understanding of our businesses.



## Evolving Governance

### ■ Board of Director Effectiveness Evaluations

With the 2015 enactment of Japan's Corporate Governance Code, Nissha began to evaluate the effectiveness of our board. Every year, we check on efforts made against issues recognized in the previous fiscal year and hold comprehensive discussions about the ideal state of the company's board of directors. These discussions are aimed at identifying issues for the next fiscal year, generating ongoing improvements, and improving the effectiveness of the board of directors even further. Based on the results of the FY2018 effectiveness evaluation, we made the following efforts in FY2019.

Issues Identified During FY2018	Initiatives Conducted During FY2019	FY2019 Evaluation
(1) Stronger supervisory functions regarding the progress of medium-term business plans	<ul style="list-style-type: none"> <li>Increased the frequency of reporting on important overseas subsidiaries and other issues, conducted reports delivered by actual local management personnel</li> </ul>	<ul style="list-style-type: none"> <li>All three issues showed steady improvement</li> <li>Among these issues, we have made particular progress in providing information to independent outside directors. These efforts have resulted in more substantive discussions at board of directors meetings.</li> </ul>
(2) Provide more information to independent outside directors	<ul style="list-style-type: none"> <li>Inspection of operating locations in Japan</li> <li>Holding gatherings with executive officers</li> <li>Enhanced preliminary briefings given by the chairman of the board and others, focusing on key agenda items (extending briefing time, holding with both independent outside directors and independent Audit and Supervisory Board members)</li> </ul>	
(3) Further improvements to materials and explanations at board meetings	<ul style="list-style-type: none"> <li>Clarification of issues, preparation and presentation of materials with consideration to the balance between completeness and focus</li> </ul>	

### FY2019 Effectiveness Evaluation

Questionnaires were collected, analyzed, and reported to the board of directors in February. Effectiveness of the board of directors was evaluated, with discussion on efforts for improving recognized issues

#### Evaluation Process

##### Survey

- Conducted December 2019 - January 2020
  - All directors and Audit and Supervisory Board members responded
- 31 questions (14 with 5-point scale, 17 free answer questions)

##### Question Topics

- Progress in issues identified in the prior year (FY2018)
- Composition/operation of the board of directors, support systems for directors & Audit and Supervisory Board members

- Roles required of the board of directors

##### Analysis/Evaluation

- Survey statistics and analysis results reported at the February meeting of the board of directors
- Effectiveness of the board of directors evaluated, discussions held on efforts for improving recognized issues

#### Evaluation Results

Given the following reasons, we believe the company board of directors is functioning appropriately and effectively.

- Progress in issues identified in the prior year (FY2018)
  - Assessed that all issues were under steady improvement
- Composition/operation of the board of directors, support systems for directors and Audit and Supervisory Board members
  - The board of directors is composed of diverse talented individuals with a balance of knowledge, experience, ability, and specialties, formulating growth strategies that flexibly respond to changes in the business environment, and appropriately supervising the progress of said strategies.
  - A system is in place to table and resolve important agenda items (e.g. regarding the medium-term business plan and key M&A projects) after a number of preliminary reports and discussions depending on the degree of importance of the matter in question. We are making efforts to deepen the understanding of independent outside directors and have effective discussions.
  - The board of directors fostered an atmosphere in which individuals were free to speak. Meetings included substantive discussions, free of pre-arranged decisions. The chairman appropriately controls free discussions where opinions are called for, as well as

consolidation and summary of conclusions. This results in balanced discussions between completeness and focus.

- The chairman differentiates between his position as chairman of the board and as president and CEO, supplementing gaps in presentations from his executive role and devising questions to elicit explanation. In instances where directors have not reached consensus, the chairman calls for further deliberation, demonstrating a healthy separation between roles.
- Roles required of the board of directors
  - The board of directors has fostered a culture that respects the business decisions made by company executives. The board appropriately identifies proposals, occasionally making decisions after pointing out risks that may not have been clear from executive presentations. These and other examples show support for swift and decisive decision-making/action on the executive side.
  - The chairman of the board and other members of the executive side of business emphasize dialogue with shareholders and investors, conducting positive investor relation activities. Feedback from these dialogues are provided regularly to the board of directors. We are working constantly to enhance the nature of this feedback and sharing mechanism.

We identified the following issues and made action plans for the current fiscal year

- (1) Setting agenda items, reviewing discussion criteria at board of directors meetings
  - The board of directors formulates a medium-term business plan (three years) and rolling plans in which details are reviewed annually. These plans are discussed in a structured, empirical fashion, brought up over multiple board meetings and divided into specific topics. However, to further enhance effectiveness, it is necessary to spend more time discussing the company's business environment analysis, medium- to long-term direction, business risks and related countermeasures.
  - To allow the board of directors to spend a greater amount of time discussing the above-mentioned strategy formulation, it is necessary to review the standards for discussion at the board level (qualitatively and quantitatively). This includes how much decision-making is required at the board level for operational execution of individual matters and requires consideration of

further delegation of authority to the executive side.

- Regular activity reports focused on acquired subsidiary PMI and performance progress are conducted to a certain degree, including reports made by major overseas subsidiary CEOs. However, for completeness in balanced management, the board of directors must continue to also address and validate performance at subsidiaries other than those that have been acquired. More than ever, subsidiaries must promptly report conditions if they are performing below expectations.
- (2) Further improvements to materials and explanations at board meetings
  - Materials submitted to the board of directors offer a high degree of completeness, with steady improvement recognized in the presentations of individuals submitting agenda items. Further improvement will require that individuals submitting agenda items fully understand the essence of the risks and issues at hand, focusing presentations on areas in which discussion may be necessary and improving presentation methods.

### ■ Initiatives Supporting Medium-Term Business Plan Growth Strategies

Currently, the Nissha Group is operating under the three-year Sixth Medium-Term Business Plan, with the main theme of driving growth by reorganizing and optimizing our business portfolio. The plan calls for active M&A as one policy for growth strategy.

#### ◇ Initiatives in the acquisition process

The company has established a department that specializes in M&A (the New Business Development Department). This department is the responsibility of the Chief Strategy Officer (CSO). The New Business Development Department promotes the development and execution of plans such as those for company survey/analysis, due diligence (DD), and post-merger integration (PMI), according to the vision of the medium-term business plan.

#### Role of the New Business Development Department

- Devise business plans, new product research, technology assessments, and marketing activities from both strategic and technological perspectives for the purpose of achieving the Nissha Group growth strategy
- As one step in preparing for M&A, survey, analyze, and list potential companies in accordance with the vision outlined in the medium-term business plan
- Effectively utilize the experience and knowledge accumulated from previous M&A projects

#### Process

①List candidates	②Research/determine viability	③Conduct post-acquisition PMI	④Supervise of business execution
<ul style="list-style-type: none"> <li>• The New Business Development Department researches, analyzes, and lists companies that meet the vision of the medium-term business plan</li> <li>• Investigate, identify risks</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunistic approach by Nissha</li> <li>• Thorough due diligence</li> <li>• Interview acquisition candidate management</li> <li>• Hold multiple discussions of large-scale projects at board of directors meetings</li> </ul>	<ul style="list-style-type: none"> <li>• President visits the company immediately after the acquisition to hold site meetings with top management, employees</li> <li>• The top manager of the acquired company continues to serve as CEO</li> <li>• Clarify decision-making authority</li> </ul>	<ul style="list-style-type: none"> <li>• Provide business reports at MBR meetings</li> <li>• Nissha president and CSO conduct yearly site visits</li> <li>• Provide regular reports to the board of directors</li> <li>• Audit and Supervisory Board members conduct audits</li> </ul>

When considering candidate companies for M&A, we determine whether they have an affinity with our core technologies, and consider the state of their profitability and efficiency, as well as whether these are companies that can continue to operate independently after acquisition, among other questions. We proactively approach candidate companies for M&A, thorough in our due diligence as we conduct ample prior research and validation. In addition, we consider it important that we can share our Mission and values with candidate company management; the president and the CSO visit sites at a relatively early stage to directly confirm these points. Our process has resulted in helping avoid bidding wars or overpriced acquisitions.

#### Conditions for acquisition candidate selection

- ROIC of 8% or more
- Possesses growth businesses within priority markets
- Possesses affinity with Nissha core technologies
- Manager staying power/autonomy at acquired company

For large-scale projects, the board of directors engages in a number of active discussions about the strategic significance, the risks and opportunities, analysis of acquisition price, post-acquisition governance, and other issues before making a final decision. During these discussion, independent outside directors and independent Audit and Supervisory Board members offer pertinent suggestions based on their respective knowledge and experience. Resolutions are made after the appropriate steps are taken to respond to this input. Projects may be withdrawn after reconsideration in response to a suggestion.



### ◇PMI, Business Execution Supervision After Acquisition

Immediately after the acquisition is completed, the president visits the acquired subsidiary, providing the opportunity to communicate directly the group's corporate philosophy (the Nissha Philosophy) to the executives and employees of the newly acquired company. Through these opportunities, we work to spread the Nissha Philosophy and foster a sense of unity as a member of our group.

In principle, the acquired company will retain its top manager as CEO. By building relationships of trust and maintaining close communications with top managers and management/business units at Global Headquarters, we facilitate swift business decisions and risk management that responds immediately to changes in the business environment. At the same time, we specify the scope of decisions available to managers at acquired companies, clarifying their responsibilities and authority.



### Regular Supervision of Business Execution

Conducted at least once a month	Conducted regularly	Conducted annually
<ul style="list-style-type: none"> <li>Performance progress and management issues reported to Global Headquarters via MBR and business unit meetings, ongoing PDCA</li> <li>▶ Nissha CEO/CSO attend MBRs for major acquired subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>Reports at meetings of the board of directors</li> <li>▶ PMI progress/operational reports</li> <li>▶ Management reports by major acquired subsidiary managers</li> </ul>	<ul style="list-style-type: none"> <li>Nissha CEO/CSO visit local sites, check on management status of acquired subsidiaries</li> <li>Audit and Supervisory Board members conduct interviews on business execution status, visit major subsidiaries for inspection once every three years</li> </ul>

### ◇Creating Synergies

We have pursued the reorganization and optimization of the Nissha business portfolio while actively leveraging M&A. This approach has resulted in a significant increase in the number of overseas subsidiaries and business locations, and each is responsible for ever-increasingly important roles. We are making various efforts to go beyond business and group company borders, bringing together different perspectives and capabilities as we aim to solve diverse market needs (social issues).

#### Global Connecting Capabilities Meeting (GCC Meeting)

At these annual meetings, managers from Global Headquarters and key overseas subsidiaries come together to deepen their understanding about the particular characteristics and strengths of each business and product. Participants also discuss medium-term issues and the creation of synergies with respect to priority markets in the medium-term business plan.

#### Meetings of Persons Responsible for Molding

Molding is one of Nissha's core technologies. People responsible for this technology, either at the management or staff level, gather once a year to share and more deeply understand the initiatives being conducted at each location. Participants also discuss automation, adoption of IT, quality improvement, talent cultivation, and other issue resolution methods. These meetings generate concrete benefits, such as a quality improvement initiative at one location leading to higher quality at another.

#### Cross-Business Unit Meetings: Targeting an Integration of IT and the Medical Devices Market

These discussions aim to effectively connect the needs of global medical device manufacturers and the Nissha Group's core technologies, providing new products and services to the medical devices market. We have launched product development and track development progress for the purpose of solving market issues.

#### Research & Technology Development Locations in Europe

By consolidating the research and technology development assets held by our European subsidiaries and business locations, we are working to integrate technologies across businesses and group companies, creating more active and efficient technology development.





Management Team





## Directors of the Board



**Junya Suzuki, MA**

Chairman of the Board, President and CEO  
Chairman of Sustainability Committee



**Takao Hashimoto**

Director of the Board  
Senior Executive Vice President  
Chief Technology Officer  
Senior Director of Product and Business Development Office



**Hayato Nishihara**

Director of the Board  
Senior Executive Vice President  
Chief Financial Officer



**Daisuke Inoue, MBA**

Director of the Board  
Executive Vice President  
General Manager of Devices Business Unit  
Chief Human Resources Officer  
Senior Director of Human Resources, General Affairs and Legal Affairs  
Director of Tokyo Division Headquarters



**Wataru Watanabe, MBA**

Director of the Board  
Executive Vice President  
Chief Strategy Officer  
Senior Director of Sustainability  
Senior Director of Investor Relations  
Director of Corporate Strategy Planning  
Director of New Business Development



**Kazuhito Osugi, MBA**

Independent Outside Director of the Board



**Makoto Ando**

Independent Outside Director of the Board



**Asli M. Colpan, Ph.D.**

Independent Outside Director of the Board



**Kazumichi Matsuki, LL.M.**

Independent Outside Director of the Board

## Audit and Supervisory Board Members



**Yasuro Nonaka**

Audit and Supervisory Board Member



**Tetsuya Taniguchi**

Audit and Supervisory Board Member



**Shigeaki Momo-o, Attorney-at-law**

Independent Audit and Supervisory Board Member



**Yusuke Nakano, Certified Public Accountant**

Independent Audit and Supervisory Board Member



## Vice Presidents and Corporate Officers



**Sam Heleba, MBA**

Senior Vice President  
General Manager of Medical  
Technologies Business Unit  
Chief Executive Officer, Graphic  
Controls Holdings, Inc.



**Ryomei Omote**

Senior Vice President  
Senior Director of Devices Business  
Unit, Development and Procurement  
Senior Director of Product and  
Business  
Development Office, Product and  
Business Planning



**Yutaka Nishimoto**

Senior Vice President  
Senior Director of Devices Business  
Unit, Production  
Representative Director, Nitec  
Precision and Technologies, Inc.



**Hisashi Iso**

Senior Vice President  
General Manager of Industrial  
Materials Business Unit



**Bart Devos, Ph.D., MBA**

Senior Vice President  
Senior Director of Industrial Materials  
Business Unit, AR Metallizing Group  
Chief Executive Officer, AR Metallizing  
N.V.



**Hidenori Yamaguchi, Ph.D.**

Senior Vice President  
Chief Quality Officer  
Director of Total Quality Management  
Office  
Director of AI Project Promotion Office



**Yoshitami Aoyama**

Senior Vice President  
Chief Information Officer  
Director of Corporate Information  
Technology and Management  
Chief Supply Chain Officer



**Masaru Terashita**

Vice President  
Senior Director of Industrial Materials  
Business Unit, Customer Relationship  
Management (Mobility), Development  
and Engineering



**Takeo Sugano**

Vice President  
Senior Director of Devices Business  
Unit, Business Strategy Planning and  
Customer Relationship Management  
Director of Business Strategy Planning,  
Devices Business Unit



**Shuzo Okumura, MEng**

Vice President  
Senior Director of Medical  
Technologies Business Unit  
Director of Medical Management  
Office



**Atsushi Sugihara, MBA**

Vice President  
Senior Director of Industrial Materials  
Business Unit, Production and Quality



**Kazuhiro Nishikawa**

Vice President  
Senior Director of Devices Business  
Unit, Engineering and Supply Chain  
Management



## Nissha is fortunate to have four independent outside directors of the board who offer an objective eye to management based on a wealth of expertise and experience across a wide range of specialties.

Nissha believes it is critical to build a team of board directors with diverse experiences, specializations, qualities, and aptitudes, each supplementing and complementing their respective capabilities, to respond flexibly to changes in the business environment and raise corporate value over the medium to long term. Since 2007, we have also elected independent outside directors of the board in order to proactively incorporate an objective eye in our management. Today, four such directors serve at Nissha. Our independent outside directors of the board have a wealth of expertise and experience across a wide range of specialties. These directors meet the requirements stipulated in the Companies Act and the criteria for independence as determined by our board of directors. The following describes major activities of our independent outside directors of the board, as well as the reasons for their respective elections, in the fiscal year ended December 2019.

### Kazuhito Osugi

Mr. Kazuhito Osugi attended all 20 meetings of the Board of Directors held in the fiscal year ended December 2019. He has provided valuable advice and opinions across the whole range of the Company's management, making the most of his deep insight into the field of finance, cultivated at the Bank of Japan over a number of years, and broad experience fostered by participating in a number of corporate management roles: as an independent outside director of the board for the Company, as an outside director for other firms, and as an advisor to other companies' operational divisions. He has duly performed his duties, such as the supervision of the execution of operations. We have elected Mr. Osugi to continue his service as an independent outside director of the board, in the judgment that he will continue to provide poignant counsel from an independent point of view across the whole range of the Company's management.

### Makoto Ando

Mr. Makoto Ando attended all 20 meetings of the Board of Directors held in the fiscal year ended December 2019. He has provided valuable advice and opinions across the whole range of the Company's management, making the most of a broad perspective cultivated through his long career of prominent positions regarding technology and business management at an electronics manufacturer, experience as a corporate manager, and deep insight as demonstrated by his suggestions as an expert member of conferences held by government ministries and agencies. He has duly performed his duties, such as the supervision of the execution of operations. We have elected Mr. Ando to continue his service as an independent outside director of the board, in the judgment that he will continue to provide poignant counsel from an independent point of view across the whole range of the Company's management.

### Asli Colpan

Ms. Asli M. Colpan attended all 16 meetings of the Board of Directors held in the fiscal year ended December 2019 after her inauguration. She has given valuable advice and opinions across the whole range of the Company's management, making the most of her global perspective and excellent expertise practiced in her research on management strategies and corporate governance and broad experience and insight cultivated by participating in corporate management as an independent outside director of the board or an independent auditor of other companies. She has duly performed her duties, such as the supervision of the execution of operations. We have elected Ms. Colpan to continue her service as an independent outside director of the board, in the judgment that she will continue to provide poignant counsel from an independent point of view across the whole range of the Company's management.

### Kazumichi Matsuki

Mr. Kazumichi Matsuki attended 15 of the 16 meetings of the Board of Directors held in the fiscal year ended December 2019 after his inauguration. He has given valuable advice and opinions across the whole range of the Company's management, making the most of his experience in proactive and broad business development and deep insight concerning its governance as he assumed important posts regarding legal affairs and compliance at a company globally developing business while participating in corporate management at manufacturers. He has duly performed his duties, such as the supervision of the execution of operations. We have elected Mr. Matsuki to continue his service as an independent outside director of the board, in the judgment that he will continue to provide poignant counsel from an independent point of view across the whole range of the Company's management.

Independent Outside Director of the Board

## Kazuhito Osugi

April 1977	Entered the Bank of Japan
May 1984	University of Michigan, Graduate School of Business Administration (MBA)
November 1986	Economist, BIS (Bank for International Settlements)
June 1999	General Manager, the Bank of Japan Matsumoto Branch
May 2001	Deputy General Manager, the Bank of Japan Osaka Branch
May 2003	Senior Director, Industrial Revitalization Corporation of Japan
July 2005	Deputy Director-General, Head of Center for Advanced Financial Technology, the Bank of Japan Financial System and Bank Examination Department
May 2006	Director-General, the Bank of Japan Internal Auditors' Office
April 2007	Director-General, the Bank of Japan Secretariat of the Policy Board
April 2009	Guest professor, Ochanomizu University
September 2011	Auditor, the Bank of Japan
October 2015	Advisor, Security Transport Business Division, NIPPON EXPRESS CO., LTD. (present post)
June 2016	Independent Outside Director of the Board, the Company (present post)
August 2018	Outside Director, Frontier Management Inc. (present post)



I keep a keen eye on the exercise of authority by top management and strive to dutifully fulfill my governance responsibilities as an independent outside director.

Moving forward, I will work to meet the wishes of our stakeholders, striving to improve corporate value over the medium and long terms by contributing my knowledge and wisdom.

### Nissha Management Strengths

Many people recognize that the greatest strength of Nissha management lies in the outstanding leadership of President Suzuki. In traditional literature handed down through the generations in Japan, there is an expression that says, *A capable minister in peaceful times, an unscrupulous hero in chaotic times*. This can be interpreted many ways. I take it to mean *a person who may be no more than a talented individual in times of peace, but, in a world of turbulence, this person suddenly rises to the fore, demonstrating brilliant leadership to bring the world's chaos into order*. The President Suzuki that I see is truly this *unscrupulous hero in chaotic times*.

With the outbreak of COVID-19, the world's economy now faces a crisis not seen since the Great Depression of the 1930s. As Nissha leans into this headwind, the company is also boldly engaged in aiming for completion of balanced management through the reorganization of its business portfolio, as well as measures to strengthen profitability. Whether the company can overcome these challenges presents a key test to Nissha's future growth. This will try the abilities and resiliency of will of the company's top management.

### Maintaining Awareness of Issues as an Independent Outside Director

The first issue on which I focus as an independent outside director of a company with such a strong drive as Nissha is the sound exercise of authority by top management. I pay close attention to a number of issues, including whether the company practices more than empty top-down management, whether the internal atmosphere allows people to discuss with superiors directly and frankly, and whether top management is listening honestly to the opinions of those lower in the corporate structure.

The second issue I keep in mind is the effective use of the voluntary Nomination and Remuneration Committee in exercising its intended governance function. The committee currently consists of six members, including four independent

outside directors, one of whom is me, serving as chair. Other members include the president and the officer in charge of corporate planning. With independent outside directors serving as two-thirds of its membership, this committee discusses performance evaluations and individual remuneration levels for directors. Though the first drafts of these are prepared by the president, the committee goes beyond simply determining if these compensation levels are appropriate. The committee's independent outside directors engage in serious discussions about remuneration, reflecting the significant nature of the responsibilities entrusted to us.

As of this year, monthly meetings of the board of directors include a new agenda item whereby the president summarizes and presents his activities from the previous month. I offer great praise to this initiative, which president Suzuki devised himself. It is a demonstration of the president's firm commitment to management transparency.

### The Second Generation of Independent Outside Directors

Nissha introduced the independent outside director system in 2007, and in the last few years, the original independent outside director roster has been fully replaced by new members. This a true beginning for the second generation of independent outside directors. Not only is this four-person group diverse in nationality and gender, but it also brings together faces from different career backgrounds, including manufacturers, trading companies, central banks, and academia.

I believe the mission of independent outside directors in board meeting discussions is to contribute to decision-making from the aspects of knowledge and wisdom, rather than engaging in discussions with business divisions at the information level. We will continue to strive to enhance corporate value over the medium to long term by amply fulfilling our roles as independent outside directors and work to meet the expectations of all stakeholders, including our institutional investors.





Independent Outside Director of the Board

## Makoto Ando

April 1982	Entered Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)
April 2003	Councilor
April 2004	Team Leader, Digital Network Service & Business Team, Corporate Planning Group
April 2006	General Manager, Planning Group, AVC Networks Company
April 2007	Director
May 2011	Director, STB Network Business Unit, AVC Networks Company
January 2016	Corporate Technology Strategy Planning Staff
October 2016	Director & Senior Technical Executive, Santetsu Engineering Inc.
April 2017	Director & Sales General Manager
July 2017	Director & Executive Manager & Sales General Manager
March 2018	Independent Outside Director of the Board, the Company (present post)

Providing essential products to a wide range of industries. I believe in a company that embodies its mission and incorporates the SDGs into its business management. A team of outside directors with diverse backgrounds and skills can offer uniquely-informed thoughts and ideas to jump-start discussions in board meetings, leading to optimal management decisions.

### An Independent Outside Director's Focus in Board Meetings

The COVID-19 pandemic is a disaster that has upended daily life across the globe. Now, as institutions within society, corporations must place greater emphasis on sustainable growth in line with the targets of the SDGs. In Western society, governments have publicly recognized *essential businesses*, or those industries that are critical to society. This has had an impact on our own plant operations. This is a new world in which we must find a way to live with COVID-19. Nissha will be a company needed by the world and the company will act in consideration of all stakeholders, now more than ever before. We are analyzing and forecasting consumer sentiment and needs, shifts in industrial structures, geopolitical impact, and so on, renewing our awareness of the significance of incorporating these factors under the company's banner of reorganizing and optimizing its business portfolio.

At present, Nissha supplies not only medical equipment, but also IT components critical for online distance learning and telework, food and beverage packaging materials, and a wide variety of other, unquestionably *essential* product lines. I believe this is the manifestation of the company's mission, which is to develop products and businesses in contribution to resolving social issues and creating a future with value, an example showing the appropriateness of a business management direction that proactively incorporates the SDGs.

In my third year of service as an independent outside director, I concern myself with questions as to whether Nissha investment or product plans effectively generate customer value, or whether digital transformation is improving business efficiency. I also pay attention to meeting agenda content and volume balance, while gaining a high-level understanding through and exercising objectivity in monitoring. Today, the meteor that is COVID-19 has been the catalyst for a ten-times acceleration of structural transformation across industries. In addition to the more than 90 years of experience to date, Nissha must build a mechanism that instantly detects signs of change, creating more resiliency in existing businesses and new growth drivers. This year, we will formulate the Seventh Medium-Term Business Plan (to launch in 2021). We will also

make every effort to draft a data-driven future roadmap and an action plan that takes into account the potential scope of fluctuation going forward.

### Characteristics of the Nissha Board of Directors

Nissha's board of directors has a diverse membership structure, reflecting a wide range of opinions from global markets, shareholders, employees, and so on. The board itself is a forum where members exchange and compound their individual, well-considered opinions to make optimal management decisions.

The knowledge and experiences of Nissha's internal directors span a variety of fields, with the backgrounds and skills of independent outside directors augmenting a number of areas. In particular, two outside directors elected in 2019 possess global perspectives. One is a researcher in business strategy and corporate governance, and another is an expert in corporate legal affairs and compliance. With the rich insights and concepts developed in their own domains, these four independent outside directors work to energize discussions of the board of directors. These resources include specialization in financial economics or macroeconomics, as well as technical and business management experience in a manufacturer setting.

### Activities for Focus as an Outside Director

Participating in joint meetings, innovation forums, and so forth\* provides an opportunity to exchange unfiltered opinions with executive officers and employees, providing me with new insights as I gain an in-depth understanding of their situations. It is my hope that all Nissha executive officers and employees become inspired by the varied viewpoints and values held by the independent outside directors. I hope they will initiate new, fresh discussions in their workplaces beyond their personal experiences. I feel a sense of duty to anticipate changes and communicate a viewpoint that can only be provided by an independent outside director.

\* See P39, *Activities and Policies Supporting Independent Outside Directors of the Board and Independent Audit and Supervisory Board Members, (3) Dialogue and Exchange With Corporate Officers and Employees*

Independent Outside Director of the Board

## Asli Colpan

March 2004	Completed Doctor's Program in Advanced Fibro-Science, Graduate School of Science and Technology, Kyoto Institute of Technology
April 2008	Adjunct Associate Professor, Kyoto Center for Japanese Studies (currently, Kyoto Consortium for Japanese Studies), Columbia University
October 2012	Visiting Researcher, Edwin O. Reischauer Institute of Japanese Studies (RIJS) at Harvard University
October 2012	Visiting Associate Professor, Political Science and Sloan School of Management, Massachusetts Institute of Technology
July 2015	Independent Outside Director of the Board, GOURMET KINEYA CO., LTD.
April 2016	Associate Professor, Graduate School of Economics, Kyoto University
May 2016	Associate Professor, Graduate School of Management, Kyoto University
September 2016	Alfred Chandler Visiting Scholar, Harvard Business School
March 2018	Independent Auditor, Sumitomo Rubber Industries, Ltd. (present post)
April 2018	Professor, Graduate School of Economics, Kyoto University (present post)
April 2018	Professor, Graduate School of Management, Kyoto University (present post)
March 2019	Independent Outside Director of the Board, the Company (present post)



The growth and improved profitability of Nissha depends on how the company creates value through the application of core technologies into a variety of fields through diversified management. So long as there is thorough deliberation within the board of directors, and management are willing to sincerely respond to the points raised therein, I believe that Nissha will continue to live for the next 90 and more years, continuing to create value.

### Nissha's Potential for Growth

Historically speaking, a number of Japanese printing firms including Nissha have made a unique contribution to the global industrial development by becoming large and publicly-listed companies in the printing industry. The printing industry on the global scale has long been the labor-intensive industry in which the growth of individual companies has been difficult as there were limited economies of scale. Thus, until recently when 3D technology was introduced, typical printing company was the small one and the industry was occupied by numerous small companies. That has been the typical industry structure of the printing industry globally. But there are some exceptions to this rule. Japan is an interesting case in which some major companies have grown to be the very large listed companies and naturally Nissha, besides few others, have occupied this important and critical position.

Originating in the printing industry, Nissha successfully diversified into industrial materials and devices from the 1970s as the competitive industrial structure shifted and printing industry matured. This move into new businesses has been done by exploiting the transfer of knowhow in Nissha's core technologies of printing, coating, laminating, molding and patterning. In the mid-2010s Nissha has added (through M&A) medical technologies as the fourth business unit in the growing health care industry, as the devices market became highly volatile. Hence, one can argue that the resilience of Nissha for over 90 years lies in its timely and successful diversification strategy.

### Discussions Within Board of Director Meetings

The future growth and profitability of Nissha, I believe, depends upon how it creates value through the configuration and coordination of its multimarket activities that extend into fields which gradually go beyond Nissha's core technologies. During my first year as the board member of Nissha, I realized that the strength and confidence of the executive management in achieving this goal lies in their systematic and analytical approaches to corporate strategy. Based on academic

tools and frameworks generated by the strategic planning office, the board regularly discusses how Nissha can upgrade its existing resources and develop new resources to enter into new and attractive markets. For example, the board has extensively weighed the benefits and drawbacks of the acquisition of Zonnebodo Pharmaceutical\* that manufactures and markets prescription pharmaceuticals and quasi drugs, as well as entry into the microneedle patch that is applicable to the skin care cosmetic market. Similarly, as the company aims to further increase its investment in the medical technology business, the board is constantly elaborating the possible options as well as the consequences of those options.

### Characteristics of the Nissha Board of Directors and Management Team

As my academic research is about diversification strategy and group structure, I feel deeply passionate to contribute to the course-setting, approval and monitoring process related to Nissha's business portfolio composition. Together with the three other independent board members, we actively engage in discussions with the CEO and other executive officers; and our suggestions and concerns are taken very seriously. When as an outside independent member, I needed additional information to assess the viability of Nissha's overseas businesses for example, my request was immediately fulfilled. Even times allocated to certain issues in the board agenda has been changed when I expressed concern for the limited time we spent on certain issues that I thought were key matters. Hence, the board meetings at Nissha are hence not places where pre-made decisions are simply rubber-stamped; but they are places where actual decisions are thoroughly discussed and finalized. For all of the abovementioned issues, I believe that Nissha will continue to live for the next 90 and more years, and continue to create value for its shareholders.

\* Acquisition of Zonnebodo Pharmaceutical Co., Ltd. (manufacture and sales of pharmaceuticals and quasi-drugs developed in-house), which we converted to a subsidiary company on November 25, 2019.



## Independent Outside Director of the Board Kazumichi Matsuki

April 1976	Entered Mitsubishi Corporation
June 1979	Harvard Law School, LL.M. (Master of Laws)
January 2003	General Manager of Legal Dept., Mitsubishi Corporation
April 2007	Senior Vice President
May 2007	Chairman, The Association of Corporate Legal Departments
April 2009	Senior Vice President, Senior Assistant to Corporate Functional Officer and General Manager of Compliance Dept., Mitsubishi Corporation
October 2009	Temporary member, International Jurisdiction Legislation Subcommittee, Legislative Council of the Ministry of Justice
April 2010	Visiting Professor, The University of Tokyo Graduate Schools for Law and Politics
April 2011	Corporate Officer, Hokuetsu Kishu Paper Co., Ltd. (currently, Hokuetsu Corporation)
June 2011	Director
June 2011	Member, Special Committee on Criminal Justice System of New Age, Legislative Council of the Ministry of Justice
June 2013	Managing Director, Hokuetsu Kishu Paper Co., Ltd.
June 2016	Independent Outside Director of the Board (Audit and Supervisory Committee Member), Dream Incubator Inc.
June 2016	Independent Audit and Supervisory Board Member, SANDEN HOLDINGS CORPORATION (present post)
June 2017	Director, Japan Criminal Policy Society (present post)
June 2018	Independent Outside Director of the Board, ANEST IWATA Corporation (present post)
March 2019	Independent Outside Director of the Board, the Company (present post)

With the march of diversification through M&A, sharing the Nissha Philosophy is essential to achieve results. At future meetings of the board of directors, we will hold discussions on the management of new and existing investments.

### Looking back on the first year of my role as an independent outside director,

I feel that we have been able to hold extremely deep discussions at board meetings. We are also making more effort to provide advance material distribution and oral presentations before meetings. Further, prior to a final decision being reached, the board of directors takes as many opportunities as possible to deliberate in advance and for as much time as is allowable, encouraging better understanding and analysis of agenda items.

The board of directors is very balanced, and given that they have been in the business world for some time, I am often surprised by the interesting, unexpected perspectives that remind me of the importance of diverse viewpoints.

The fiscal year ended December 2019 marked the second year and the implementation phase of our Sixth Medium-Term Business Plan. During this period, the board of directors deliberated many more individual agenda items to achieve strategies that have been put into place. In this process, independent outside directors are tasked with bringing diverse viewpoints and ideas, unbound by the company's own internal logic. We must offer what a famed Japanese attorney calls *posing good questions to management and alerting them of management issues and how to overcome them, exerting a so-called coaching function amplifying the capability of managing risk and moving forward, as well as capability in presenting.*

One acquisition that sticks in my mind is the purchase of Zonnebodo Pharmaceuticals\*.

Nissha believes that the high volatility of quarterly performance is a management issue that should be overcome. The Sixth Medium-Term Business Plan includes a goal to equalize quarterly performance by developing non-IT businesses. Following the medical devices business field, which is already experiencing growth, the M&A opportunity presented by Zonnebodo became a project fitting this strategy within the company's focus on pharmaceuticals. Through meticulous discussions within board of director meetings, we defined the position of medical-related businesses within Nissha's medium to long-term growth strategy. We agreed to Zonnebodo in light of this policy and we moved forward

with the acquisition, having set a maximum tolerable risk level under which to proceed. We also visited related Nissha factory and research facilities in advance, collecting extremely useful information for due diligence.

### Nissha's Challenges and Future Aspirations as an Independent Outside Director

Nissha has used M&A as a tool to expand businesses overseas more than ever before. This has resulted in greater diversity and, at times, a somewhat sparse feeling of unity between domestic employees in Japan and those in overseas businesses. Sharing the Nissha Philosophy and fostering a sense of unity under the Nissha banner are indispensable elements for achieving results as an organization. Further, in the sense that the board of directors properly operates a PDCA cycle for investments, I believe that it is necessary to further enhance discussions not only on new investments, but also on the operation of past investments.

In fiscal 2020, we will begin discussions on drafting the next medium-term business plan. The current measures to strengthen profitability are intended to fundamentally evolve and strengthen Nissha's organizational capability and core competencies. By implementing these measures in a steady fashion, I believe we can build a springboard for the next medium-term business plan. Independent outside directors are entrusted with mandates from a variety of stakeholders, and we are expected to add value to the sustainable growth of the company. Especially in a post-COVID-19 age, independent outside directors face greater demands to consider the interests of a variety of stakeholders and consistently keep ESG and SDGs in mind. We must offer both a compass pointing to the right direction and a sensitive braking function in support of appropriate risk-taking by management.

The question remains as to what kind of company Nissha wants to be on the hundredth anniversary of its founding. COVID-19 is said to be a game-changer across a number of industries, and while there is great risk, there is also potential for new business opportunities. I believe we will engage in productive discussions as to how the company should proceed and formulate a growth strategy in response.

\* Acquisition of Zonnebodo Pharmaceutical Co., Ltd. (manufacture and sales of pharmaceuticals and quasi-drugs developed in-house), which we converted to a subsidiary company on November 25, 2019.





# Sustainability





## Nissha Group Sustainability

Nissha Group views sustainability as an initiative toward the achievement of sustainable growth and development for both the company and society. Accordingly, we consider social issues to be business opportunities. It is important not only that we leverage our capabilities to provide products and services that help resolve these on an ongoing basis, but also that we strengthen our management foundation underpinning our business activities. We must also build management systems that allow us to fulfill our social responsibility. In these ways and others, we pursue risk reduction. Through these activities, we generate the economic and social value professed in the Nissha Mission, which states that we realize the enrichment of people's lives.

Currently, the group is executing our Sixth Medium-Term Business Plan, a three-year program focused on growth through organization and optimization of our business portfolio. This plan defines mobility (automotive and transport equipment), medical devices, and sustainable packaging materials, as priority markets in addition to our mainstay consumer electronics (IT) business. These are markets in which we expect stable and sustainable growth and where clusters of social issue-based needs are present. The group views these needs as business opportunities, solving social issues through businesses that make use of our strengths. At the same time, we strive to identify and reduce environmental and social risks in our business activities, aiming to grow and develop with society.

### Nissha Group Sustainability



#### Guidelines and Frameworks Referenced

We reference the following global frameworks and guidelines in promoting sustainability.

- **United Nations Global Compact**

In April 2012, our president and CEO signed the United Nations Global Compact and declared that we will actively work on 10 principles relating to the four areas of human rights, labor, the environment, and prevention of corruption.

- **SDGs(Sustainable Development Goals)**

We conduct activities worldwide to achieve the goals indicated in SDGs. We consider these requirements to be a business opportunity. By leveraging our technical strengths and diversely talented workforce, we move forward to accomplish the SDGs through our business activities.

- **RBA (Responsible Business Alliance)**

RBA is a code of conduct for the electronics, automotive, and other industries. We have adopted this code of conduct in our environmental and social risk management. We operate management systems for labor, health and safety, the environment, and ethics. These management systems extend throughout our supply chain.

- **GRI (Global Reporting Initiative)**

We publish a Sustainability Report that conforms to the GRI Standards for international sustainability reporting guidelines. We continue to strive to improve the reliability and comparability of our reporting.

- **ISO26000**

We refer to ISO 26000, the international guidance standard for CSR, in our CSR activities and structure our reporting accordingly.

### Sustainability Information Disclosure

In this and other public releases, we provide information on our approach to sustainability, related activities, and results to further stakeholder understanding of our company.

- **Sustainability:**  
This page provides information related to sustainability at Nissha.  
<https://www.nissha.com/english/sustainability/index.html>
- **Nissha Sustainability Report 2020:**  
This is our sustainability activity report for the 2019 fiscal year.  
<https://www.nissha.com/english/sustainability/pdfdownload.html>
- **ESG Data:**  
We have aggregated quantitative ESG information over past years.  
<https://www.nissha.com/english/sustainability/pdfdownload.html#ESG>



Sustainability

Item	Unit	Nissha	FY ended Mar. 2019		FY ended Mar. 2020		FY ended Mar. 2021	
			Value	Change	Value	Change	Value	Change
<b>Stakeholder Satisfaction</b>								
1470449 acquisition rate of stock	No. of shares	100%	0	0	0	0	0	0
1507980 acquisition rate of stock	No. of shares	100%	22	24	24	24	24	24
1501480 acquisition rate of stock	No. of shares	100%	12	12	12	12	12	12
1514441 acquisition rate of stock	No. of shares	100%	2	2	2	2	2	2
1514441 acquisition rate of stock	No. of shares	100%	14	15	15	15	15	15
1500000 acquisition rate of stock	No. of shares	100%	0	0	0	0	0	0

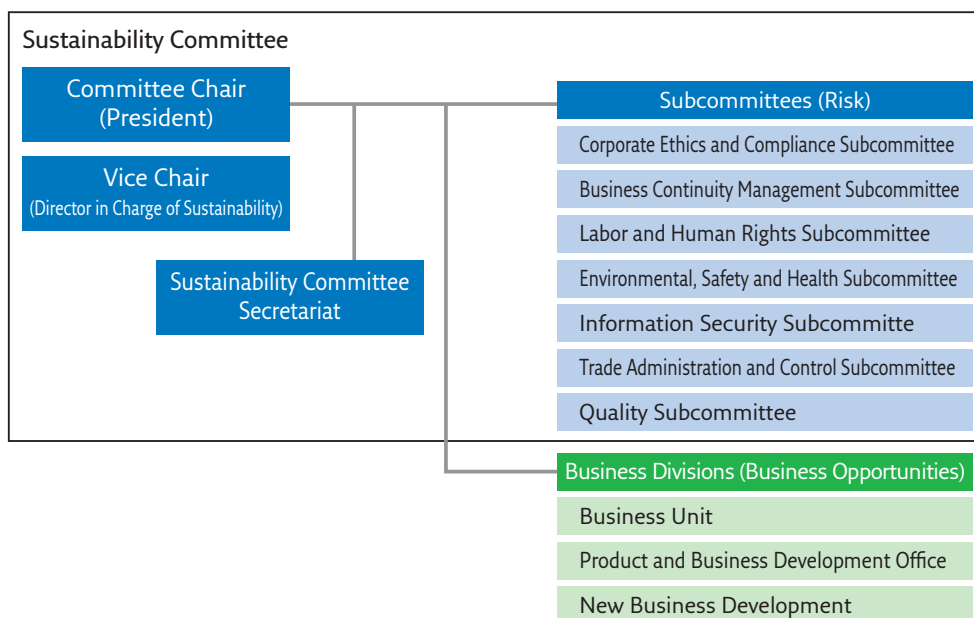
ESG Data

## Promotion Framework for Sustainability

In January 2020, Nissha Group established the Sustainability Committee as an evolution of our former CSR Committee. The Sustainability Committee is chaired by the president, with the director in charge of sustainability serving as vice chair. In addition to reducing risks related to the environment and society, which were issues addressed by the CSR Committee, the Sustainability Committee reframes

social issues as business opportunities, seeking to resolve these issues through our businesses, creating new opportunities. Through this dual-natured function, the committee seeks to realize the enrichment of people's lives and achieve sustainable growth and development of society and the Nissha Group.

### Promotion Framework for Sustainability



The Sustainability Committee identifies materialities, or key issues, by prioritizing social issues that may present business opportunities for the group and risks that could impede business continuity. Seven subcommittees established under the umbrella of the Sustainability Committee and business divisions use these materialities to set strategic policies, KPIs, and targets, engaging in PDCA cycles.

Business divisions are responsible for creating business opportunities. We check the progress at each Monthly

Business Review (MBR) and Quarterly Business Review (QBR) meeting by evaluating KPIs. On the topic of reducing risks, we strive to mitigate risks that could inhibit business continuity through the activities of the seven aforementioned subcommittees. Each quarter, we hold a meeting to check progress.

The committee reports the progress and results of these Sustainability Committee activities to the board of directors once a year, addressing previous fiscal year's achievements and upcoming activities.



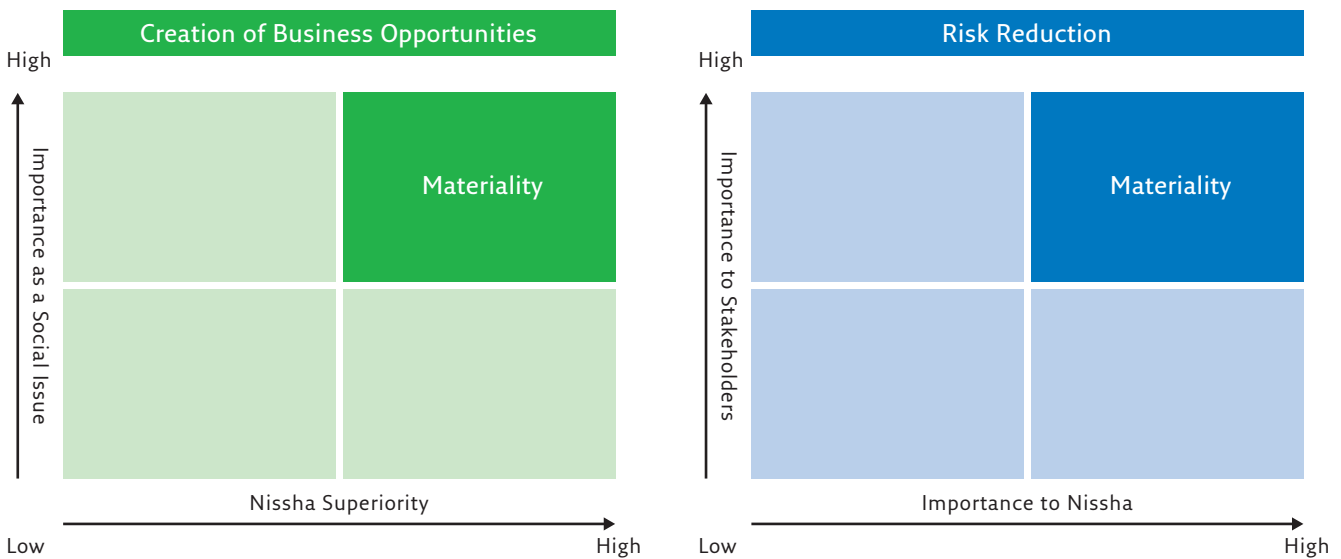
## Materialities (Key Issues) and KPIs

Nissha Group adopts a dual perspective of generating business opportunity and reducing risk in our identification of materialities (issues of particular importance), prioritizing each and engaging in initiatives accordingly. We evaluate materialities along two axes: (1) importance to society and stakeholders and (2) importance to the company.

We identify materialities related to business opportunities in consideration of an issue's importance as a social issue (strength of needs) and Nissha superiority (scale of value

we can provide) in our four priority markets as defined in the current Sixth Medium-Term Business Plan (FY2018/12-FY2020/12). For materialities of risk reduction, we identify risks related to the environment and society that may impede business continuity along the axes of importance to stakeholders and importance to Nissha Group. The degree of importance to stakeholders reflects the opinions of a range of stakeholders, including our customers, shareholders, and investors.

### Analysis Map



### Materiality Identification Process

Step 1 Identify Related Social Issues	Identify social issues related to the Nissha Group and our supply chain, referencing the SDGs*1, GRI Standards*2, RBA*3, and guidance.
Step 2 Prioritize	Analyze and prioritize the social issues identified in Step 1 based on the axes of importance to society and stakeholders (in consideration of SDGs, external evaluations, etc.) and importance to Nissha.
Step 3 Verify Validity	Examine the validity of issues via interviews conducted with business divisions, Sustainability Committee subcommittees, and other organizations.
Step 4 Establish Materialities and KPIs	Use the materialities identified in steps 1 to 3 to create strategy items and KPIs by business unit and subcommittee. These are approved by the Sustainability Committee.

\*1. SDGs ( Sustainable Development Goals): The Sustainable Development Goals, adopted by the United Nations in September 2015

\*2. GRI Standards (Global Reporting Initiative Standards): The world's most widely-adopted sustainability reporting guidelines

\*3. RBA (Responsible Business Alliance): The Responsible Business Alliance, or RBA, issues an international code of conduct for labor, health and safety, the environment, ethics, etc.











## Nissha Group Materiality

Nissha Group determines materialities as follows, using the above process in consideration of business activities and degree of achievement in the KPIs of the fiscal year within the group's four priority markets, as defined in our Sixth Medium-Term Business Plan.











Materialities for business opportunities is a new item established for the fiscal year ending December 2020. We review materialities for risk in conjunction with progress in

our Sixth Medium-Term Business Plan. We move material issues for which we have reduced risks through our activities to maintenance management status, and then establish new materialities. The subcommittees continue to manage initiatives that had been handled as strategic materialities, including supplier social/environmental risk assessments and assessment of action/reduction of social/environmental risks in the Medical Technologies business.


### Materialities (Business Opportunities)

Materiality	Strategy Items	KPI	Related SDGs
Provide Free and Comfortable Movement Reduce Environmental Impact	Expand Business in the Mobility Market <ul style="list-style-type: none"> <li>Provide mobility products that contribute to comfortable travel</li> <li>Provide products with low environmental impact</li> </ul>	Mobility Segment Sales	 
Solve Medical Issues Through Products and Services	Expand Business in the Medical Devices Market <ul style="list-style-type: none"> <li>Heart disease</li> <li>Acute care</li> <li>Contribute to medical care through consumable medical products, etc.</li> </ul>	Medical Technologies Business Sales	
Promotion of Circular Economy	Expand Business in the Sustainable Packaging Materials Market <ul style="list-style-type: none"> <li>Provide products/services that contribute to solving marine plastic pollution issues</li> <li>Provide products/services that contribute to greater resource use efficiency</li> </ul>	Sustainable Packaging Materials Segment Sales	 
Resolve Social Issues Through Capabilities Cultivated in IT Markets	Generate Social Impact in Priority Markets (Medical Devices, Mobility, Sustainable Packaging Materials)	Sales in Priority Markets Using Capabilities Cultivated in IT Markets	  
Develop New Products That Contribute To Resolving Social Issues	Create New Businesses, Products, And Services Through Integrating Technologies Promote Development That Contributes To Resolving Social Issues	Sales of New Products That Solve Social Issue	 

### Materialities (Risks)

Materiality	Subcommittee	Strategy Items	KPI	Related SDGs
Compliance	Corporate Ethics and Compliance Trade Management	(1) Build an internal reporting system (2) Implement fair, legally-compliant operations during import/export	(1) Formulate systems overview for US locations (2) Prevent illegal/unlawful declarations, omission of import charge factors Illegal/unlawful declarations: 0 (Annual) Omitted declarations of charge factors: 0 (Annual)	 
Product and Service Continuity	Business Continuity Management	(1) Understand status of BCP operation for key locations (2) Formulate guidelines for handling COVID-19	(1) Check validity of BCP plan for key overseas locations (2) Formulate guidelines for handling COVID-19 Once guidelines are complete, notify domestic locations, add necessary equipment	 
Human Rights in the Workplace	Labor and Human Rights	(1) Understand and reduce human rights risks at key overseas locations (2) Practice work-style reforms	(1) Identify and understand points brought up in customer audits and measures for improvement, share with related departments at Global Headquarters (2) Refine and evolve work hour management	 
Environment	Environmental, Safety and Health	(1) Understand and reduce environmental impact causing climate change and other phenomena (2) Understand environmental impact of newly acquired companies	(1) Confirm details of main environmental impacts: 3 locations (2) Build environmental data collection system for newly acquired companies	
Occupational Health and Safety	Environmental, Safety and Health	(1) Understand health and safety at newly acquired companies	(1) Build health and safety data collection system for newly acquired companies	
Information Assets	Corporate Ethics and Compliance Information Security	(1) Modify trade secret management to ensure appropriateness (2) Modify and execute new, appropriate trade secret management	(1) Enforce and maintain rules for trade secrets (2) Implement ISMS internal audit To be implemented in departments handling trade secrets as information assets	
Productivity Reforms	Quality	(1) Smart QC Smart Factory	(1) Productivity reform leveraging IT technology: 3 target locations	

## Reducing Major Environmental and Social Risks During FY2019

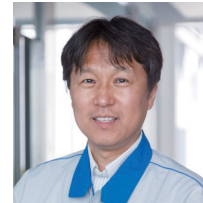
Materiality	Subcommittee	Strategy Items	KPI	Achievement Status	Related SDGs
Environment	Environmental, Safety and Health	· Responses to climate change	· Maintain CDP score of B	Good: Maintained a CDP score of B	

As a corporate organization engaged in manufacturing, Nissha Group believes that responding to climate change is an important issue in the growth of the company and the development of society. We have established targets for CO<sub>2</sub> emissions (basic unit) while disclosing data through the CDP\* on an ongoing basis. In addition to the status of energy usage and CO<sub>2</sub> emissions corresponding to Scope 1 and 2\*, we are also working to disclose CO<sub>2</sub> emissions related to employee commutes and business trips, both of which fall under Scope 3\*. For the fiscal year ended December 2019, we earned a B rank under the CDP climate change category, maintaining this score from the previous year. As our business develops globally, we maintain and utilize internal systems that allow regular and accurate collection of information at new overseas group manufacturing facilities that have been absorbed through M&A. We will continue to pursue various environmental initiatives to earn the trust of our stakeholders. ▶See [Nissha Sustainability Report 2020, P.29](#)

CDP: Carbon Disclosure Project


Scope 1 and 2: Direct emissions of greenhouse gases by businesses and indirect emissions from the use of electricity and heat

Scope 3: Indirect emissions other than the above



**Wataru Yamada**

Senior Manager of Corporate Environmental and Safety Management  
Corporate General Affairs  
Nissha Co., Ltd.

Materiality	Subcommittee	Strategy Items	KPI	Achievement Status	Related SDGs
Product Responsibility	Sustainability Committee Secretariat	· Understanding the status of responses in the environmental and social aspects within the Medical Technologies business and reducing risks	· Publishing information in accordance with SASB disclosure demands	Good: Confirmed that information was understood and risk was being managed in accordance with SASB	


When identifying environmental and social risks in the Medical Technologies business, we utilized the US-based SASB (Sustainability Accounting Standards Board) for Medical Equipment & Supplies. For those items which SASB requires information disclosure, we confirmed that risk management systems were in place and in operation. We also confirmed that necessary measures were being taken for business continuity purposes.

Achieving sustainability in the Medical Technologies business is our responsibility related to the impact on business, the environment, and society. We believe that fulfilling these responsibilities through responsible management will reduce costs, maintain good relationships with stakeholders, and mitigate future risks. We will continue to build relationships of trust through ongoing dialogue with our customers and other stakeholders, striving to maintain steady businesses over the long term. ▶See [Nissha Sustainability Report 2020, P.102](#)



**Dr. Michael Gaglio**

Nissha Medical Technologies  
Executive Vice President

Materiality	Subcommittee	Strategy Items	KPI	Achievement Status	Related SDGs
Complying with Laws and Regulations	Corporate Ethics and Compliance	· GDPR support · Construction of the internal reporting system for overseas bases · Handling of trade secrets	· Number of locations holding educational programs · Number of locations with systems in place · Formulated management regulations, conducted education programs	Good: Conducted at 14 locations Good: Preparations complete at one overseas location Needs Improvement: Regulations formulated, but insufficient education	



We have completed a round of activities toward building a structure for our European subsidiaries to comply with GDPR. We must continue to respond as these regulations continue to evolve and expand with new guidelines. Our internal reporting systems for our European and North American locations also require careful attention in the handling of personal information.

During the fiscal year ended December 2019, the media reported that one of the company's former employees was arrested and prosecuted for violation of the Unfair Competition Prevention Act. We had been conducting educational programs at the time on managing confidential information, including compliance training. However, in response to this incident, we put greater effort into our management systems and have been working to improve our training content in collaboration with the Information Security Subcommittee. We have also made an intensive effort with our overseas subsidiaries regarding this case, including sharing information and conducting interviews. ▶See [Nissha Sustainability Report 2020, P.121](#)



**Ayako Konishi**

In-house Lawyer  
Corporate Legal Affairs  
Nissha Co., Ltd.

Materiality	Subcommittee	Strategy Items	KPI	Achievement Status	Related SDGs
Responsibility for Product and Service Continuation	Business Continuity Management	· Understanding the status of BCP operation at key overseas bases and reducing risks	· Understanding and reviewing BCP operational status at key overseas bases, mainly in North America and Europe (2 companies)	Good: Conducted at two key overseas locations	 

We continue to strengthen our BCM\* system for product and service continuity through rules based on basic BCM plans and training for managers and individual locations. During fiscal 2019, in anticipation of management integration across the entire Nissha Group, we conducted interviews with key overseas affiliates on BCP operations. Although circumstances differ somewhat from country to country and business to business, we were able to establish a shared understanding for the essential nature of business continuity plans for companies.

### ■ Handling the Novel Coronavirus Outbreak (COVID-19)

We secured supplies such as masks, protective clothing, and antiseptic solutions as part of our anti-infection measures for BCP. During rapid rise in the spread of COVID-19, we were able to quickly distribute and support these stockpiles for business recovery at our overseas locations. In addition, we established the COVID-19 Task Force, headed by the president, to ensure all employees are thoroughly informed about travel restrictions, infection prevention, telework, and health management. ▶See [Nissha Sustainability Report 2020, P.117](#)

BCP: Business Continuity Plan

BCM: Business Continuity Management



**Masanori Sato**

Senior Manager of Corporate General Affairs  
Nissha Co., Ltd.



# Realizing our respective visions while interacting with stakeholders

We identify the stakeholders as our customers, shareholders, employees, suppliers, and society. Toward realizing our Mission, we aim to realize our respective visions while valuing a relationship with the stakeholders in which we affecting each other.

## Nissha's Circle of Trust



### Customer

#### Facing Social Issues Side-by-Side With Our Customers

Many of Nissha Group customers are global companies that facing a number of social issues of the type addressed in the SDGs. We have an opportunity to grow our businesses by listening to requests from these customers, offering a range of proposals, and providing satisfactory products, services that solve social issues. Beyond conducting sincere communication through our sales and manufacturing activities, we also continue to engage in activities that establish us as a company trusted by our customers. These activities include building and maintaining compliance systems under the RBA (Responsible Business Alliance), an international code of conduct for labor, health and safety, the environment, and ethics.



### Shareholder

#### Reflecting Communications With Capital Markets in Business Management

Dialogues with shareholders and investors provides Nissha with exposure to a wide variety of suggestions and opinions. From this standpoint, we do not simply provide the timely and appropriate information disclosure required of a listed company, but also take it upon ourselves to engage in proactive investor and shareholder relations. During fiscal 2019, the Nissha president and CEO spoke at four quarterly financial briefings for institutional investors and participated in approximately 40 individual talks with shareholders and institutional investors in Japan and other countries. Additionally, the IR Group under Corporate Planning, which acts as a point of contact for shareholders and investors, conducted approximately 250 meetings during the year. The details of dialogues with shareholders and investors are reported regularly at meetings of the board of directors, where directors offer advice as necessary.



### Employee

#### Bringing Together Employees With Diverse Talents and Passions

The diverse capabilities of a diverse talent base are essential for company growth. Nissha Group has established Diversity and Inclusion as one of our Shared Values, the principles that guide employee behavior. We strive to enhance systems supporting a variety of work styles so each employee can realize their full potential. We are also focused on recruiting and cultivating the talent Nissha needs, namely, personnel capable of global business and talented staff who exercise autonomy and a spirit of ambition. We foster the development of engineers who will be responsible for our future growth. Here, we use the Nissha Innovation Center Kyoto, where we promote the fusion of technologies and the utilization and greater efficiency of technology development.



### Supplier

#### Building a Sustainable Supply Chain

The cooperation of our suppliers is essential for the growth of the Nissha Group. By reducing environmental and social risks throughout the supply chain, we target both group growth and the growth of our suppliers, becoming the company of choice by society. To respond to global requirements such as RBA, an international code of conduct covering labor, health and safety, environment, ethics, and other concepts, we must obtain the cooperation of our own management, as well as from our suppliers. To this end, we are working to build a sustainable manufacturing system and supply chain.



### Society

#### Co-Existing With Local Communities

Nissha Group business activities exist because of the various resource inputs we receive from society. In addition to conducting environmentally friendly business and manufacturing activities, we aim to coexist with the local communities found in the countries and regions where we operate. Not only do we comply with formal laws and informal practices, but we also conduct social contribution activities under four defined key areas: Environmental Protection, Next-Generation Support, Promotion and Support of Arts and Culture, and Human Support Activities. In Japan, we sponsor nationwide art exhibitions and provide support for future generations through collaboration with educational institutions and NPOs.





Director of the Board  
Executive Vice President  
Chief Human Resources Officer

Daisuke Inoue

## Human Resources Strategy That Supports Management and Business Strategy

To execute our management and business strategies, we require employees who behave proactively and who promote change. To that end, the core of our personnel strategy is to secure talent with diverse abilities, backgrounds, and ways of thinking, as well as to encourage greater employee engagement and growth.

### Supporting Management Through Human Resources Strategy

Allow me to explain our human resources strategy from the perspective of Nissha's chief human resources officer and as the primary responsible party for advancing this strategy. There is one, simple purpose to our HR strategy: support the execution of our management and business strategies. Put differently, we apply a basic principle to our HR policies, which is that company growth is employee growth, and employee growth is company growth. This is how we support the sustainable growth of our company.

*Change* is the keyword for bringing Nissha's business portfolio reorganization strategy to fruition. Nissha must change in response to environmental changes. These changes include structural changes in society as a whole, technological innovation, climate change, and the accompanying evolution of market needs. To change as a company, our employees must also be adaptable change.

We must secure the right number of employees—those with the qualities and abilities necessary for sustainable growth—at the right time. We must also increase engagement with these employees, ensuring their future growth and helping them perform at high levels. This is the core of

our human resources strategy.

I will briefly go into detail about these points below.

### Finding and Fostering Ideal Talent

As mentioned in our mission statement, we look to recruit employees with diverse abilities, backgrounds, and ways of thinking. We are proactive not only in hiring new graduates, but also in bringing in new blood from the outside, including mid-career hires and corporate acquisitions. Since our employees are active across many different countries, businesses, and roles, we have created our Shared Values, a set of values we ask all employees to internalize. One of these values is to act with integrity in all matters and to be diligent in our work. This value has been passed down as a treasured tradition, unchanged in the more than 90 years of Nissha history.

Professional work calls for specialties and skills in particular fields. However, one single skills will not generate results lasting in terms of years. We cannot expect growth if employees are only given a single product or business in which they can demonstrate their capabilities. Employees with strengths in different fields must come together in col-

## Shared Values

---

Customer is Our Priority	We are committed to maximizing customer value.
Diversity and Inclusion	We welcome diverse capabilities interacting as equals and enhancing our organizational performance.
Commitment to Results	We work with diligence and deliver results.
Done is Better than Perfect	We take actions first rather than sacrificing time value for perfection.
Act with Integrity	We act with integrity and maintain the trust placed in us.

---

laboration, creating synergistic effects and generating new customer value.

To that end, we conduct active personnel rotation to provide employees, especially younger personnel, opportunities to experience different jobs. We encourage employees to serve as project leaders, to assemble cross-functional teams, and to gain diverse experience by working overseas. In this way, we cultivate talent with multiple skill sets and agility in responding to business portfolio reorganization.

If the company is to anticipate and adapt to changes in the world, our employees cannot be passive. Nissha recognizes and rewards employees who behave proactively and promote change.

### Improving Employee Engagement

Nissha employees share and understand the company's values and principles. They comprehend their role within the organization and work with motivation and enthusiasm. This kind of high-engagement organization is necessary to support the growth of our company.

To achieve this goal, we are modifying our human resources systems to ensure the most capable employees will be entrusted with important work, regardless of age. We also strive to reward these employees with commensurate recognition. Personnel evaluations will focus on whether an employee demonstrates the ability to perform the job they are asked to do. To improve these skills, we are improving our training systems for employees by job titles and ranks.

To achieve even greater results, we must bring these individuals together into teams, helping them fully demonstrate their capabilities in team situations. This means the role of team manager (leader) is a highly critical one. At Nissha, we make it very clear what leadership and management skills are demanded of our managers so they are more conscious of these traits.

In addition, our central goal as a company is to solve social issues from our position as a global citizen, avoiding the pit-

fall of focusing purely on profit maximization. These company initiatives and attitudes result in our employees working with pride and passion. We are looking to expand our efforts to motivate employees and make them even more aware of the significance of Nissha's existence within society, as well as their own contributions within the company.







## 11-Year Financial Summary

(Millions of JPY)

Fiscal Year		FY2010.3	FY2011.3	FY2012.3	FY2013.3	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2017.12	FY2018.12	FY2019.12	FY2018.12	FY2019.12
J-GAAP	IFRS	← J-GAAP						× IFRS →						
		9 months												
Net sales		126,965	114,054	80,160	89,427	110,922	118,775	119,222	115,802	159,518	207,404	173,189	204,210	174,035
Japan		39,994	37,159	33,060	37,992	29,956	28,889	31,530	30,250	29,443	33,538	26,554	31,059	25,840
Overseas		86,972	76,895	47,100	51,435	80,966	89,885	87,692	85,552	130,075	173,866	146,635	173,150	148,194
Cost of sales		101,600	104,864	79,759	83,508	93,898	93,713	90,121	98,885	133,292	170,113	149,254	166,337	149,898
Selling, general and administrative expenses		14,107	14,136	12,117	12,702	15,089	16,311	18,558	20,820	19,948	29,210	28,242	29,152	27,668
Operating profit		11,257	-4,946	-11,716	-6,783	1,935	8,750	10,541	-3,904	6,278	8,080	-4,307	6,954	-16,247
Ordinary profit		12,061	-5,396	-11,320	-4,643	5,182	12,494	9,237	-4,914	7,578	7,380	-4,696	-	-
Profit before income taxes	Profit before tax	11,840	-3,788	-22,243	-5,010	5,151	10,761	7,883	-6,130	7,323	6,097	-2,213	6,367	-16,628
Total income taxes	Income tax expense	4,911	-1,312	6,440	427	1,185	-482	985	1,299	594	1,911	1,916	2,113	590
Profit attributable to owners of parent		6,934	-2,464	-28,684	-5,438	3,967	11,245	6,898	-7,408	6,734	4,318	-4,131	4,523	-17,179
Net cash provided by (used in) operating activities		18,601	-722	3,541	13,864	14,413	21,590	14,815	-2,570	28,784	4,232	164	5,737	1,636
Net cash provided by (used in) investing activities		-12,841	-6,672	-4,277	-7,206	-16,149	-4,141	-21,476	-23,290	-11,685	-14,181	-4,750	-14,225	-4,948
Net cash provided by (used in) financing activities		-3,471	-378	3,076	-4,677	-4,634	-11,063	19,633	6,826	-11,216	-2,448	5,077	-3,909	3,680
Capital expenditures		15,071	11,020	6,724	13,669	12,287	3,207	4,885	12,267	9,063	10,622	7,953	14,572	8,948
Depreciation	Depreciation and amortization	9,133	10,338	8,599	9,530	11,219	9,687	7,847	8,351	7,105	7,671	7,935	10,325	10,067
R&D expenses		2,601	2,477	2,543	2,699	2,351	2,334	2,519	2,422	2,387	3,865	3,621	3,949	3,659
<b>At Year-End</b>														
Net assets	Total equity	88,700	80,396	48,986	44,491	51,676	66,313	70,096	74,606	94,054	90,326	86,255	91,546	75,007
Total assets		153,077	142,942	105,250	114,964	106,140	115,430	156,107	182,670	225,160	202,596	190,634	214,895	186,205
Cash and cash equivalents		25,473	17,107	19,490	23,692	20,272	29,484	41,688	22,090	29,291	16,757	17,622	16,757	17,499
Interest-bearing liabilities		18,078	24,278	28,336	23,668	19,209	10,393	18,340	36,851	27,474	27,703	36,715	38,499	45,900
Closing stock price (JPY)		3,650	1,795	1,083	1,663	1,359	2,195	1,648	2,638	3,280	1,312	1,121	1,312	1,121
<b>Financial Indicators</b>														
Operating profit to net sales (%)		8.9	-4.3	-14.6	-7.6	1.7	7.4	8.8	-3.4	3.9	3.9	-2.5	3.4	-9.3
Return on assets (ROA) (%)		8.0	-3.6	-9.1	-4.2	4.7	11.3	6.8	-2.9	3.7	3.5	-2.4	2.8	-8.3
Return on equity (ROE) (%)		8.1	-2.9	-44.3	-11.6	8.3	19.1	10.1	-10.3	8.0	4.7	-4.7	4.8	-20.6
Return on invested capital (ROIC) (%)		6.4	-4.4	-12.2	-7.9	1.5	6.6	6.3	-2.1	2.9	3.8	-3.0	3.3	-11.7
Equity ratio (%)	Ratio of equity attributable to owners of parent to total assets (%)	57.9	56.2	46.5	38.7	48.7	57.4	44.9	40.7	41.7	44.5	45.3	42.6	40.3
Debt-equity ratio (%)		72.6	77.8	114.9	158.4	105.4	74.1	122.7	145.3	139.7	124.5	121.0	134.7	148.2
Current ratio (%)		135.3	134.3	103.5	97.0	107.3	148.8	172.5	119.0	117.0	115.9	108.1	113.3	105.8
Fixed ratio (%)		91.4	94.7	116.8	125.2	112.4	83.6	102.9	140.4	118.8	118.3	128.7	130.2	143.8
<b>Per Share Information</b>														
Basic earnings per share (JPY)		160.38	-57.25	-668.40	-126.72	92.46	262.05	160.75	-169.10	139.72	85.70	-82.77	89.79	-344.19
Net assets per share (JPY)	Equity per share attributable to owners of parent (JPY)	2,051.09	1,873.34	1,141.45	1,036.74	1,204.17	1,545.30	1,633.47	1,594.70	1,852.67	1,807.34	1,728.26	1,834.50	1,502.82
Dividend per share (JPY)		45	45	0	0	5	20	30	30	30	30	35	30	35
Diluted earnings per share (JPY)		-	-	-	-	-	-	158.44	-	129.37	83.57	-	87.55	-344.19
<b>Non-Financial Data</b>														
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )		90,881	91,326	90,881	92,245	115,702	114,937	103,970	128,430	129,345	184,570	179,002	184,570	179,002
Number of employees		3,728	4,121	3,396	3,409	3,383	3,596	4,034	5,133	5,322	5,844	5,718	5,844	5,718
Japan		2,814	2,880	2,331	2,321	2,296	2,373	2,361	2,342	2,351	2,362	2,300	2,362	2,300
Overseas		914	1,241	1,065	1,088	1,087	1,223	1,673	2,791	2,971	3,482	3,418	3,482	3,418
Female ratio (%)		27.2	30.0	30.0	29.3	28.4	29.4	27.5	32.8	32.4	34.4	35.4	34.4	35.4

From the fiscal year ended March 2017, we switched from the year-end rate to the average rate for converting the results of overseas subsidiaries, but the change has not been applied retroactively to results prior to the fiscal year ended March 2016.

## Actual Results FY2019/12

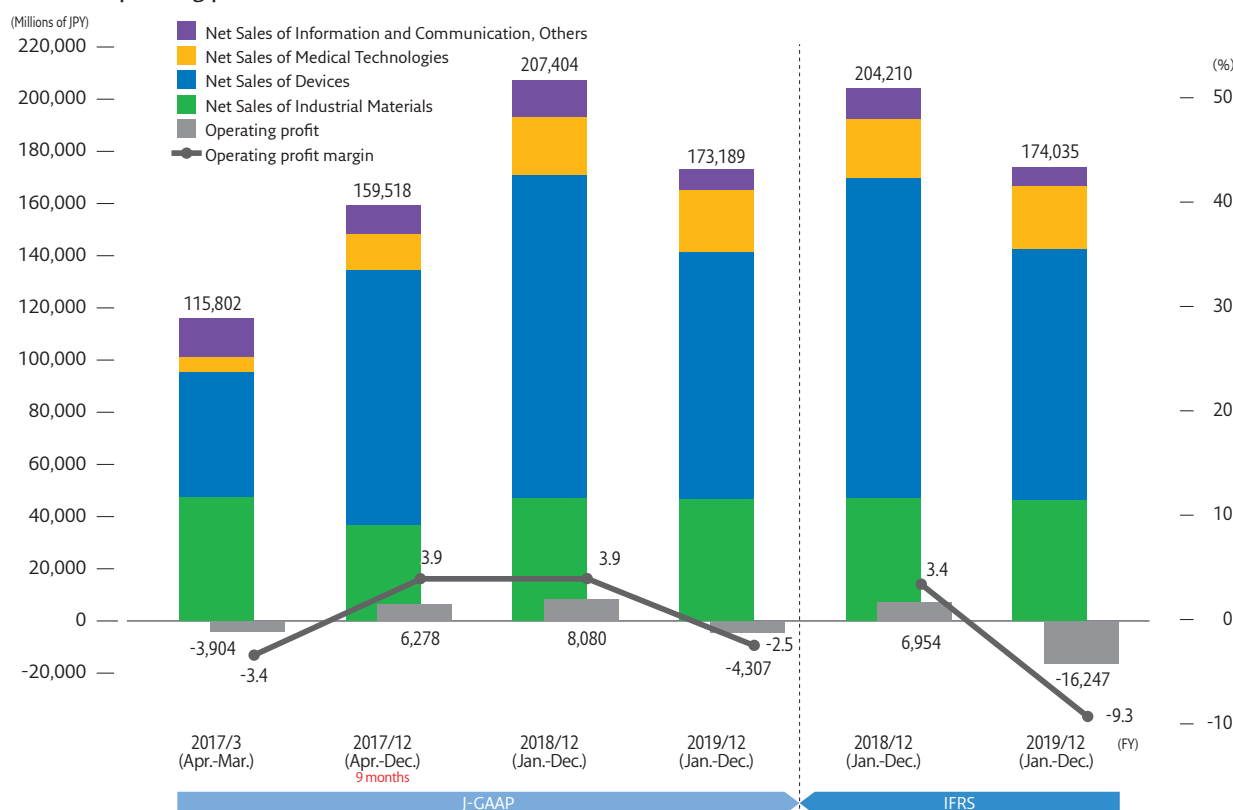
### Operating results

We voluntarily adopted International Financial Reporting Standards ("IFRS") for the Group's consolidated financial statements from the fiscal year ending December 31, 2019, in place of the previously adopted Japanese Generally Accepted Accounting Principles ("J-GAAP").

The Group is currently operating the Sixth Medium-term Business Plan (three-year plan), centering on growth by reorganizing and optimizing its business portfolio. We have set the markets of mobility (automotive and transport equipment), medical devices and sustainable packaging materials as our focus markets, in addition to the mainstay consumer electronics (IT), and aim to develop well-balanced business bases and enhance our corporate value by implementing the global-based growth strategy. During the fiscal year ended December 31, 2019, using funds gained from selling noncurrent assets which are no longer business assets, we conducted efforts such as corporate acquisitions in our focus markets, and steadily made progress in the reorganization of the business portfolio. Regarding the financial results for the fiscal year ended December 31, 2019, in the Devices segment, demand for smartphones fell far below the initial projection. In addition, we saw a decline in profitability due to changes in business environment and recognized impairment loss of non-financial assets. In the Industrial Materials segment, the operation rate of domestic plants declined, and we recognized impairment loss for non-financial assets mainly because we still face challenges in improving the profitability of some overseas plants. The Medical Technologies segment experienced robust demand.

As a result, regarding the consolidated financial results for the fiscal year ended December 31, 2019, the net sales were ¥174,035 million (a decrease of 14.8% as compared to the same period of the previous year). Operating loss was ¥16,247 million (operating profit of ¥6,954 million in the same period of the previous year). Loss attributable to owners of parent was ¥17,179 million (profit attributable to owners of parent of ¥4,523 million in the same period of the previous year).

### Net sales and operating profit



### FY2019/12 Consolidated net sales and operating profit by segment (IFRS)

(Millions of JPY)

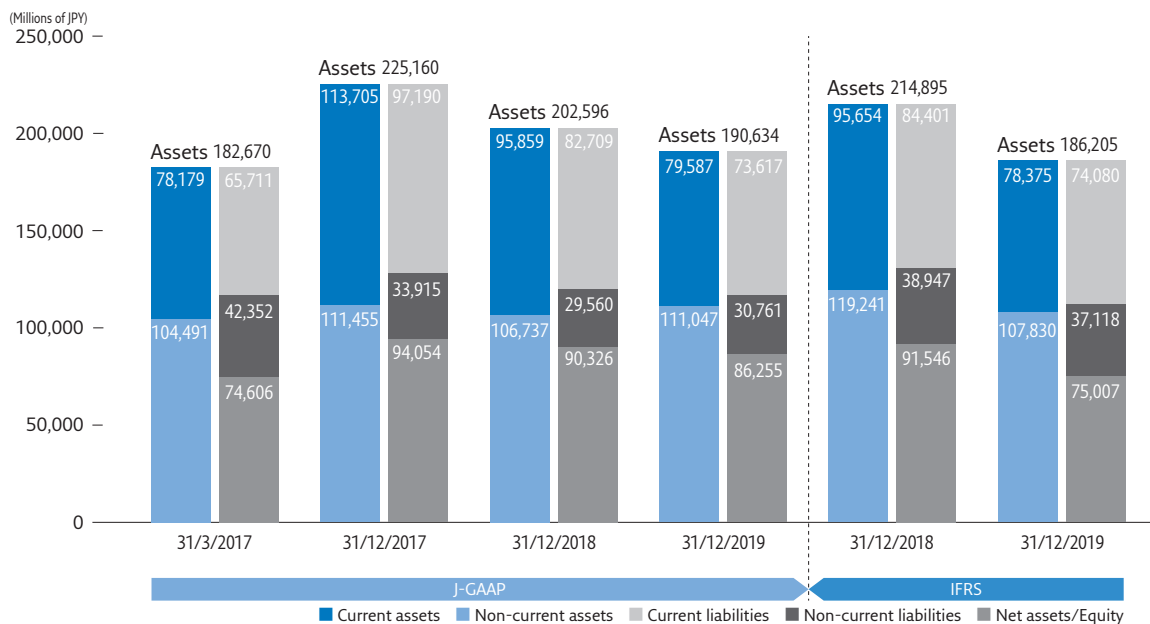
	1 <sup>st</sup> quarter (Jan.-Mar.)	2 <sup>nd</sup> quarter (Apr.-Jun.)	3 <sup>rd</sup> quarter (Jul.-Sep.)	4 <sup>th</sup> quarter (Oct.-Dec.)	Full year	
Consolidated net sales	Industrial Materials	11,515	11,771	11,520	11,471	46,279
	Devices	16,778	18,506	32,848	28,062	96,196
	Medical Technologies	6,145	6,139	5,929	5,862	24,077
	Information and Communication	1,888	1,470	1,544	2,046	6,950
	Others	95	96	105	235	532
	<b>Total</b>	<b>36,422</b>	<b>37,985</b>	<b>51,947</b>	<b>47,679</b>	<b>174,035</b>
Consolidated operating profit	Industrial Materials	-435	-940	-465	-5,437	-7,278
	Devices	-2,109	-2,446	2,757	-9,971	-11,769
	Medical Technologies	418	253	117	129	918
	Information and Communication	649	-133	4,913	34	5,463
	Others	-5	-2	-4	36	23
	Reconciliations	-975	-623	-528	-1,478	-3,605
<b>Total</b>	<b>-2,458</b>	<b>-3,893</b>	<b>6,789</b>	<b>-16,685</b>	<b>-16,247</b>	



## Assets, Liabilities and Equity

Assets amounted to JPY186,205 million, down JPY28,689 million compared to the end of the previous fiscal year. This result was mainly due to decreases in inventories and property, plant and equipment. Liabilities amounted to JPY111,198 million, down JPY12,149 million, mainly due to decreases in trade and other payables. Equity amounted to JPY75,007 million, down JPY16,539 million. This result was mainly due to a decrease in retained earnings stemming from a net loss attributable to owners of parent. Total equity attributable to owners of parent excluding non-controlling interest amounted to JPY75,010 million and the ratio of equity attributable to owners of parent was 40.3%.

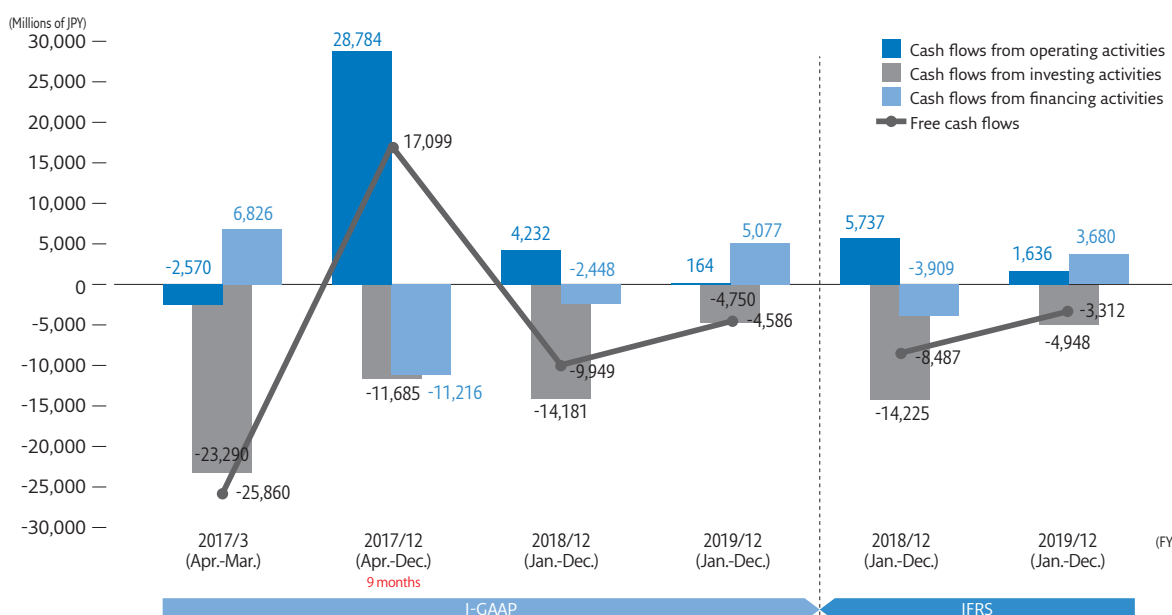
### Assets, Liabilities, and Equity



## Cash flows

Cash from operating activities amounted to JPY1,636 million, mainly due to a decrease in trade and other receivables. Although we recorded proceeds of JPY6,068 million from the sale of property, plant and equipment, we posted cash outlays for the purchase of property, plant and equipment and acquisition of subsidiaries and other businesses in the amounts of JPY7,226 million and JPY2,434 million, respectively. Accordingly, cash used in investment activities amounted to JPY4,948 million. We recorded cash outlays of JPY10,495 million and JPY3,403 million for short-term and long-term borrowings, respectively. However, an increase of JPY20,484 million in proceeds of short-term borrowings resulted in cash from financing activities of JPY3,680 million.

### Cash flows

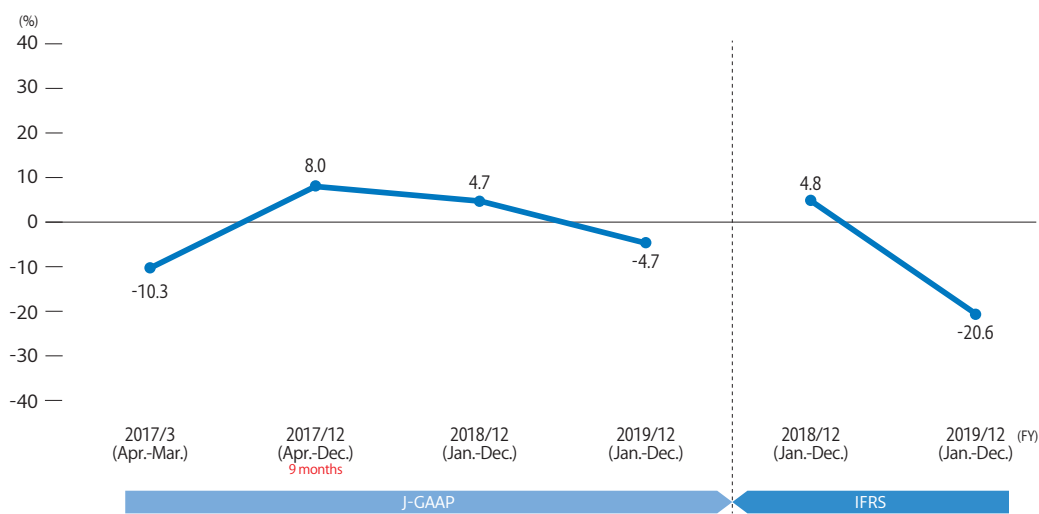


## Major Management Indices

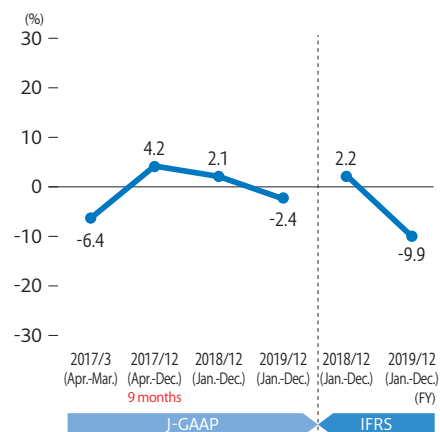
### ROE

We divide ROE into net profit ratio, total asset turnover, and financial leverage (total assets divided by equity attributable to owners of parent). FY2019/12 net profit ratio, an indicator of profitability, was -9.9%. This result was due to the impact of reduced sales and the recording of impairment loss. Total asset turnover ratio, an indicator of operational efficiency, was 0.87 times. This result was mainly due to decreases in trade and other receivables, inventories, and property, plant and equipment decreased. In addition, sales experienced a significant decrease. Financial leverage was 2.48 times, as decreases in retained earnings reduced total equity attributable to owners of parent. As a result, we recorded ROE -20.6% for the fiscal year ended December 2019.

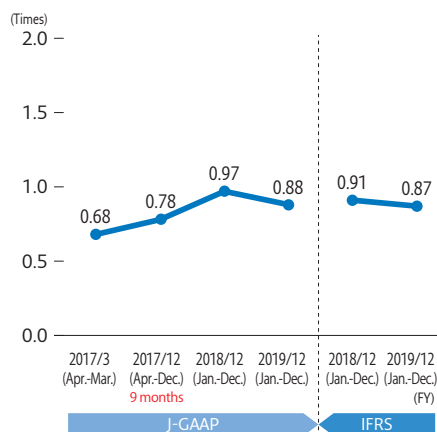
### ROE



### Ratio of profit attributable to owners of parent to net sales

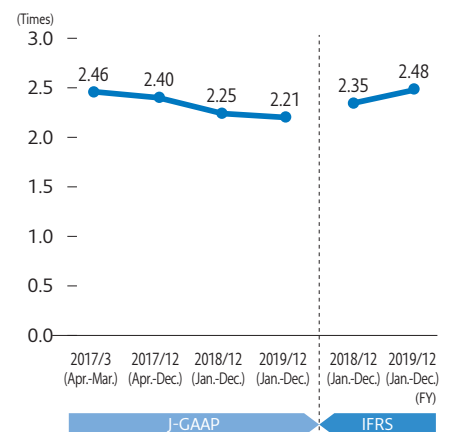


### Total assets turnover



### Financial leverage

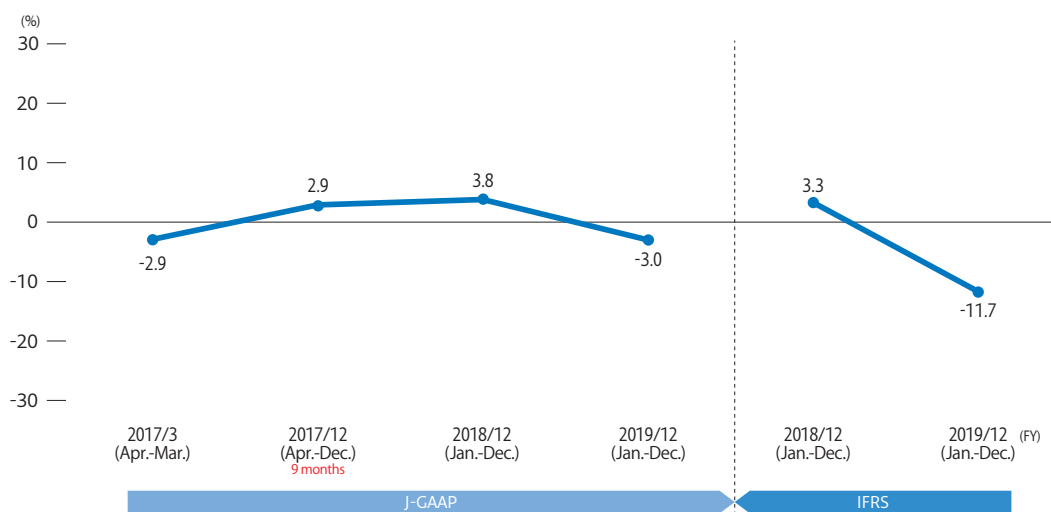
(Total assets/Total equity attributable to owners of parent)



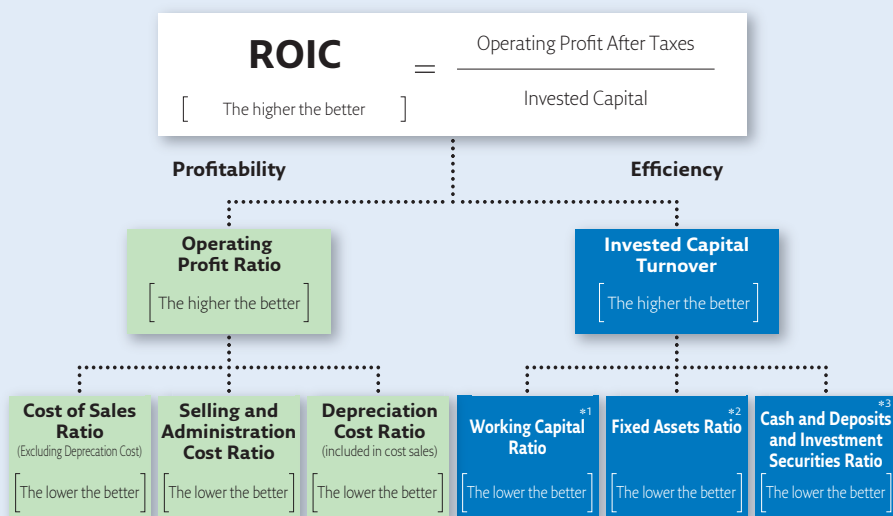
## ROIC

We define return on invested capital (ROIC) as operating profit after taxes (operating income x (1-effective tax rate)) divided by invested assets (working capital + property, plant and equipment + goodwill + intangible assets + right-of-use assets + cash and cash equivalents + investments accounted for using the equity method + other financial assets (non-current)). Raising ROIC requires maximizing the numerator in this formula, which is operating income after taxes, and minimizing the denominator, which is invested assets. We use the ROIC tree to pursue both profitability and efficiency. Although we saw a decrease in investment assets for FY2019/12 due to a decrease in property, plant and equipment, operating income also declined significantly due to the recording of impairment loss on non-financial assets. This impairment loss resulted from the impact of product demand falling below expectations for the Devices and Industrial Materials businesses, as well as decreased profitability stemming from changes in the business environment. As a result, ROIC was -11.7%.

## ROIC



## ROIC tree



\*1. Working capital: Trade and other receivables plus inventories, less trade and other payables  
 \*2. Fixed assets: Property, plant and equipment, goodwill, intangible assets, right-of-use assets  
 \*3. Investment securities: Other financial assets, investments accounted for using the equity method



## Consolidated Financial Statements

## Consolidated statements of financial position

	(Millions of JPY)			(Millions of JPY)	
	As of December 31, 2018	As of December 31, 2019		As of December 31, 2018	As of December 31, 2019
<b>Assets</b>			<b>Liabilities and equity</b>		
Current assets			Liabilities		
Cash and cash equivalents	16,637	17,499	Current liabilities		
Trade and other receivables	38,974	34,177	Trade and other payables	62,158	44,538
Inventories	30,287	21,415	Borrowings	12,574	22,167
Other financial assets	4,071	564	Other financial liabilities	1,441	1,073
Other current assets	5,390	4,713	Lease liabilities	1,614	1,562
Subtotal	95,361	78,371	Income taxes payable, etc	926	447
Assets held for sale	293	4	Provisions	300	53
Total current assets	95,654	78,375	Other current liabilities	5,272	4,237
Non-current assets			Subtotal	84,288	74,080
Property, plant and equipment	58,967	45,050	Liabilities directly associated with assets held for sale	112	-
Goodwill	19,871	19,589	Totas current liabilities	84,401	74,080
Intangible assets	14,558	13,343	Non-current liabilities		
Right-of-use assets	9,455	8,041	Bonds and borrowings	16,319	14,244
Investments accounted for using equity method	0	0	Other financial liabilities	1,695	442
Other financial assets	15,369	20,413	Lease liabilities	7,990	7,926
Retirement benefit assets	221	265	Retirement benefit liabilities	4,543	4,913
Deferred tax assets	571	879	Provisions	162	47
Other non-current assets	226	247	Deffered tax liabilities	7,941	9,212
Total non-current assets	119,241	107,830	Other non-current liabilities	293	331
Total assets	214,895	186,205	Total non-current liabilities	38,947	37,118
			Total liabilities	123,348	111,198
			Equity		
			Share capital	12,119	12,119
			Capital surplus	15,071	14,931
			Retained earnings	60,931	42,363
			Treasury shares	(1,900)	(1,899)
			Other components of equity	5,341	7,494
			Total equity attributable to owners of parent	91,564	75,010
			Non-controlling interests	(17)	(3)
			Total equity	91,546	75,007
			Total liabilities and equity	214,895	186,205

## Consolidated statements of profit or loss

(Millions of JPY)

	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019
Revenue	204,210	174,035
Cost of sales	(166,337)	(149,898)
Gross profit	37,872	24,137
Selling, general and administrative expenses	(29,152)	(27,668)
Other income	1,404	6,200
Other expenses	(2,956)	(18,917)
Share of profit (loss) of investments accounted for using equity method	(213)	-
Operating profit (loss)	6,954	(16,247)
Finance income	663	1,056
Finance costs	(1,249)	(1,437)
Profit (loss) before tax	6,367	(16,628)
Income tax expense	(2,113)	(590)
Profit (loss)	4,254	(17,219)
Profit (loss) attributable to:		
Owners of parent	4,523	(17,179)
Non-controlling interests	(269)	(39)
Profit (loss)	4,254	(17,219)
Earnings (loss) per share attributable to owners of parent		
Basic earnings (loss) per share (JPY)	89.79	(344.19)
Diluted earnings (loss) per share (JPY)	87.55	(344.19)

## Consolidated statements of comprehensive income

(Millions of JPY)

	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019
Profit (loss)	4,254	(17,219)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	(3,689)	3,170
Remeasurements of defined benefit plans	(2)	(72)
Total of items that will not be reclassified to profit or loss	(3,691)	3,098
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,615)	(839)
Share of other comprehensive income of investments accounted for using equity method	(5)	-
Total of items that may be reclassified to profit or loss	(1,620)	(839)
Total other comprehensive income	(5,312)	2,258
Total comprehensive income	(1,058)	(14,960)
Comprehensive income attributable to:		
Owners of parent	(788)	(14,923)
Non-controlling interests	(269)	(37)
Total comprehensive income	(1,058)	(14,960)

## Consolidated Financial Statements

## Consolidated statements of cash flows

	(Millions of JPY)	
	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019
<b>Cash flows from operating activities</b>		
Profit (loss) before tax	6,367	(16,628)
Depreciation and amortization	10,325	10,067
Impairment losses	246	15,917
Loss (gain) on sale and retirement of non-current assets	538	(4,267)
Gain on sale of shares of subsidiaries and associates	(317)	(878)
Business restructuring expenses	607	47
Loss on disaster	478	-
Share of loss (profit) of investments accounted for using equity method	213	-
Finance income	(663)	(1,056)
Finance costs	1,249	1,437
Decrease (increase) in trade and other receivables	6,594	4,976
Decrease (increase) in inventories	(3,202)	8,604
Increase (decrease) in trade and other payables	(8,790)	(16,362)
Increase (decrease) in provisions	263	(369)
Increase (decrease) in retirement benefit asset or liability	(327)	201
Other	(4,792)	3,784
Subtotal	8,791	5,475
Interest received	73	47
Dividends received	285	369
Payments for loss on liquidation of business	-	(1,402)
Interest paid	(942)	(1,094)
Income taxes paid	(2,597)	(1,954)
Income taxes refund	127	195
<b>Net cash provided by (used in) operating activities</b>	<b>5,737</b>	<b>1,636</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	477	-
Purchase of property, plant and equipment	(11,697)	(7,226)
Payments for retirement of property, plant and equipment	(238)	(489)
Proceeds from sales of property, plant and equipment	7	6,068
Purchase of intangible assets	(731)	(730)
Purchase of investment securities	(26)	(996)
Proceeds from sales of investment securities	7	422
Payments for acquisition of subsidiaries or other businesses	(2,216)	(2,434)
Proceeds from sales of subsidiaries	-	698
Payments for sale of subsidiaries	-	(81)
Proceeds from sales of shares of subsidiaries and associates	317	-
Other	(125)	(180)
<b>Net cash provided by (used in) investing activities</b>	<b>(14,225)</b>	<b>(4,948)</b>

	(Millions of JPY)	
	Fiscal Year ended December 31, 2018	Fiscal Year ended December 31, 2019
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	21,858	20,484
Repayments of short-term borrowings	(21,630)	(10,495)
Repayments of lease liabilities	(1,741)	(1,766)
Proceeds from long-term borrowings	3,433	1,313
Repayments of long-term borrowings	(2,570)	(3,403)
Payments for acquisition of non-controlling interests	-	(950)
Purchase of treasury shares	(1,732)	(0)
Proceeds from sale of treasury shares	3	0
Dividends paid to owners of parent	(1,519)	(1,499)
Other	(11)	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,909)</b>	<b>3,680</b>
Effect of exchange rate changes on cash and cash equivalents	(136)	373
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12,533)</b>	<b>742</b>
Cash and cash equivalents at beginning of period	29,291	16,757
<b>Cash and cash equivalents at end of period</b>	<b>16,757</b>	<b>17,499</b>



## Business Risks

The following are risks that may affect the Group's operating results, financial condition, or stock prices. Note that matters included here related to the future are judgments by the Group made as of the end of the current consolidated fiscal year.

### (1) Risks Related to the Business Environment

#### 1. Focus on Specific Segments and Customers

Currently, the Devices business is the Group's mainstay business, accounting for 55.3% of consolidated net sales. This segment mainly develops products for the consumer electronics (IT) market, including smartphones and tablets; however, this market is subject to rapid changes in market trends and customer needs, resulting in shorter technology and product life cycles. Rapid changes in these market environments could impact the Group's business performance and financial condition.

Further, sales to specific customers constitute a significant proportion of Group sales. Sales to these important customers may decline due to matters beyond the control of the Group. These matters may include decrease in product demand, change in specifications, or change in the sales strategy of the customers in question. Such instances could impact the Group's business performance and financial condition.

In response to these scenarios, Nissha Group is working to build a balanced business foundation as part of our ongoing Sixth Medium-Term Business Plan. The main thrust of this plan is to drive growth by reorganizing and optimizing our business portfolio. In addition to the consumer electronics (IT) market, the Group has defined other priority markets in the mobility (automotive and transport equipment), medical devices, and sustainable packaging materials markets. We are working to minimize the risks related to focusing on specific customers by expanding sales in these markets.

### (2) Risks Related to Business Operation

#### 1. Occurrence of Natural Disasters and Pandemics

Group business locations and business partners can be found across the globe. Natural disasters, such as an earthquake, typhoon, or flood, or pandemics, could disrupt factory operations and/or the supply of products and services to customers.

In response to these scenarios, the Group strives to minimize risks by diversifying our businesses. Further, we strive to minimize the impact caused by natural disasters and other events by conducting regular disaster-response drills. We have also created a Basic Business Continuity Management Plan for rapid recovery of important operating locations and supply chains.

#### 2. Occurrence of Quality Problems

Group domestic and overseas production facilities manufacture and sell a variety of products. These products include those requiring high levels of safety, such as those for the mobility (automotive and transport equipment) and medical devices markets. Any large-scale quality problems occurring due to an unexpected event could impact the Group's business performance and financial condition.

The Group strives to minimize the risk of quality problems by building an optimal quality control system that complies

with the requirements of customers and standards set by ISO and other certification bodies. We make continual improvements to our systems.

### (3) Other Risks Related to Business Operation

Other risks may also impact our business operations, including shortages of materials from suppliers, as well as the leakage of sensitive information, information about our customers, and personal information. However, we strive to minimize these risks by building an appropriate supplier management system, creating a comfortable work environment, establishing appropriate information security systems, etc.

### (3) Risks Related to Finances

#### 1. Goodwill Impairment Loss

We actively use M&A as part of our growth strategy, which is aimed at the reorganization and optimization of our business portfolio. M&A activity involves significant goodwill. As of the end of the current consolidated fiscal year, we have recorded goodwill in the amount of JPY19,589 million. If the market and/or competitive environment were to vary significantly from assumptions made during the M&A process, business performance of the acquired company could deteriorate, leading to goodwill impairment loss.

Prior to executing an M&A deal, we conduct thorough due diligence (surveying the target company/companies). We have also built a system to promote business integration after the acquisition. These actions are taken to minimize risk.

#### 2. Exchange Rate Fluctuations

The Group's ratio of foreign sales for the current consolidated fiscal year was 85.2%. These transactions occur primarily in non-Japanese currencies, and dramatic fluctuations in exchange rates could impact the Group's business performance and financial condition.

In response to such a scenario, the Group strives to minimize foreign exchange risk, taking measures that include manufacturing locally and utilizing foreign exchange forward contracts.

### (3) Other Risks Related to Finance

The market value could decline for available-for-sale securities we own, trade receivables could become uncollectible, or inventory could become obsolete. Such developments may affect the Group's business performance and financial condition. The Group strives to minimize these risks, aiming to strengthen our management structure appropriately.

## Company Outline

Nissha Co., Ltd.

Global Headquarters  
3 Mibu Hanai-cho, Nakagyo-ku, Kyoto 604-8551, Japan

Chairman of the Board, President and CEO  
Junya Suzuki

Founded  
October 6, 1929

Established  
December 28, 1946

Capital  
JPY 12,119.79 million  
\*As of the end of March, 2020

Employees  
794 (Consolidated number of employees :5,812)  
\*As of the end of March, 2020

Consolidated Subsidiaries  
66

Bases (Subsidiaries included)  
Domestic: 15  
Overseas: 40  
(Equity method affiliates are not included)

End of Fiscal Year  
December 31

Website  
Corporate Information  
[www.nissha.com/english](http://www.nissha.com/english)  
IR Information  
[www.nissha.com/english/ir](http://www.nissha.com/english/ir)

Contact for Investors  
Investor Relations, Corporate Strategy Planning  
3 Mibu Hanai-cho, Nakagyo-ku, Kyoto 604-8551, Japan  
T +81 75 811 8111 (Main Switch Board)

## Status of Stocks

\*As of the end of December 2019

Total number of authorized shares  
180,000,000 shares

Total number of outstanding shares  
50,855,638 shares

Number of shareholders  
11,194

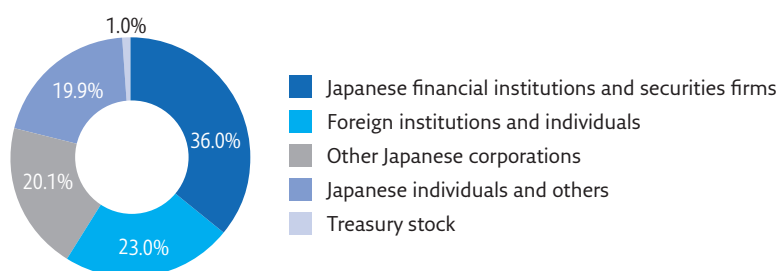
Number of shares per trading unit  
100

Stock exchange listings  
Tokyo Stock Exchange (First Section)  
TSE Code: 7915

## Major Shareholders

	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Suzuki Kosan Co., Ltd.	2,563	5.09
Meiji Yasuda Life Insurance Company	2,341	4.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,142	4.25
Mizuho Bank, Ltd.	2,076	4.12
TAIYO FUND, L.P.	2,009	3.99
TAIYO HANEI FUND, L.P.	1,558	3.09
The Bank of Kyoto, Ltd.	1,442	2.86
Japan Trustee Services Bank, Ltd. (Trust Account)	1,255	2.49
STATE STREET BANK AND TRUST COMPANY 505227	1,076	2.13
Nissha Kyoekai	1,059	2.10

## Breakdown of Shareholders by Type (Ratio of shares owned)



Nissha Report 2020 (For the Year Ended December 31, 2019)

Date of Issue

July 2020

Publisher

Junya Suzuki

Chairman of the Board, President and CEO

Nissha Co., Ltd.

Editors

Investor Relations, Corporate Strategy Planning

Nissha Co., Ltd.

Photograph

Nissha F8, Inc.

2020©Nissha Co., Ltd.

All rights reserved.

No part of this report may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying or recording or by any information storage and retrieval system, without the written permission of the publisher.

#### Forward-looking Statements

This Nissha Report contains statements that constitute forward-looking statements regarding the intent, beliefs or current expectations of Nissha Co., Ltd. or its management with respect to the results of operations and financial condition of Nissha and its subsidiaries. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forwardlooking statements as a result of any number of factors. The information contained in this Nissha Report identifies those factors that could cause such differences. The forwardlooking statements speak only as of the date hereof. Nissha disclaims any obligation to update or publicly announce any revisions to these forward-looking statements to reflect future events, conditions or circumstances.

The results and forecast presented on this report are all consolidated basis except as otherwise noted.

IMD and IML are either registered trademark or a trademark of Nissha Co., Ltd.



**NISSHA**

**Nissha Co., Ltd.**

Global Headquarters: 3 Mibu Hanai-cho, Nakagyo-ku, Kyoto 604-8551, Japan

T +81 75 811 8111 (Main switchboard)

[www.nissha.com/english](http://www.nissha.com/english)