

NISSHA

Nissha Report 2021

English



Mobility



Medical Devices



IT Devices



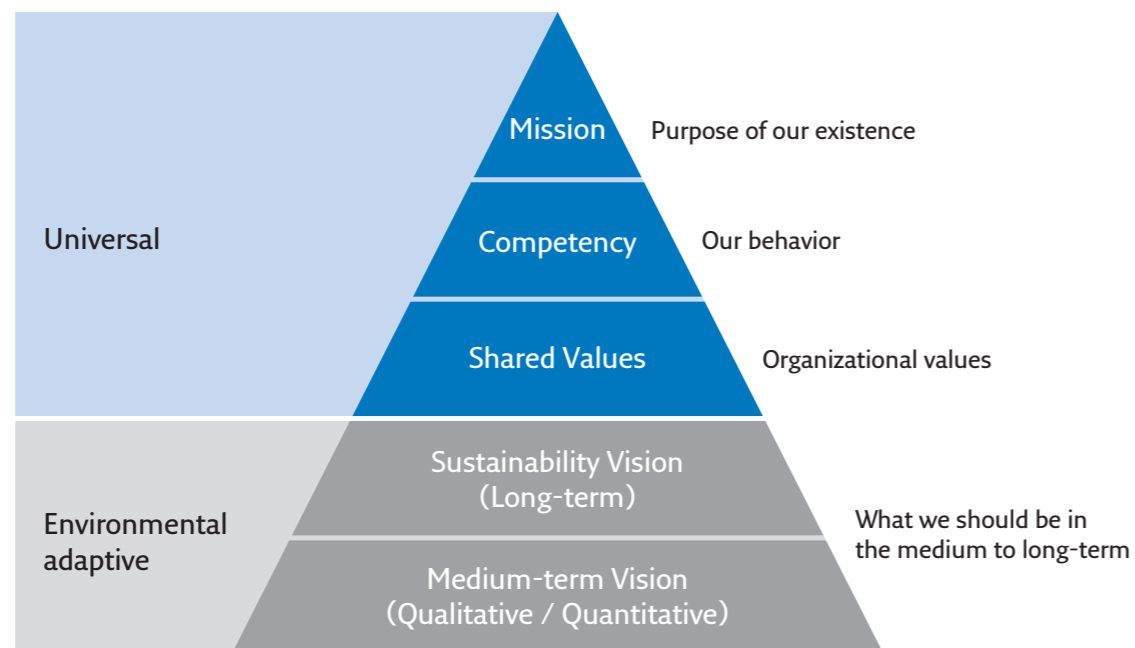
Sustainable Materials

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 Philosophy

Nissha has integrated its standards of thought, rules of conduct, and Mission—ideals held in high regard—into Nissha Philosophy that is greatly valued.



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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 2021, we provide an easy-to-understand report on our Mission, sustainability, medium- to long-term growth strategy, technology strategy, financial strategy, human resources 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, and International <IR> Framework by IIRC.

Please refer to our corporate website for more detailed information. The latest financial information regarding earnings and forecasts can be found in the investor relations section of our corporate website.

- Investor Relations: <https://www.nissha.com/english/ir/index.html>
More detailed information regarding non-financial information can be found in the sustainability section.

- Sustainability: <https://www.nissha.com/english/sustainability/index.html>
- Sustainability Report: <https://www.nissha.com/english/sustainability/pdfdownload.html>

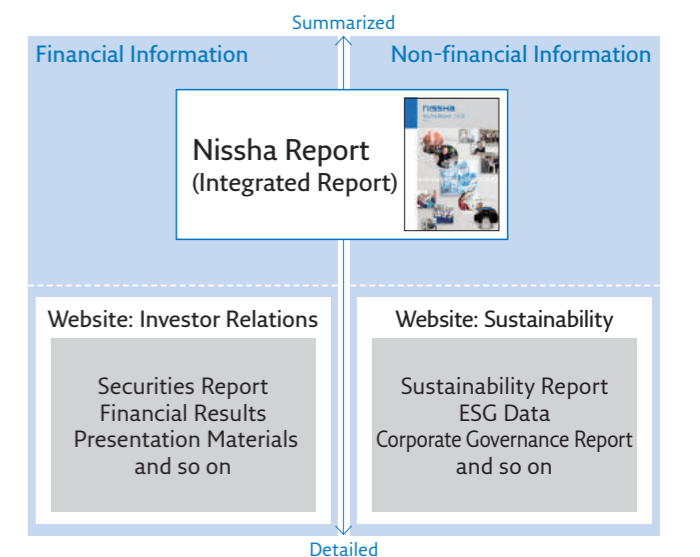
- ESG Data: <https://www.nissha.com/english/sustainability/pdfdownload.html#ESG>

Unless otherwise noted, the contents of the report are current as of June 30, 2021.

Reporting Period: January 1 to December 31, 2020 (Report includes some activities before 2020 and after January 2021)

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

The Role of Nissha Report (Integrated Report)



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.

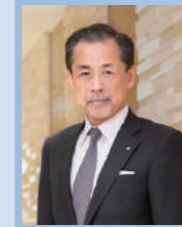


Founder, First CEO
Naoki Suzuki
1929 Founded the Company

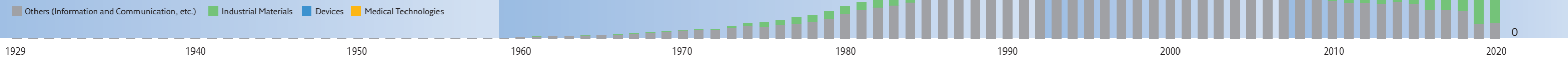


Chairperson Emeritus, Second CEO
Shozo Suzuki
1959 Assumed post of President

Third CEO
Hiroshi Furukawa
1992 Assumed post of President



Current CEO
Junya Suzuki
1998 Entered the Company
2007 Assumed post of President



Founding 1929~

Aspired of high-quality photographic printing



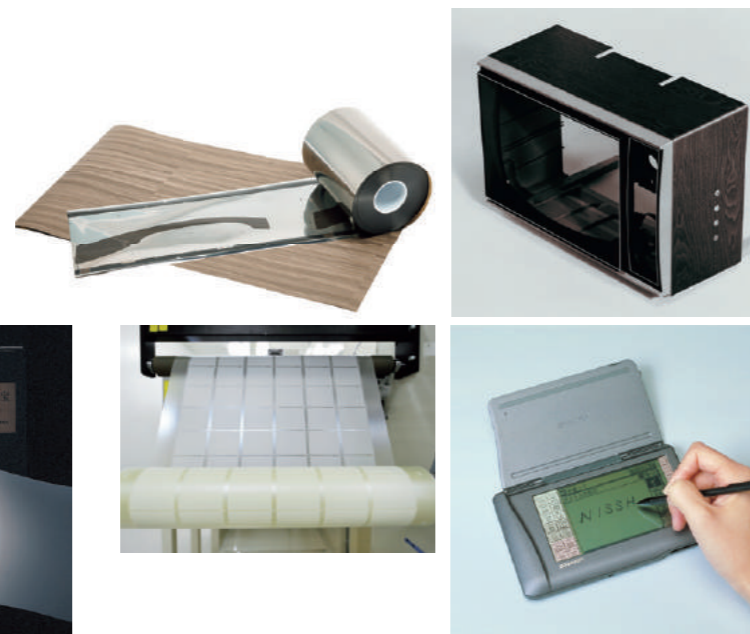
"We pursue high-quality photographic printing no other can compete with, as anybody can be just a type-set printer."
-The statement as the Company founded

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 penetrate 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 started Medical Technologies Business
- 2016 Acquired automotive interior plastic molded parts and decorative films manufacturer (Germany)
- 2019 Acquired pharmaceutical company (Japan) and newly entered the market

Nissha's Core Technologies and Our Growth History

Nissha has diversified and developed our products and their markets while evolving and expanding our core technologies.

Target Markets

4 Priority Markets



Home Appliances



Medical Devices



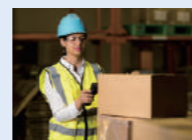
Mobility
(Automotive/Transport
Equipment)



Sustainable Materials



IT Devices



Industrial Equipment
(Logistics Related)

Business & Products



Industrial Materials



Devices



Others
(Information and Communication,
Pharmaceutical and Cosmetics, etc.)



Medical Technologies

Nissha's Core Technologies

Printing



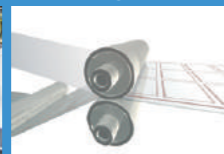
Processing technology of applying designs and functions with ink

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

Metal Processing



Processing technology of metal machining, cutting, and surface treatment

Developing 3 Businesses on a Global Basis

Industrial Materials

Industrial Material business mainly offers proprietary technologies that enable to create added value on the surfaces of various materials. IMD, IML, and IME, which facilitate simultaneous in-mold decoration, design and function adding of plastic products, are extensively adopted in mobility components and home appliances in global markets. We also offer sustainable materials such as metallized paper that combines the properties of metallic luster and printing friendliness, and as environmentally-friendly molded products that made from plant-based materials.



Devices

Devices business provides components and module products that pursue precision and functionality in a convenient form to customers. Our main products, film-based touch sensors are widely adopted mainly in smartphones, tablets, portable game players, industrial equipment (logistics related), mobility components, etc. in global markets. In addition, we offer force sensors that can detect various types of pressure, and gas sensors that can detect gas conditions, along with other products.



Medical Technologies

Medical Technologies business offers high-quality and value-added products in medical devices and other related markets to contribute to healthy and affluent life. We currently provide contract development and manufacturing services for major medical device manufacturers on a global basis with products such as surgical devices for minimal invasive treatments and medical wearable sensors used for a wide range of conditions, primarily heart disease. In addition, we manufacture and sell our own brand products to medical institutions.



In addition to 3 businesses, develops various businesses such as "Information and Communication", and "Pharmaceutical and Cosmetics".

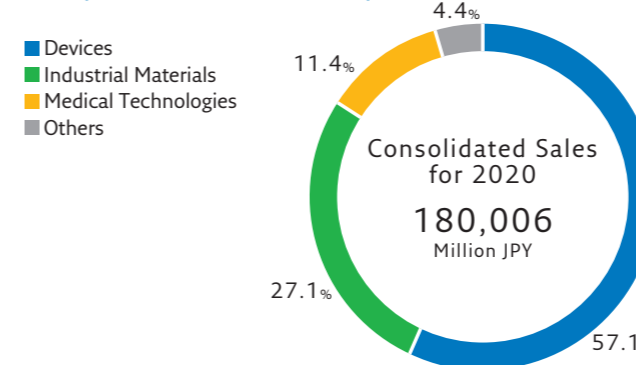


Information and Communication

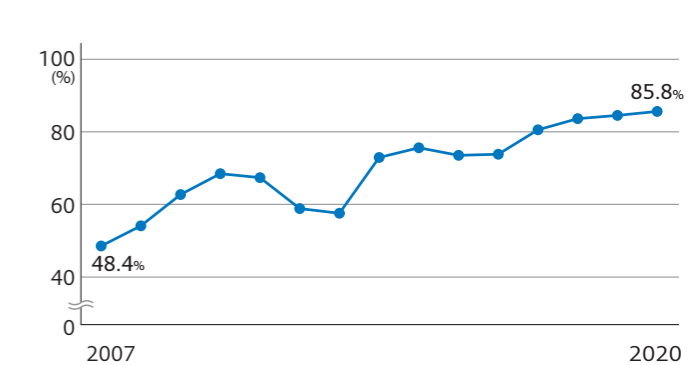


Pharmaceutical and Cosmetics

Composition of Net Sales by Business



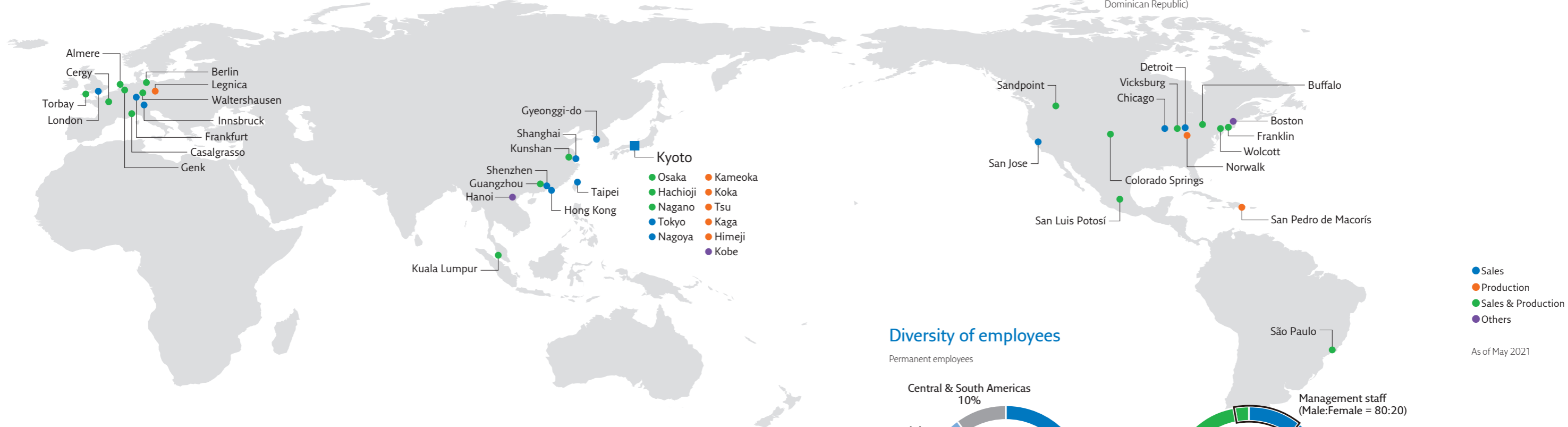
Overseas Sales Ratio



Diversity - Nissha's Growth Driver

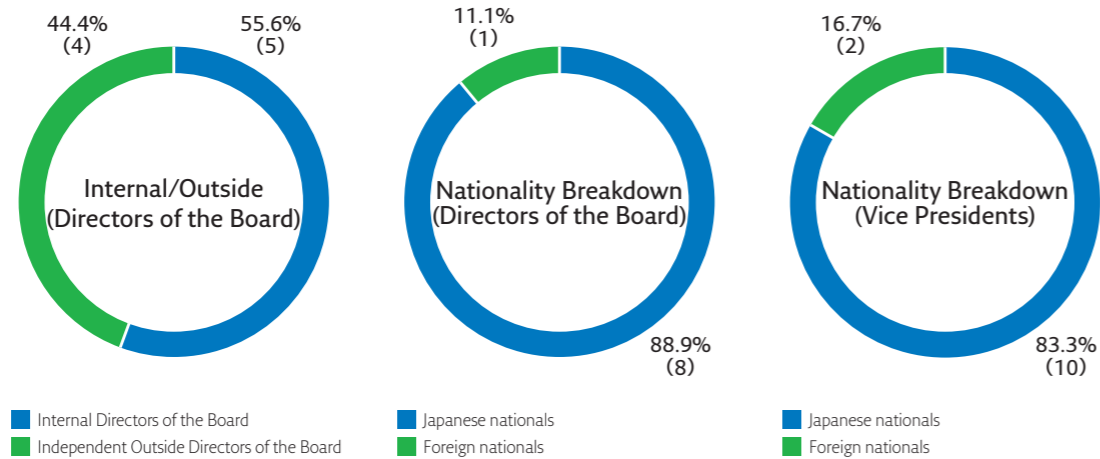
51 bases around the world

With the progress of globalization, Nissha has 15 bases in Japan, including our Global Headquarters in Kyoto, and 36 bases in other countries. Currently, more than half of our employees are working overseas.



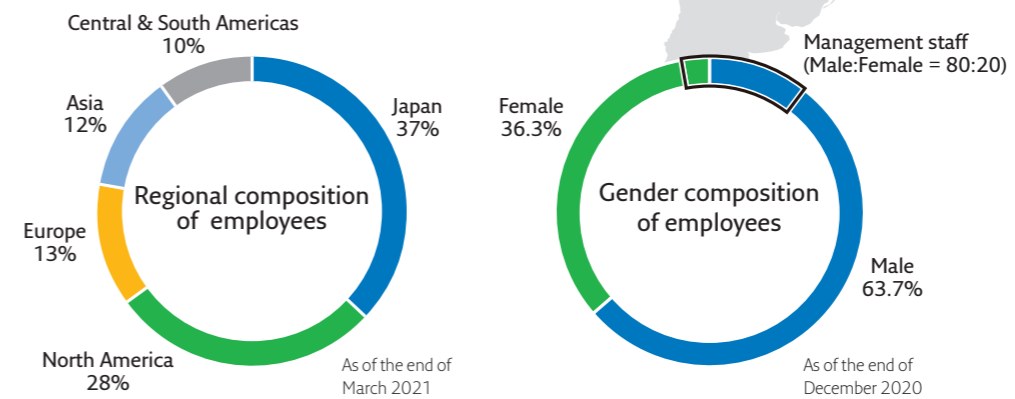
Diversity of executives

As of the end of March 2021



Diversity of employees

Permanent employees





Chairman of the Board,
President and CEO

For Sustainable Growth

I believe it is my own responsibility to ensure Nissha achieves long-term, sustainable growth and expansion. Only through the growth and development of our company will we make a significant contribution to society. Shareholders and investors tend to expect short-term results. While it is important to meet these expectations, companies must also think and act from a long-term perspective of 10 to 20 years at the least, if they are to contribute to society through their business activities. I am convinced that the essence of the management and governance is

to approach the future by backcasting from long-term goals, incorporating these goals into current actions. A perfect example is the recent debates regarding decarbonizing society.

A company has several options to express a basic stance and aspirational contributions. We call these concepts a mission, core values, or a purpose. We are aware of the different focuses and definitions of these concepts. In general, any of these concepts can help a company define its priorities. We express our Mission in the following way.

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.

Our mission statement, 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 first regarding the ideal for diverse employee skills and work, next, the ideal for business activities, and last, the ideal regarding our relations with society. A major feature of our mission statement is that these three perspectives are connected by causality.

Our mission statement presents a clear story of how we contribute to society through business activities performed by a diverse base of human resources. This story reflects a strong awareness of sustainability trends surrounding corporate management in recent years. As companies expand sustainability initiatives in parallel with business activities, Nissha has defined our Sustainability Vision (long-term vision) and the activities and materialities to achieve this vision from four perspectives: Creating Business Opportunities, Risk Reduction, Strengthen Management Foundation, and Corporate Governance.

The following describes the main topics we identified related to materiality.

Creating Business Opportunities

Reorganizing Business Portfolios to Evolve and Grow

Throughout our 90-plus year history, Nissha has evolved and grown by strengthening our core technologies and reassessing our target markets. This is the mainstream of how we create business opportunities. We adhere to the traditional conceptual framework of product portfolio management, evaluating the relative attractiveness of target markets and the competitive position of existing and new products. As we go through this process, we allocate management resources in an optimal manner.

At first glance, one may think that Nissha is entering multiple markets having different characteristics. In reality, however, we can adapt and share management resources across markets in the form of core technologies, human resources capabilities, and business models. Incorporating our core technologies into

the specifications and methods demanded by the market, we evolve and change, which leads to greater synergies.

The development process of the Industrial Materials business in the 2000s and Devices business in the 2010s are two good examples to understand. In the former, we focused company-wide resources toward increasing orders for decoration products (Nissha IMD; simultaneous molding and decorative transfer) for mobile phones and note PCs, two markets that were growing dramatically at the time. As the rapid growth of these markets became apparent on a global basis, we were forced to increase our ability to respond as quickly as possible in terms of quality and quantity. This bold and focused strategy made these businesses the "stars" of our portfolio. At the time, our technologies had become de facto, with customers in these industries referring to our technology methods in their own businesses by saying, "Do Nissha," and "Let's Nissha it." As an interesting by-product, we withdrew from several weaker products in the Devices business to redirect resources to Industrial Materials. We decided to keep and concentrate solely on our touch panel (Nissha FineTouch), which was still a "problem child" at the time. And as a result, we found the next breakthrough.

In the latter case, we saw a business opportunity in the shift from mobile phones to smartphones and tablets in the mobile devices market. Here, touch panels became a driver for growth in our Devices business. Given the history, our Devices business already had structures in place allowing us to focus on touch panels. The Devices business has been playing a dual role as "star" and "cash cow" for our company due to our integrated efforts in raising our capabilities to the next stage. We hired experienced employees to bolster human resources capacity, used factories (clean rooms) of other companies to extend our facility capabilities, and even shifted resources from the Industrial Materials businesses.

In each case, we utilized the core technologies we have cultivated since our founding, such as printing and coating, to create synergies. In each era, we achieved selection and concentration to our benefit.

This kind of dynamic portfolio transformation is unlikely under a haphazard management strategy. It is essential to

Sustainability Vision

Long-term vision for 2030

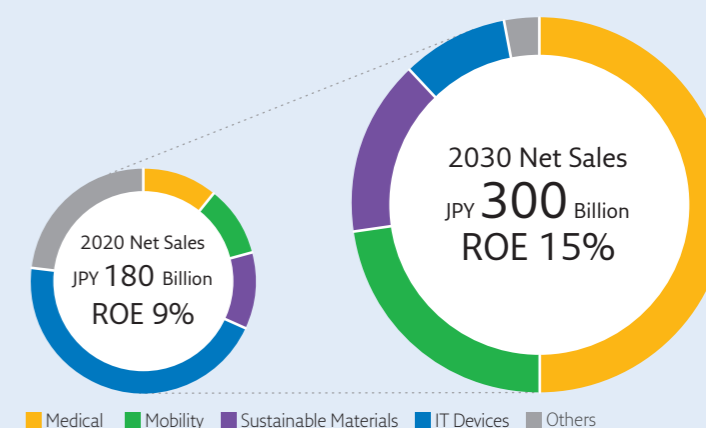
With integration and orchestration of the diverse talents of our people and our technologies, we will contribute to solving global social issues in the priority markets of medical, mobility, and sustainable materials, and realize the enrichment of people's healthy and affluent lives.

Social Value

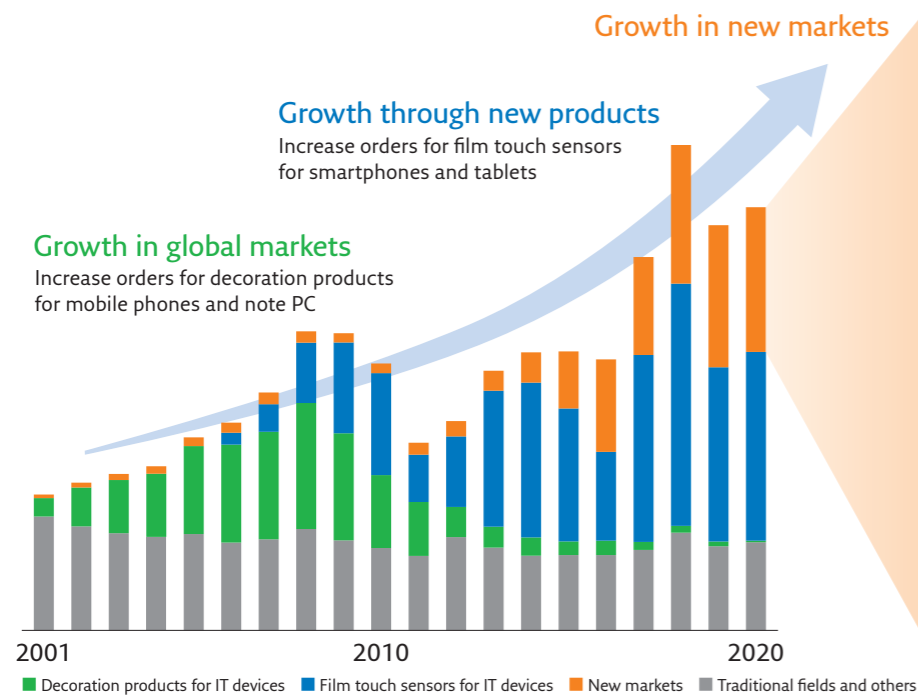
- Solve social issues through business activities
- Solve medical issues, realize safe and comfortable mobility, and contribute to a circular society
- Reduce 30% of total CO2 emissions, in view of carbon-neutral by 2050

Economic value

- Aim for JPY 300 billion of net sales (including JPY 150 billion in medical business)
- ROE 15%




Growth through Transformation




Future Growth Markets

Medical Devices


- Promotion of CDMO
- Expansion of therapeutic areas
- Geographic expansion



Mobility



Sustainable Materials



change proactively with clear strategic intent. In addition to internal efforts, external shocks can be a driving force. In fact, in between the two breakthroughs mentioned above was a period of fear encompassing the so-called Lehman Shock (global financial crisis) and the subsequent appreciation of the Japanese yen. While these events were major financial impediments, they also created a strong sense of urgency and encouraged faster transformation within the company to emerge on the other side of the crises.

Empirically, we can say that business portfolio transformation requires ten years or so, given our experience in shifting from Industrial Materials to Devices within the mobile devices market.

As we state in our Sustainability Vision, Medical Technologies will be a key area of growth and one in which we will dedicate companywide efforts.

Medical Technologies is the Next Pillar of Growth

The mobile devices market is a rewarding market for us in the sense that we compete putting forward our most advanced technologies. At the same time however, the market is not necessarily sustainable in terms of the relationship between capital investment and returns, given the short cycle of technological innovation. Therefore, we intend to reduce our dependence on this market for business results.

In 2016, performance of the Devices business was on a growth track, driven by touch panels for smartphones and tablets. This is the year we entered the medical devices market as our next growth area. Going by the external image of our company at the time, many seemed uncomfortable with the idea of entering the medical devices market. But we conducted our

own analysis of future social issues, industry trends, and market growth rates, as well as the potential for the use of our core technologies in the market. Based on our analysis, we believed the challenge to be ambitious, yes, and also very reasonable.

Our entry into the medical devices market came in the form of acquisitions in the United States, the most developed country in medical care. We chose this approach to reach customers quickly and to comply with medical device laws and industry practices. This is how our Medical Technologies business came to be based and focused in the U.S. market. We have also established a foundation for our business in England and Europe. Our order pipeline is expanding in Japan thanks to our track record in overseas markets and our unique development and sales strategies in our home country.

The business opportunities we see in the medical devices market relate largely to social issues. These social issues include aging social demographics, the increase in acute and chronic diseases, the shortage of medical personnel, responses to infectious diseases, and the sustainability of healthcare finances. Currently, medical care perspectives are expanding from a focus on diagnosis and treatment to the entire care cycle, encompassing prevention and prognosis. We also see a shift in location from hospitals to homes. Another significant development is a shift from a focus on the act of medical care to a focus on results.

Medical devices needs are changing to support of these shifts. We expect to see new technologies for minimally invasive treatments and other means to reduce the burden on patients. Other technologies will aid in the remote monitoring and maintenance of health conditions at home. Robotics technologies will improve efficiencies and save labor in medical treatments. We will see advancements in the use of AI and IoT sensing technologies. Looking ahead to these trends, we expect the

global medical devices market to grow even faster than today.

Based on our understanding of the medical devices market environment, and seeing the needs and trends among our customers in the global medical devices manufacturing field, Nissha has developed a strategy to strengthen our services as a so-called Contract Design/Development and Manufacturing Organization (CDMO) services for our global medical as a pillar of business growth. CDMO involves contract design, development, verification, and manufacturing within the product value chain of our customers' businesses. We are targeting a few fields in particular. One is the field for components used in surgical equipment and robotics medical devices for minimally invasive treatments, which require greater miniaturization, improved operability, and enhanced sensing functions. Another field is wearable sensors and smart devices for monitoring, which also require miniaturization, thinness, and sensing and communication functions.

Our core technologies in molding, metal processing, patterning, and laminating, among others, will contribute to our success in these fields. As I mentioned above, we achieve breakthroughs by adapting our core technologies to the specifications and methods required by our target markets at any given time. In the field of CDMO for medical devices, we strive to produce qualitative changes in our core technologies, as well as in the human resources necessary to carry out these changes.

The U.S. is the main market for our Medical Technologies business. America is the most advanced country in the world in terms of medical care and it is a market in which new technologies are often put to practical use. For this reason, major medical device manufacturers are expanding collaborations with CDMOs in terms of technology. We see this trend as a business opportunity, and we intend to grow our base of business in Europe as well, where we are observing the beginnings of this same trend. Japan has yet to experience a significant movement toward CDMOs in medical devices. However, we will continue to explore business opportunities based leveraging our track record of success and trust in the U.S.

Risk Reduction

A Perspective of Risk Management

One may consider creating business opportunities by identifying promising target markets and evolving core technologies to meet those market needs as "offensive materiality." By that logic, "defensive materiality" would consist of reducing risks, mainly related to the following two points.

First, the world recognizes decarbonizing society as an urgent social issue in response to global warming. Nissha has already launched initiatives to contribute in this area. Specifically, we set a goal to reduce total CO2 emissions in the year 2030 by 30% compared with 2020 levels. This same goal calls for reducing CO2 emissions to zero by the year 2050. To achieve this goal, we will strive to conserve energy by curbing electricity consumption relative to sales growth. We will also pursue the use of renewable energy over time. In Japan, alternative energy sources can be a factor in the actual rise of power costs. Therefore, we intend to set a 10-year milestone target, making flexible changes as we monitor cost trends. Our adoption of renewable energy is more advanced overseas. As an example, our plant in Belgium is beginning to install wind power generation equipment on site. Our factories in the U.S. and China plan to use solar power to cover a certain portion of electricity usage. In any event, we will pursue renewable energy based on cost versus performance,

without being influenced by the trends of the day. [See P.021](#)

Allow me to discuss a few examples of how we contribute to a decarbonized society through our businesses. Since 2015, our Industrial Materials business has endeavored to sell products made from non-plastic materials that are friendly to the global environment. Our first product in sustainable materials is metallized paper made from paper materials. This product today enjoys the largest global market share in our target markets outside Japan, and Nissha metallized paper is used widely in the outer packaging of beverage and food products. Our second effort in this area is the supply of packaging products made by pulp fiber injection molding. We have already begun mass production of this product in Japan and Germany, used as packaging materials for pharmaceuticals.

A second perspective on "defensive materiality" relates to life-preserving medical devices, which will serve as a future driver of Nissha growth. Here, we must develop and implement capabilities and systems to comply fully with relevant laws and regulations regarding manufacturing and quality. When entering a new industry like this, we must secure personnel with specialized knowledge and experience. In parallel, we intend to conduct rigorous internal training.

Corporate Governance

Practicing Corporate Governance at an Advanced Level

Next, I want to address the governance system we have put in place to achieve our Mission in the midst of turbulent economic and social trends.

Our governance system is designed for optimal decision-making, supervising, and reporting between and among the board of directors, members of the Audit and Supervisory Board, the Nominating and Remuneration Committee, and executive directors responsible for business execution under the direction of the president. As part of this system, our Sustainability Committee is responsible for pursuing action items related to ESG. Further, the Regional Collaboration Committee (the Americas, Europe, and China) facilitates cooperation in management functions across operating companies in global regions. These committees are structured to work closely with the other organizations just described.

This system meets the requirements of Japan's Corporate Governance Code at an advanced level. In general, people say that the main features of Japan's Corporate Governance Code lie in the soft laws of compliance or explanation. Personally, I believe the degree of corporate compliance, both primarily and in the external sense, are where investor arguments and assessments tend to focus. Meanwhile, in July 2020, the Ministry of Economy, Trade and Industry outlined the role of outside directors in its Practical Guidelines for Outside Directors. In April 2021, the Financial Services Agency and the Tokyo Stock Exchange issued a revised version of Corporate Governance Code and Guidelines for Dialogue between Investors and Companies. In this publication, the entities called for companies to demonstrate board of director effectiveness, to ensure diversity in management, and raise the level of engagement in sustainability and ESG. Given these changes, I feel we have entered a phase in which we must improve and promote the effectiveness of governance in an active manner.

We have been very aware of these trends, and I am pleased to report that we engaged in these matters most passionately

throughout 2020.

We have seen more discussions on the growing need for boards to be more active and oversee management with greater vigor and from a broader perspective to support executives in their roles. More authority must be delegated to executives to avoid having boards bogged down in detailed deliberations regarding minute matters. Technically, this is a simple task of changing the rules of authority regarding standard for submitting matters to the board of directors, but we examined many issues during the discussion process.

The response of our Independent Outside Directors to the company's original proposals reflected the diversity of our Board of Directors, particularly with respect to the degree of delegations of authority. Some felt that the board should move to a broader-based position. Others wanted to retain as much involvement as possible in individual matters. Some were in favor of delegating authority, but called for a mechanism to enhance the discipline of the Investment Committee, which is the executive organ for investment-related decision-making and post-investment evaluations.

As chair of the Board of Directors, I recognize that this shift is an important first step in the evolution of corporate governance at Nissha. I respected the process of listening to opinions calmly and exchanging views. As a result, we reached consensus after three board meetings, which is unusual when dealing with a single agenda item. The biggest point of contention was enhancing the discipline of the executive organs. Here, we revised the operating rules of the Investment Committee and revised the reporting cycle by which the board monitors the activities of the committee.

Mr. Osugi, our senior Independent Outside Director, noted in his message to our outside directors that this process was a memorable example of diversity at Nissha and our "aim for a common goal through competing opinions." [See P.058](#)

Directors Boot Camp

Another major accomplishment in fiscal 2020 was the creation of Directors Boot Camp. The camp was an opportunity for directors to step away from the regular agenda and consider the big picture of our growth strategy. At one point during the camp, I spoke on the trajectory of the Nissha portfolio transformation over the past 90 years and how it relates to our future strategy. We also had tremendous discussions on basic market and technology analysis in formulating the 7th Medium-term Business Plan, which we execute beginning of 2021. Other discussions included our approach to long-term corporate value



Directors Boot Camp

and proper shareholder returns. We intend to hold this boot camp every year, covering different but important topics.

A Diverse and Powerful Board of Directors

I believe diversity in an organization consists of individuals with different expertise and character working together toward a common goal. In this sense, our board of directors is very supportive and passionate about achieving this kind of diversity. As chair of the Board of Directors, I encourage diverse discussions. At the same time, in my role as president and representative director, I try to embody accountability as the person responsible for business execution. Our annual evaluation of board effectiveness included opinions that my distinction in these roles has been fair.

Our board consists of nine members, four of whom are Independent Outside Directors. This is a diverse and powerful group of individuals. We brought in our first Independent Outside Director when I became president in 2007. Our current team is the third generation in terms of changes in skills matrix.

Our current Independent Outside Directors have backgrounds in central banking, electronics, multinational management, and corporate law and governance. These individuals offer their full cooperation, even in suddenly shifting situations requiring rapid reports and resolutions, such as corporate acquisition projects.

As we shift our Medical Technologies business to a main growth driver, I hope to bring in Independent Outside Directors who have management and practical experience in medical devices and related industries. I plan to work closely with the Nomination and Remuneration Committee to design the next ideal board structure in this regard.

Please refer to the section titled Initiatives for enhancing Governance for an evaluation by our Independent Outside Directors on 2020 Board of Director performance. [See P.057](#)

Meanwhile, three of our five internal directors, including myself, have overseas work experience. I and one other director joined Nissha after careers at other companies. As you can see, the board offers an appropriate cross-section of skills and qualities without leaning too far in one direction. We have made a generational change for 2021, adding two new directors who have outstanding experience and insight in sales, production, and quality. With this change, all of our internal directors are individuals who have journeyed with me over the past 20 years in making Nissha a global company. This is a very encouraging development.

Nurturing Successors to Strengthen Our Management Foundation

Since even before the Ministry of Economy, Trade and Industry's Practical Guidelines for Outside Directors, I have been deeply aware of the issue of CEO succession planning.

I am part of the founding family of our company and also a major shareholder. These facts, as well as my relatively young age and mental health, have given rise to a general impression that a discussion of generational change may be a bit premature. But the more I orient my thoughts and actions to the long term, the more I believe that training successors is also a long-term task.

I believe our Nomination and Remuneration Committee, consisting mainly of Independent Outside Directors, understands my thought process here. At this point, we recognize that we

have created a small group of potential successors based on past training and nurturing efforts. I still believe we must create a more explicit list after discussing selection criteria and other factors. I will continue to work closely with the Nomination and Remuneration Committee on this matter.

Strengthen Management Foundation Sustainability Committee and ESG Task Force

We established the Sustainability Committee, which I chair, as a means to manage materiality in an integrated manner. The Sustainability Committee works with business units and group companies responsible for creating business opportunities. The various subcommittees and departments under the Sustainability Committee are responsible for reducing risks and strengthening our management foundation. We intend to establish the ESG task force as a subcommittee led by the president. This subcommittee will take the lead in areas such as decarbonizing society, diversity, human resource development, and human rights, and pharmaceutical affairs, which are areas we consider to be of particularly high importance.

I have already mentioned some of our efforts to decarbonized society.

In our efforts to ensure diversity, human resource development, and human rights, our human resources department at the Kyoto Global Headquarters works with human resources departments at group companies around the world. Here, we have established a system that unifies our definition of the term management-level job, which can differ from country to country. The Kyoto human resources staff also monitors the number of management positions and gender ratios on a global basis. Our policy is to bring the ratio of women in management positions to the same level as the ratio of women to general employees. Specifically, we aim to increase the ratio of women in management positions on a global consolidated basis from 19% in 2020 to 21% in 2023, and from 4% to 8% in Japan. In Japan, where the ratio of women in management positions is low, we see a larger number of women at levels just below management. We want to provide more opportunities for women to show their talents and encourage their professional growth.

We are stepping up our efforts in human resources development. I mentioned our work in nurturing management successors earlier. In connection with these efforts, we plan to select and train candidates for executive officers and managers through systematic courses at Nissha Academy, our in-house university of which I serve as president. Nissha Academy consists of company-wide practical training courses by title and job



Nissha Academy

function, as well as selective courses for management, strategy, and the fostering of global professionals. I and other senior executives take roles as teacher. In some cases, we invite professors from graduate schools of business administration in Kyoto to teach courses.

Nurturing human resources requires more than just enhanced training systems. We must also be proactive in promoting capable individuals to more important roles. In Japan, we revised human resources systems for managers beginning July 2020 and for general employees beginning January 2021. We have adopted a system placing greater emphasis on individual abilities, rather than traditional promotion-by-seniority. I am convinced that as we operate this new human resources system effectively, our employees will feel inspired to take on new challenges. This new spirit will serve as a driving force for Nissha growth. [See P.063](#)

We have adopted a non-seniority job-based system, or something similar, for employees hired and working in countries other than Japan. The Regional Collaboration Committee I mentioned earlier aims to even the level of practice for administrative divisions, including human resources departments, at each individual company on a lateral and cross-organizational basis. We hope to have each country work in step with each other on human resources development.

We focus on the issues of child labor and forced labor in connection with human rights. We plan to complete audits of primary suppliers to ensure no human rights issues by the end of 2023 in countries are regions having particularly high human rights risks. We noted no cases of non-compliance by group companies.

The Fight Against COVID-19

The fight against COVID-19 has been going on for more than a year. Despite differences in Japan and overseas, the general view is that we have won the fight. While there were undeniable differences in government lockdown methods and individual behavior among countries, Nissha People have been cooperating in the fight against the spread of infection. Further, Nissha Group is fulfilling our role as an essential supplier to society, and we have not experienced a worst-case scenario of a major shutdown of our production units.

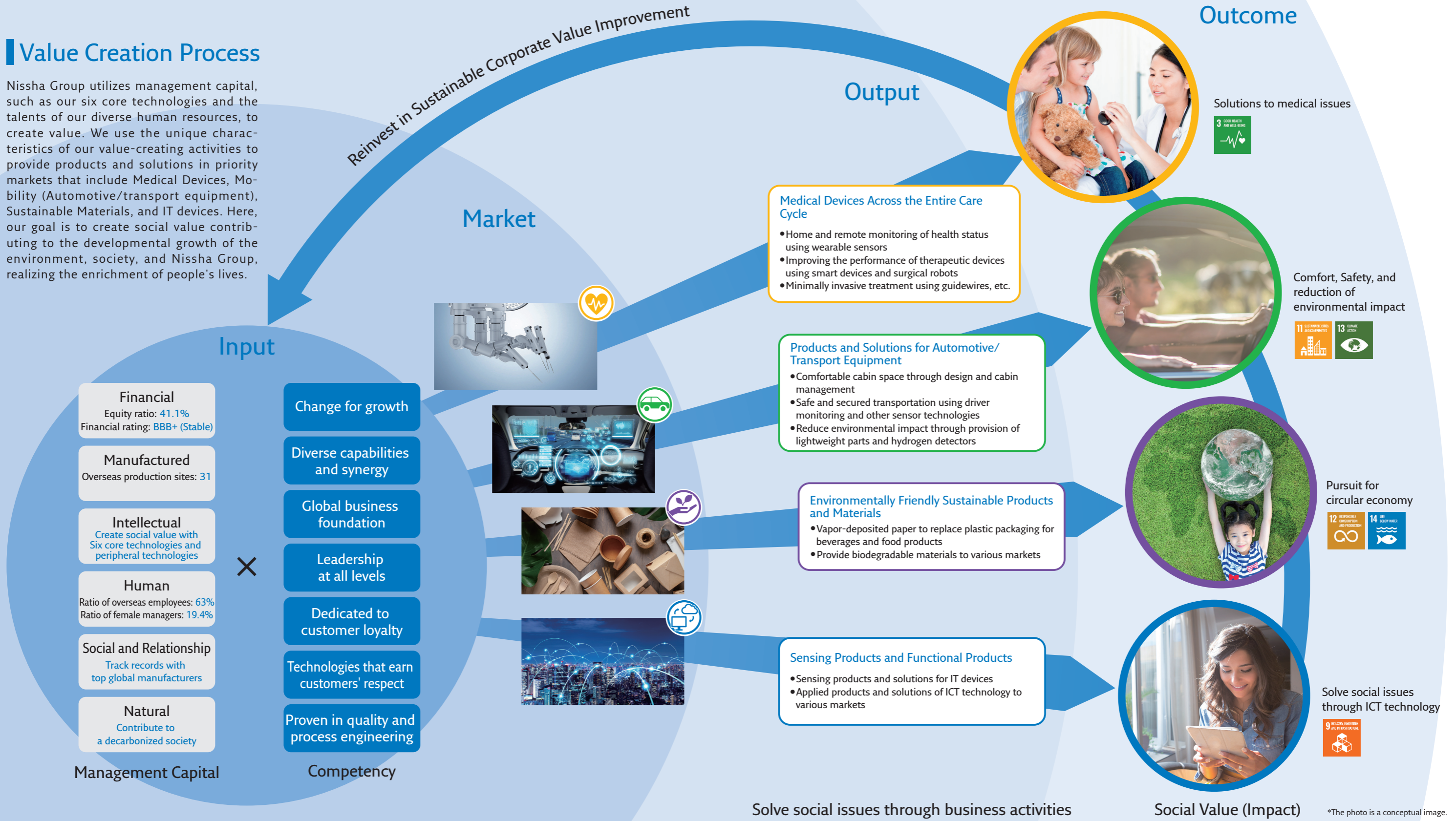
Even before COVID-19, we had established ICT platforms such as video conferencing systems in our pursuit of diverse work styles. Our preparations meant that we experienced no major work disruptions. Rather, the entire company is motivated engage in work under the new normal. We will continue to make flexible changes to our work systems according to the infection situation. We are ensuring functioning reporting lines between supervisors and subordinates, as well as between parallel organizations.

I ask for the continued support of you, our shareholders and investors.

Value Creation Process

Nissha Group utilizes management capital, such as our six core technologies and the talents of our diverse human resources, to create value. We use the unique characteristics of our value-creating activities to provide products and solutions in priority markets that include Medical Devices, Mobility (Automotive/transport equipment), Sustainable Materials, and IT devices. Here, our goal is to create social value contributing to the developmental growth of the environment, society, and Nissha Group, realizing the enrichment of people's lives.

Reinvest in Sustainable Corporate Value Improvement



Sustainability and Materiality

Nissha Group Sustainability



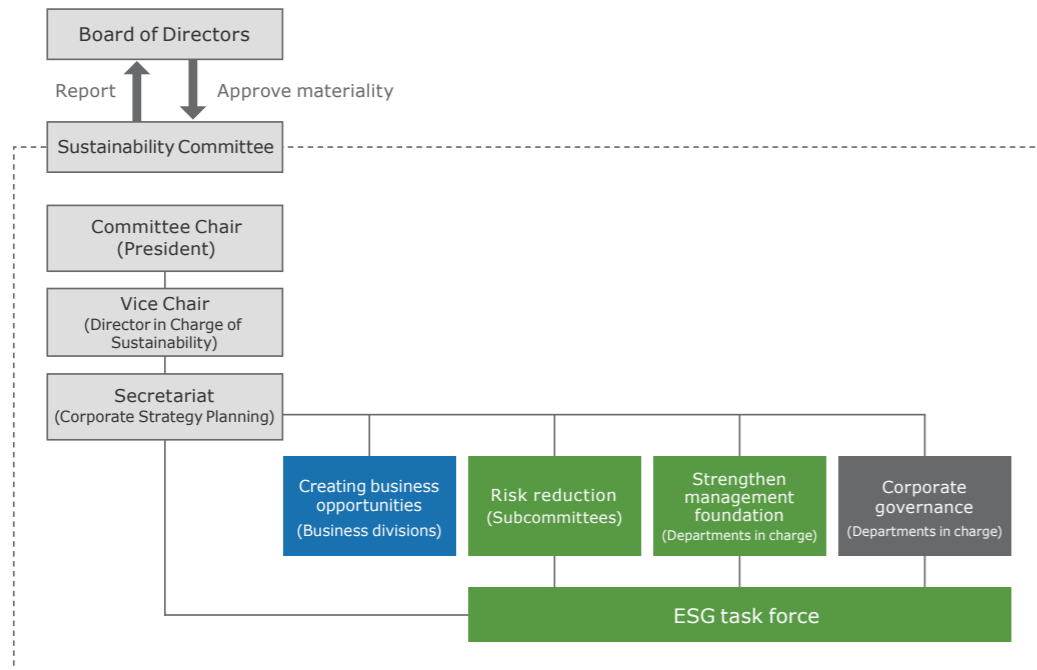
Nissha Group regards sustainability to be initiatives that achieve the mutual growth and development of both the company and society. This is why we view social issues to be business opportunities, and it is important that we utilize our strengths to provide products and services that solve social issues. At the same time, we must strengthen our management foundation to support business activities, reduce risks to corporate sustainability, and pursue corporate governance to advance our initiatives in an appropriate manner. Through these activities, we will achieve our Mission of enriching lives by creating economic and social value.

Nissha Group has defined Sustainability Vision (long-term vision) that communicates where we want to be as a corporate group by the year 2030. Guided by this vision, we aim for annual net sales of JPY 300 billion and an ROE of 15% or more. We will accomplish these goals through products and solutions that contribute to solving social issues and creating social value in the priority markets of medical, mobility (automotive/transport equipment), and sustainable materials. We are also striving to reduce our total CO2 emissions by 30% (versus 2020), with a view to becoming carbon-neutral by 2050. In so doing, we aspire to fulfill the spirit of our Mission to realize the enrichment of people's lives.

Promotion Framework for Sustainability

We established the Sustainability Committee, chaired by the president and vice-chaired by the officer in charge of sustainability. The Sustainability Committee works in collaboration with our business organizations, subcommittees, and business divisions on a number of topics. These topics include creating business opportunities, reducing risks, strengthening the management base, and promoting governance. We also established the ESG task force, which is a cross-departmental organization

that addresses and strives to accelerate activities related to a number of particularly important materialities from the standpoint of ESG. These materialities include response to a decarbonized society, improving human resources capabilities and utilizing diverse human resources, respect for human rights, and pharmaceutical affairs. Each organization is responsible for managing strategic materialities, KPIs, and action programs. We conduct progress checks on a monthly or quarterly basis.



Materialities of Nissha Group

Nissha Group has reviewed its materialities in line with the establishment of the Sustainability Vision (long-term vision) and the start of the 7th Medium-term Business Plan (2021-2023). While taking into account the status of KPI achievement up to the previous year 2020, we have identified the following through the process of identification described on the next page.

Creating Business Opportunities (Resolution of social issues through business)

Identify important social issues (needs) in the priority markets stipulated in Sustainability Vision and the 7th Medium-Term Business Plan currently in operation

	Materiality	Strategy Items	KPI (2023)	SGDs to contribute
Creating Business Opportunities	1 Solving medical problems	Expansion of business for Medical Devices / Healthcare market •Contribution to medical care centered on minimally invasive (heart disease) and acute care fields	•Net sales of Medical Technologies business	3 GOOD HEALTH AND WELL-BEING
	2 Contribute to the safety and comfort of transportation and logistics, and the reduction of environmental impact	Expansion of business for Mobility market •Providing mobility products that contribute to safety, comfort, and reduction of environmental impact	•Net sales of Mobility segment	11 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	3 Promotion of Circular Economy	Expansion of business for the sustainable materials market •Promotion of Circular Economy •Solving marine plastic pollution issues •Contribution to improving resource utilization efficiency	•Net sales of Sustainable Materials segment in Industrial Materials business	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER
	4 Solving social issues by applying and integrating technologies	Creation of new products that lead to the solution of social issues	•Net sales of New Business Development Office	3 GOOD HEALTH AND WELL-BEING, 13 CLIMATE ACTION

Risk reduction (Reducing environmental and social risks that impede business continuity)

Evaluate and identify environmental and social risks that impede business continuity in aiming to achieve Sustainability Vision and the 7th Medium-term Business Plan

	Materiality	Strategy Items	KPI/Target (2023)	SGDs to contribute
Risk Reduction	1 Promotion of compliance	Enhancement of the internal reporting system Responding to domestic and foreign legal risks	•Set up an optimal contact point for the entire company and establish an operational flow •Understanding the risks of individual laws and regulations; education and retention.	8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	2 Respect for Human Rights (P.065 Major Initiatives to Reduce Environmental and Social Risks)	Reduction of labor and human rights risks	•Number of child labor and forced labor cases of primary suppliers in areas with high labor and human rights risks (Latin America, Southeast Asia, China): 0	8 DECENT WORK AND ECONOMIC GROWTH
	3 Promotion of Health and Productivity Management (P.065 Major Initiatives to Reduce Environmental and Social Risks)	Creating a workplace where employees are physically and mentally healthy, highly motivated, and able to work lively (improvement of employee engagement)	•Raising health awareness: Hold a wellness day for employees once a month •Early detection and treatment of illness: Improvement of the rate of detailed health examinations (examination rate of 50% or more) •Workplace support in stress checks: 100% attendance and participation of subcommittee members in workplace care interviews	3 GOOD HEALTH AND WELL-BEING
	4 Response to a decarbonized society (P.021 Special Feature: Initiatives for a Decarbonized Society)	Reduce our total CO2 emissions by 30% (versus 2020), with a view to becoming carbon-neutral by 2050.	•Develop a plan to reduce total CO2 emissions toward the 2030 target, and reduce the prescribed CO2 emissions by 2023.	13 CLIMATE ACTION
	5 Occupational Health and Safety (P.065 Major Initiatives to Reduce Environmental and Social Risks)	Reduction of occupational accidents Understand and reduce the health and safety burden of newly acquired companies through M&A	•Number of occupational accidents 7 or less •Expand scope	8 DECENT WORK AND ECONOMIC GROWTH
	6 Advancement of quality control (P.041 Evolutions in Quality and Production)	Reduction of quality cost ratio Improvement of quality assurance system that gains customers reliance Support for strengthening quality system in strategic priority areas (Medical, Mobility)	•Quality cost ratio target: 3.0% •Continuation and expansion of QMS certification •Pointing out and support through internal audit •Implementation (as planned) of quality education •Improvement support for business divisions such as small group activities •Support for strengthening quality system in strategic priority areas	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	7 Providing responsible medical products and services	Strengthening the legal compliance system by thoroughly disseminating medical-related laws and regulation Ensuring the quality and safety of products and services Appropriate disclosure of information about products and services	•Continuous implementation of education for management and all employees •Maintenance and expansion of ISO13485 certification •Compliance with laws and regulations related to information disclosure (Pharmaceutical Machinery Law Enforcement Regulations, Appropriate Advertising Standards for Pharmaceuticals, etc.)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

	Materiality	Strategy Items	KPI/Target (2023)	SGDs to contribute
Risk Reduction	8 Continuity of business activities (→ P.065 Major Initiatives to Reduce Environmental and Social Risks)	Execute business continuity basic plan in case of emergency	<ul style="list-style-type: none"> Response to infectious diseases Implementation of management BCP training and BCP training at major domestic bases Understanding the BCP operation and management status of important bases 	8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	9 Protection and utilization of information assets (→ P.065 Major Initiatives to Reduce Environmental and Social Risks)	Strengthening security in response to new work styles Strengthening and establishing ISMS	<ul style="list-style-type: none"> Attendance rate of information security education for all employees Number of information security incidents Expansion of ISMS application range to overseas undeveloped departments 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Strengthen Management Foundation (initiatives to support the creation of business opportunities and the reduction of risks)/Corporate Governance

Identify important management foundation elements for accelerating business activities toward the achievement of Sustainability Vision and the 7th Medium-term Business Plan

	Materiality	Strategy Items	KPI/Target (2023)	SGDs to contribute
Strengthen Management Foundation	1 Improving human resource capabilities, and utilizing diverse human resources (→ P.063 Human Resources Strategy)	Enhancement of trainings for management / strategic human resources, and rotation Promote activities for women	<ul style="list-style-type: none"> Selection rate of leader candidates Nissha: 36% Female manager ratio Global consolidated: 21% Nissha: 8% 	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
	2 Productivity improvement (→ P.041 Evolutions in Quality and Production)	Digitization of value creation process	<ul style="list-style-type: none"> Reduction of working hours by automation and efficiency tools such as RPA (compared to 2020) by 100,000 hours / year Company-wide development of digitization of value creation process 	8 DECENT WORK AND ECONOMIC GROWTH
Corporate Governance	3 Corporate Governance (→ P.044 Corporate Governance)	Improving the effectiveness of the Board of Directors	Improving the effectiveness evaluation results of the Board of Directors	



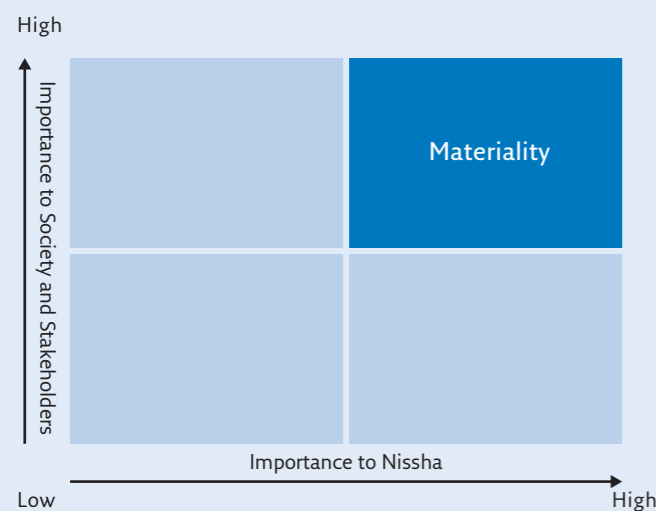
New environment-friendly designed base of Nissha Medical Technologies in Cergy, France

Materiality Identification

Nissha Group identifies items of particular importance as materialities in order to realize our Sustainability Vision and achieve the goals of the current 7th Medium-term Business Plan.

Materialities are evaluated from the 4 perspectives of, Creating Business Opportunities, Risk Reduction, Strengthen Management Foundation, and Corporate Governance, using the two axes of "importance to society and stakeholders", and

"importance to Nissha". In addition, "importance to society and stakeholders" incorporates opinions obtained through dialogues with stakeholders including customers, shareholders and investors. The identified issues and their positioning within the Group are discussed by the Sustainability Committee, and materialities are identified through deliberations and resolutions by the Board of Directors.

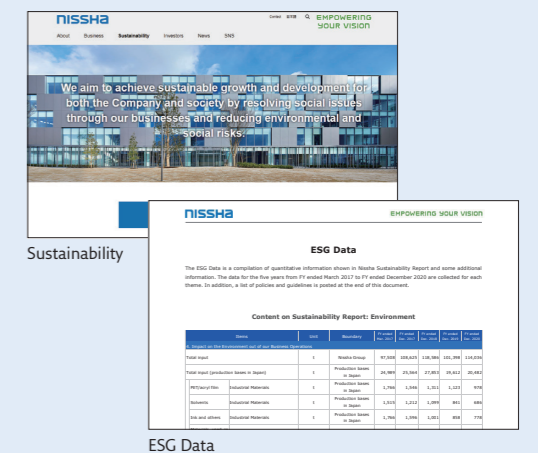


- Step 1 Identify related social issues**
Identify social issues related to Nissha Group and its supply chain based on the business environment, referencing the SDGs, GRI Standards, RBA, etc.
- Step 2 Prioritize**
Analyze and prioritize the social issues identified in Step 1 based on the axes of importance 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, ESG task force and other organizations.
- Step 4 Establish materialities and KPIs**
Based on Steps 1 to 3, materialities are identified through deliberations and resolutions by the Board of Directors. In addition, business organizations, subcommittees, and the ESG task force incorporate strategic items and KPIs, which are then approved by the Sustainability Committee.

Sustainability Information Disclosure

On other media than this integrated report, 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 2021:**
This is our sustainability activity report for the 2020 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>



Guidelines and Frameworks Referenced

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

- United Nations Global Compact**
In April 2012, Nissha 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.
- 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 refers to the GRI Standards for international sustainability reporting guidelines. We continue to strive to improve the reliability and comparability of our reporting.

Special Feature: Initiatives for a Decarbonized Society

Our goal is to reduce total CO2 emissions by 30% (versus 2020) in 2030, with a broader target of becoming carbon-neutral by 2050.

In recent years, the frequent occurrence of abnormal weather conditions such as torrential rains—believed to be caused by global warming—have driven efforts to address global warming as a critical issue for the international community. The Paris Agreement, adopted at the 2015 COP21 meeting, established the goals of zero greenhouse gas emissions in the second half of this century and of keeping the global average temperature rise below 2 C degree compared to the pre- Industrial Revolution era. Nations have increased their own targets in line with these shared global goals. In October 2020, the Japanese government declared its goal to become a carbon-neutral, decarbonized society by the year

2050. In April 2021, the government announced that it would target a 46% reduction in greenhouse gas emissions (versus 2013) by 2030.

In light of these trends, Nissha Group set a goal to reduce CO2 emissions by 2030 to achieve a broader goal of carbon neutrality in 2050. In July 2021, we revised our previous 20% reduction target (versus 2020) upward to 30%.

Going forward, the Group intends to engage in information disclosure referencing recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in addressing climate change.

Engaging in CO2 Reductions Through Creating Business Opportunities and Risk Reduction

Nissha Group views our initiatives toward a decarbonized society as both business opportunities and risk reduction. In other words, our intent is to contribute to a decarbonized society by providing products and solutions in our business activities that contribute to the reduction of CO2 in society as a whole, as well as by minimizing CO2 emissions resulting from our own business activities.

Business Opportunities

Nissha Group provides various products and solutions that contribute to CO2 reduction.

For example, a group company Nissha FIS, Inc. provides hydrogen detectors (sensors for detecting hydrogen gas leaks) installed in hydrogen fuel cell vehicles. While fuel cell vehicles are expected to enjoy significant popularity as a CO2-free mobility option having low environmental impact, hydrogen fuel leakage could lead to a serious accident. Our hydrogen detectors offer rapid response, superior hydrogen gas selectivity, and outstanding reliability, playing an import-

ant role in detecting hydrogen leaks quickly. By providing safety and security for hydrogen fuel cell vehicles, we are making a contribution to rapid achievement of a decarbonized society.



Hydrogen Detector

Risk Reduction

We are advancing a variety of initiatives to reduce CO2 emissions as a result of our business activities by 30% by the year 2030 (versus 2020). With a view to conserving energy and minimizing our consumption, we are taking a number of actions, such as changing lighting equipment in offices, reducing power consumption at our production facilities by making production more efficient, and saving energy in our machinery and equipment. We are also working to switch the source of our energy, changing from fossil fuels to green power generated from solar and wind energy.

For example, we installed on-site solar panels at our facili-



Solar Panels at our Facilities in China

ties in China. These panels now provide green power generated in-house, accounting for about 10% of total energy used. We also plan to make a gradual switch to electricity provided by power utilities from fossil fuel-derived energy to green energy.

These Nissha Group efforts have received high praise from external bodies, earning an A- grade in the Climate Change Report 2020, which is published by international non-profit environmental organization CDP. Our score of A- is the second highest grade possible (of eight) and shows our level of leadership in climate change initiatives.

We will continue to pursue these efforts, contributing to the achievement of a decarbonized society through both business opportunities and risk reduction.

A- grade in the Climate Change Report 2020 of CDP



The 7th Medium-term Business Plan

We made a start of the 7th Medium-term Business Plan in January 2021.

It sets our medium-term strategy for the 3 years from 2021, reflecting backwards the Sustainability Vision for 2030.

Under the 7th Medium-term Business Plan, we aim to construct a foundation for growth by fully utilizing the global business bases we have acquired and built so far and maximizing their synergies.

- 023 Corporate Strategy
- 033 Business Unit Strategy
- 039 Strategy of New Business Development Office
- 041 Evolutions in Quality and Production

Company-wide Strategy

Under the 7th Medium-term Business Plan, we aim to achieve our vision by solidifying the foundations for growth in non-IT fields.

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

Wataru Watanabe



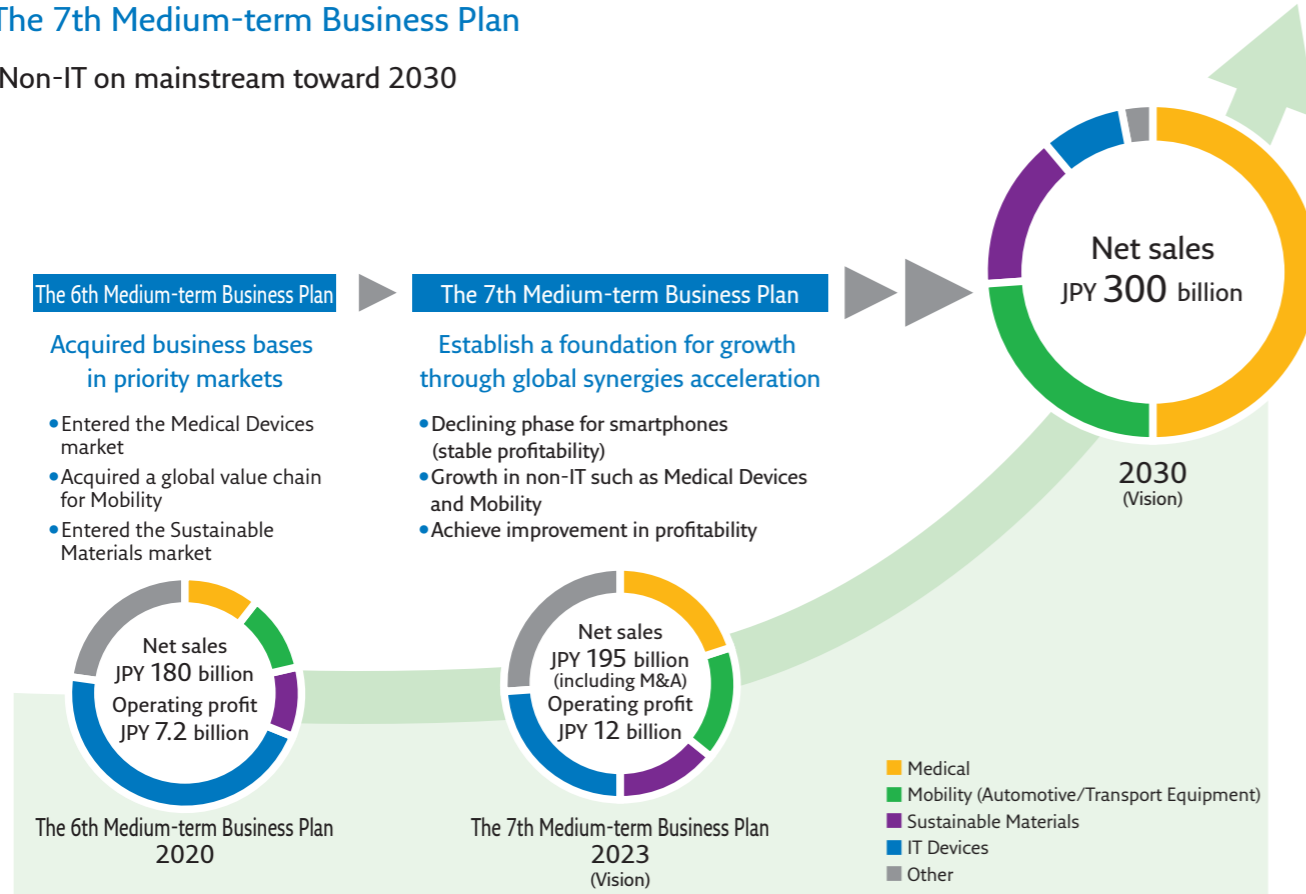
Positioning of the 7th Medium-Term Business Plan

On February 12, 2021, Nissha announced the 7th Medium-term Business Plan (for the three-year period from 2021 to 2023). The 7th Medium-term Business Plan is a quantitative and qualitative description of possible strategic actions backcast from our Sustainability Vision (our vision as a company in 2030). The main objective of our plan is to consolidate the foundations of growth in the three priority markets of Medical Devices, Mobility, and Sustainable Materials. Further, we aim to

put the finishing touches on our business portfolio reorganization strategy through this plan. The three years following 2021 will be the first important touchstone for driving significant growth in priority markets as we head toward the year 2030. We will review past medium-term business plans to identify actions to take and practices to eliminate. At the same time, we will identify the missing pieces necessary to achieve our vision for the future.

The 7th Medium-term Business Plan

Non-IT on mainstream toward 2030

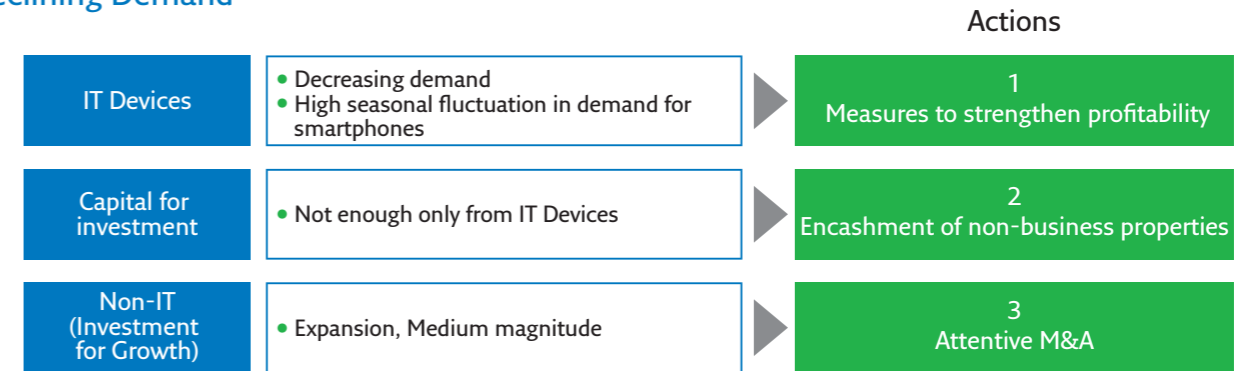


Review of the 6th Medium-term Business Plan

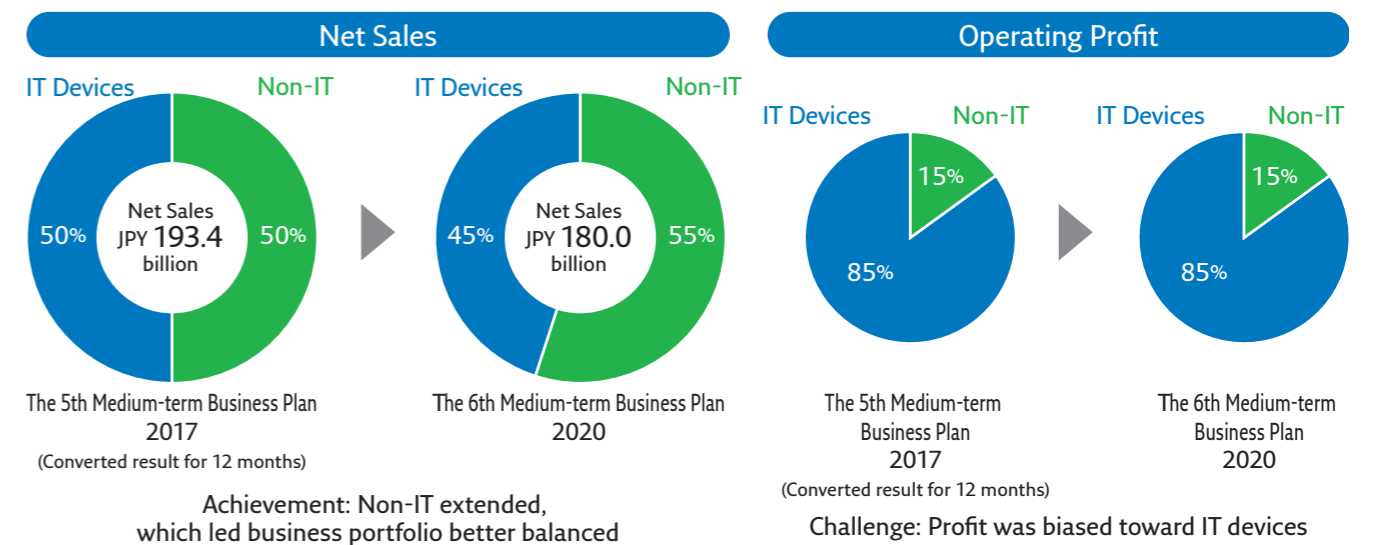
Since the global financial crisis of 2008, we have relied on the IT devices market as a key driver of business performance. Combining our six processing technologies, we have provided the IT devices market with large quantities of touch sensors and IMD products that offer technological superiority and suitable quality at a reasonable price. Leading global companies have recognized our outstanding products and services. However, IT devices such as smartphones and tablets are approaching the peak of their product lifecycles. Sales volumes are beginning to plateau according to global demand forecasts. During the period of the 6th Medium-term Business Plan, which we implemented from 2018 to 2020, the business environment deteriorated due to the severe impact of IT device commoditization. In June 2020, the company we implemented the Measures to Strengthen Profitability. The Measures to Strengthen Profitability resulted in an annual cost reduction of JPY 2.5 billion. These measures include idling domestic production bases with low capacity utilization rates and calling for voluntary early retirements among employees. This was a painful process. Our intention, however, was to rebalance our business portfolio and quickly implement the blueprint for our long-term vision by exercising management discipline and securing resources for growth. In addition, we accelerated our portfolio reorganization

strategy, by selling the Tokyo-area business territory of our Information and Communication business (end of 2019), which had been in existence since being established in 1929. In addition to the sale of fixed assets, including production bases idled as a result of the sale of a business, we also secured balance sheet efficiency through the sale of strategic shareholdings. We have been investing funds steadily in M&A activities, mainly in medical devices and sustainable materials. Summarizing the 6th Medium-term Business Plan, we can say that it was a three-year period in which we responded immediately to the commoditization and decline in demand for IT devices, particularly smartphones, by implementing measures described mainly under Measures to Strengthen Profitability. We also made steady progress in reorganizing our business portfolio according to a growth strategy that included aggressive M&A activity. Through these efforts, we have shifted sales away from IT devices and toward non-IT fields. The ratio operating profit from non-IT fields, which are a priority, remains a challenge. We actively invest in this field through M&A and business alliances, attracted by high sales growth and abundant business opportunities. In the future we will need to refine the process of creating new value by incorporating and assimilating the capabilities we acquire from outside the company.

Taking Three Actions in Immediate Response to Commoditization of IT Devices and Declining Demand



Achievement and Challenges from the 6th Medium-term Business Plan

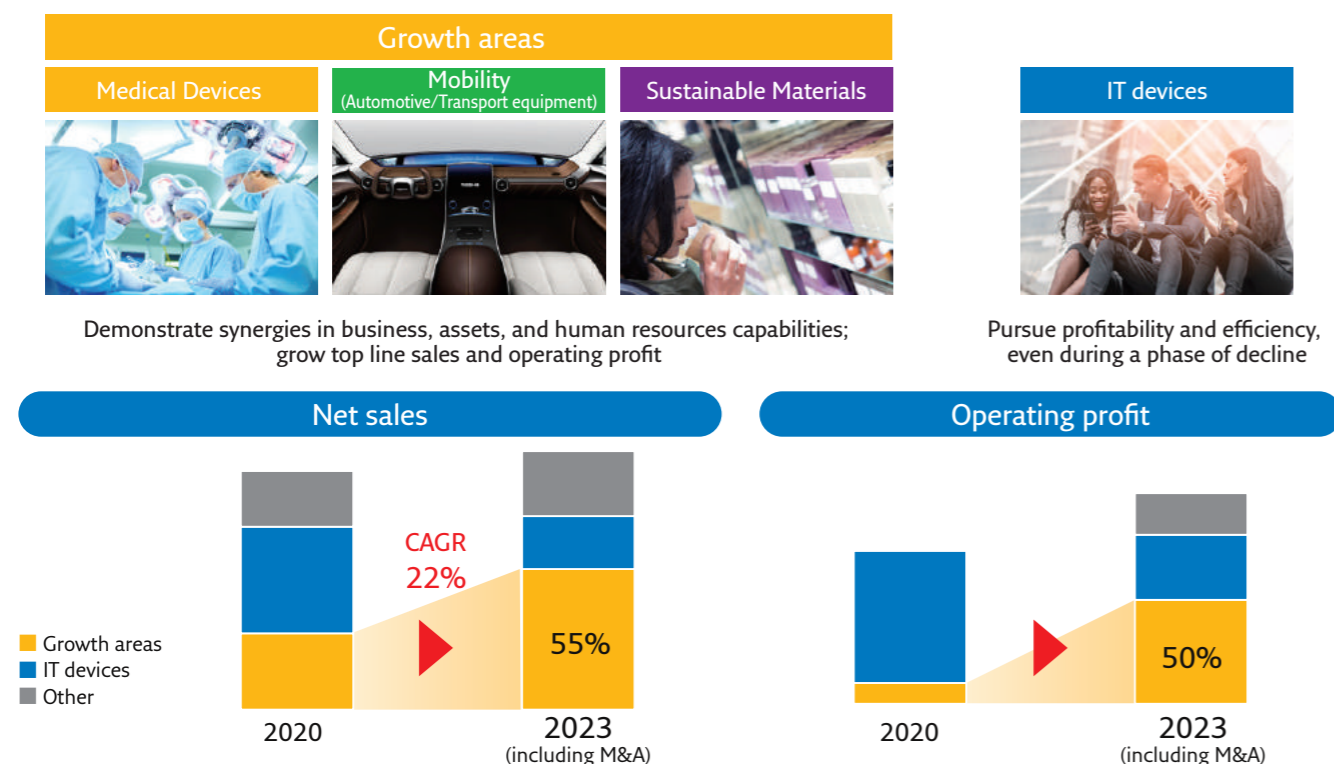


Vision of the 7th Medium-term Business Plan

Reflecting the results of our previous plan, the qualitative vision of the 7th Medium-term Business Plan is to accelerate synergies in priority non-IT sectors and solidify foundations for growth in these sectors. Our top priority is to fully utilize and reap the benefits of the globally expanding business assets acquired during the 6th Medium-term Business Plan. More specifically, we aim to create synergies once we fully understand the characteristics and needs of the new markets entered through M&A, etc. Based on this understanding, we will adopt our six core technologies into appropriate product. The strategic assets we have acquired to date include not only tangible assets such as production plants and facilities, but also a wide range of other assets such as relationships with customers, technology, expertise, knowledge, and human resource capabilities. To uti-

lize these assets as part of our company, and to develop our growth strategy further, we must engage in dialogues across countries and regions, sharing common goals with the businesses and employees who have become part of our group through M&A. We have seen certain results so far in terms of cost synergies, including the reduction of administrative and logistic costs, which we implement immediately after acquisitions. However, the synergies created as we define growth strategies and develop new products while moving toward our shared vision will be measured by the results of the 7th Medium-term Business Plan. Our quantitative vision is to achieve ROE of 9% or higher and cumulative operating cash flow of JPY 43.5 billion for the three years ending in 2023, the final year of the 7th Medium-term Business Plan.

Qualitative Vision: Establish a foundation for growth through global synergies acceleration



Quantitative Vision: Aiming for ROE of 9%+, Operating cash flows of JPY 43.5 billion (3-year cumulative, including M&A)

	6th Medium-term Business Plan 2020 Results	7th Medium-term Business Plan 2023 Vision
ROE	9.0%	9.0%+
Operating cash flows, three-year cumulative (Millions of JPY)	22,057	✓ 43,500
Net sales (Millions of JPY)	180,006	195,000
Operating profit (Millions of JPY) (OPM)	7,290 (4.0%)	12,000 (6.2%)
Forex	¥106/\$	¥105/\$

ROE: 9% or higher

- Total asset turnover ratio: 1.0 or higher**
 - Top line growth (creation of synergies, expansion of product lineups)
 - Careful selection of investments
- Operating profit ratio: 6% or higher**
 - Cost reduction (productivity improvement through automation and AI, etc.)
 - Reduction of SGA through synergies
- Equity ratio: 45% or higher**
 - Reduction of interest-bearing debt
 - Maintain and improve credit ratings

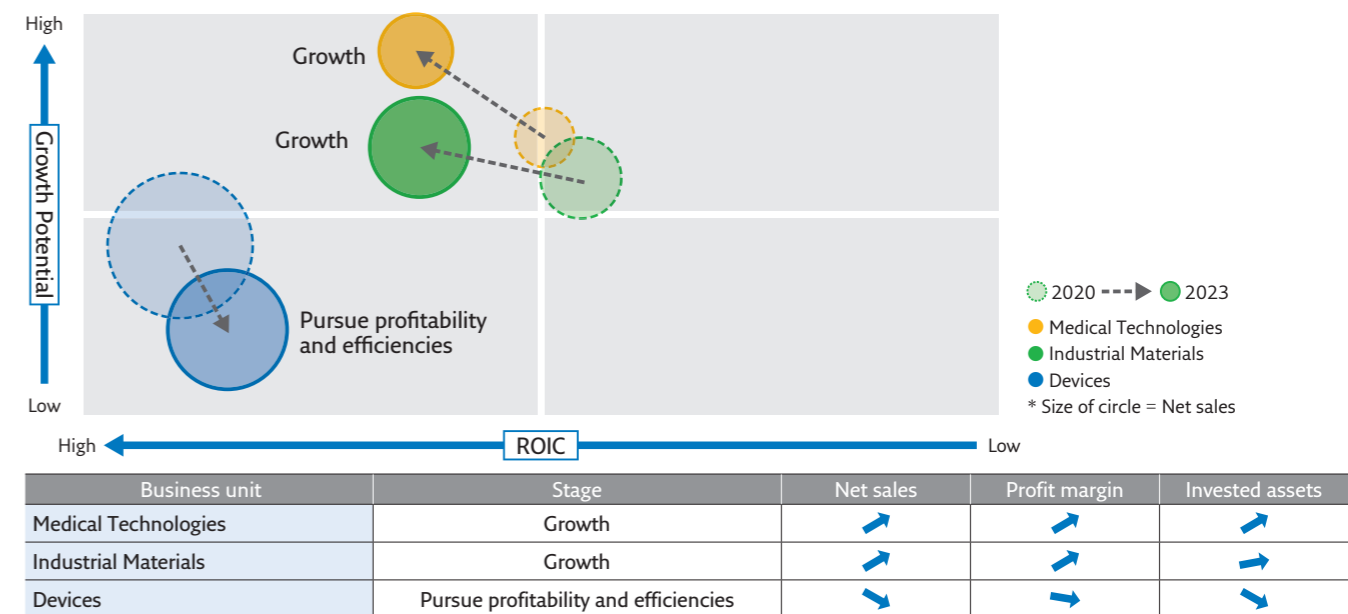
Business Portfolio Strategy

The 7th Medium-term Business Plan defines a change in the emphasis of the markets that underpin our business performance. The IT devices market, which drove performance to date, will be an area in which we will maintain performance, continue operations, and improve efficiencies. However, we expect the three priority non-IT markets to drive future performance not only in terms of sales, but also in terms of profit.

In this way, we have drawn a clear blueprint for the reorganization of our business portfolio, and we anticipate dynamic changes in the allocation of resources among our business units. In other words, we will allocate the cash generated from the Devices business to the Medical Technologies business and the Industrial Materials business (Mobility/Sustainable Materials). From this perspective, and with a view to our Sustainability Vision for 2030, we are increasing the allocation to our M&A budget to the Medical Technologies business in particular. We use capital investment mainly for the maintenance and renovation of existing facilities.

Another important management issue is the allocation of human resources, i.e., the transfer of employees belonging to a new business unit and the improvement of skills required in the new location. To change our capabilities dynamically in response to changes in the business environment, we must not only reassign employees to different business, but also provide ongoing education and recruit experienced employees with expertise in the Medical Devices market. The work style reforms we confront represent how we will update the capabilities of the company as a whole. To this end, we must not only have access to a diverse range of abilities, but also focus these abilities together to produce concrete results. We revised our human resources system in 2020. Now, we evaluate employees based solely on ability to perform and the importance of the jobs and responsibilities the individual fulfills. This evaluation ignores innate attributes such as gender and race, and we do not consider factors, such as age, that have nothing to do with actual effort.

Reallocate cash and resources generated by Devices to drive growth in Medical Technologies and Industrial Materials



Mobilizing Company-Wide Capabilities to Achieve Our Vision

Since our founding, we have had a history of transformation that has evolved as our core businesses have changed. For example, in the 2000s, IT devices were nothing more than a sideline business. At the time, most of our sales came from domestic customers. This was a time when the Information and Communication business, our original business, accounted for the majority of our sales. From that stage to the present, we have updated our businesses and organization, gaining the trust of major global IT devices customers. Between 2020 and 2030, we will apply the technologies we developed producing IT devices to Medical Devices.

COVID-19 struck the world in early 2020 and shows no signs of abating. This pandemic has provided companies with an opportunity to rediscover the original purpose of their business activities. The crisis awareness brought about by this epidemic played a significant role in the announcement of our vision until

2030. This was a first for our company since our establishment, and we backcast from this vision to create our 7th Medium-term Business Plan. Facing this crisis, management discussed the significance of our long-term business activities and integrated efforts to practice our philosophy. In so doing, we confronted the dilemma that we could not define our growth strategy sufficiently within the scope of three years, the traditional time frame of our medium-term business plans. In 2016, we acquired a company in North America to make our entry into the medical devices business. The COVID-19 pandemic has made us keenly aware of the great social responsibility borne by this business and the significance of solving social issues. We will share our vision from a medium- to long-term perspective and marshal the capabilities of our entire company, working across business divisions and regions to achieve our vision.

Core Technologies

We plan to integrate Core Technologies and peripheral, continuing to create products and services that will help solve social issues. These technologies will play a role in achieving our growth strategy for 2030.



Senior Vice President
Chief Technology Officer (CTO)
Ryomei Omote

Six Core Technologies Supporting Distinctive Products in Diverse Markets

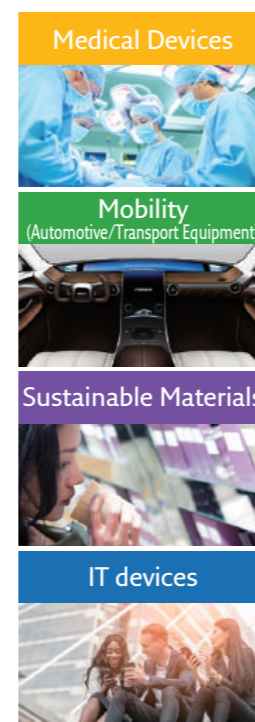
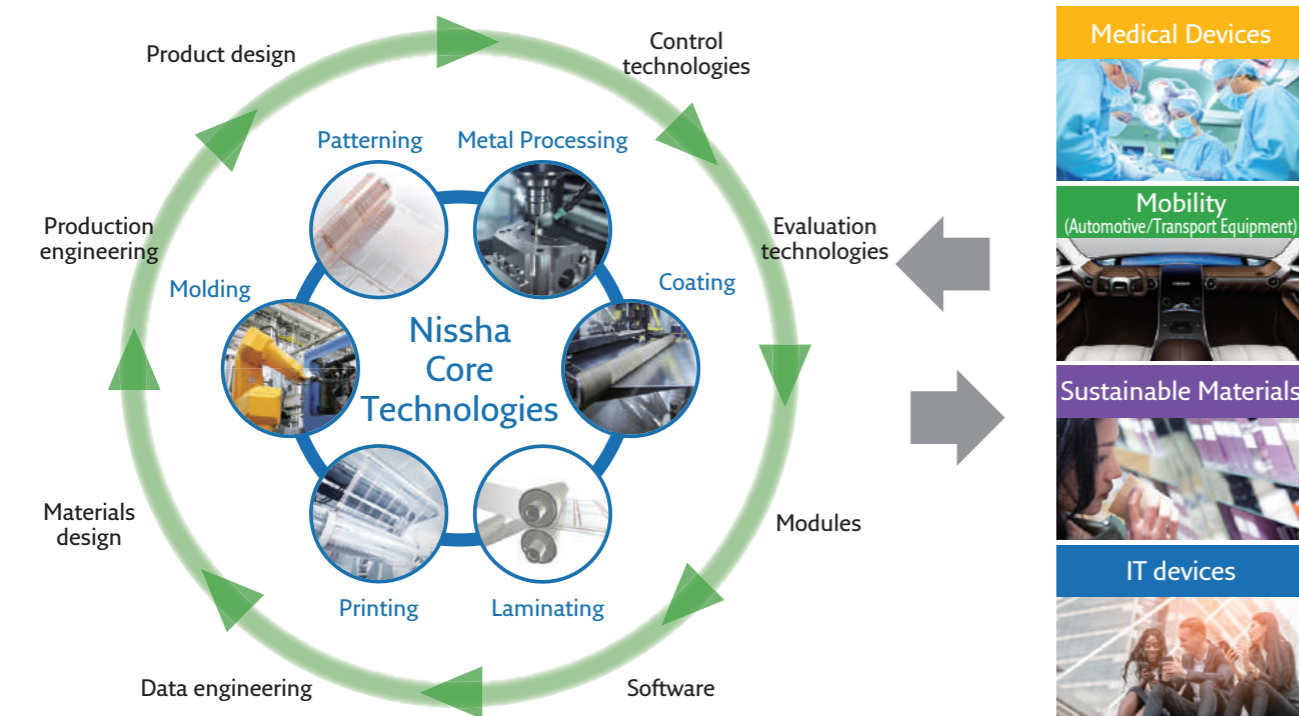
Since our founding, we have treated market changes as business opportunities, continuing boldly to create unparalleled products that meet the needs of our markets. As we focus on the needs of various global markets, we expand and refine our Core Technologies. In combination with supporting peripheral technologies and expertise, these technologies give our unique products a competitive advantage.

The IT devices market tends to demand components that are lighter, thinner, shorter, and smaller, while still providing functionality. Our Film Touch Sensors, which we supply to the IT devices market, not only meet the needs of the market by using film as a base material, but are also known as competitive products with significant added values such as high transparency and high sensitivity. Supported by core technologies such as printing and lamination on plastic films and patterning to achieve finely detailed functional patterns, we achieve integrated processes through production and peripheral technologies

and knowledge that include material design for resists and transparent conductive films.

In the mobility market, we mainly deal in components used to decorate automobile interiors. Our plastic decorative molded products are recognized widely in the market, which demands a variety of design expressions for complex shapes. Decorative molding is a unique process that combines the core technologies of molding (forming plastic components of various shapes) and transfer foil (printing) on the surface simultaneously inside of injection molding. Integrating these core technologies with peripheral technologies such as product design, control technology, software, and evaluation technology, we add not only design, but also function to automobile interior components. Along with the trend toward electrification in the mobility market, we see a rising need for these types of products.

In the priority markets we expect to grow between now and 2030, we amply demonstrate the results of our efforts in accumulating not only core and peripheral technologies, but also



related expertise. One such example is the use of molding and coating, two of our core technologies, to solve social issues such as carbon neutrality and deplasticization. By making full use of the material technologies and expertise we have cultivated, we succeeded in producing packaging products that use plant-derived materials having a low environmental impact. We are also developing products that meet the needs of the markets, advancing beyond the petroleum-based plastics that have been widely used in the past. Meanwhile, in 2020, we welcomed an operating company possessing metal processing technologies and industry-specific business models that will strengthen our core technologies for the medical devices market. We will pursue the integration of our core technologies

such as coating, lamination, and patterning, with peripheral technologies such as material technology, product design, and evaluation technology, to contribute to the creation of medical devices matched to the characteristics of each region.

In this way, we will develop unique products and services that are competitive in their respective markets by accurately understanding the needs of these markets and effectively combining core technologies with peripheral technologies and expertise.

Products utilizing Core Technologies

Major Product & Service	Core Technologies					
	Printing	Coating	Laminating	Molding	Patterning	Metal Processing
Decorative Film · Molded Parts	○	○	○	○	—	○
Metallized Paper	—	○	○	—	—	—
Pulp-based Molded Products	—	○	—	○	—	○
Touch Sensor	○	○	○	—	○	—
Force Sensor	○	○	○	—	○	—
Medical Surgical Devices	—	—	—	○	—	○
Medical Electrodes	○	—	○	—	○	—
Publication and Commercial Printing	○	○	○	—	○	—
Pharmaceutical and Cosmetics	○	○	○	○	○	○

Examples of Products Incorporating Core Technologies

We have identified the medical devices market as a future growth area. Here, our Medical Technologies business is developing its own brand and providing contract design/development and manufacturing (CDMO) services for major global medical device manufacturers. Focused on surgical devices for minimally invasive treatment, wearable sensors, biological sensors, and medical cables, our CDMO offers a wealth of successful experience in a variety of products and services in the medical field, from prototyping to manufacturing.

Every tiny part making up the surgical instruments provided by our CDMO require materials that are safe for humans, as well as technology and ingenuity that convey the delicate movements of a surgeon's fingertips. By combining our material technologies for making biocompatible resins, metals, and inks with our core technologies for molding, metal processing, and coating, we achieve the highest levels of quality required for medical devices. In addition, our peripheral technologies, including product design and evaluation technologies, give us a further competitive edge in the global medical devices market.



* The photo is a conceptual image

Technology Strategy

We have been striving to reorganize our business portfolio. Our efforts have led to major changes in the breadth and depth of the core technologies that support our diverse businesses and products, as well as in the positioning and prioritizing of peripheral technologies. To achieve our Sustainability Vision for 2030, we believe that we must address the following three aspects.

1. Technology sharing and development among businesses (technological synergies)

To achieve growth in the medical devices market, our technology divisions must raise their global product development capabilities and create technology synergies. We have been adapting our businesses to each region and each market, deepening our core and peripheral technologies, expertise, and intellectual property. In the future, we hope to share these advancements among our businesses and across regions to create products with higher added value. The exchange of human resources is one method we will pursue to achieve this goal. We will also use our global network to introduce new technologies from outside the company, to expand our core and peripheral technologies, and to improve our technological capabilities.

2. Deployment and integration of technological capabilities in the most appropriate locations (regional synergies)

In the past, our development department in Japan took the

lead in global business and product development. In recent years, we have established a system to respond accurately to the diversifying needs of markets in each region as we pursue further global expansion. While we leverage the technologies and expertise we have cultivated and refined in the IT devices market for the medical devices market, we must also adapt to regulations and standards specific to each region. To meet the needs of our customers in a timely manner, we will develop innovation centers further as hubs for product development in key regions, striving to deploy our technological capabilities in the most suitable locations through collaboration among innovation centers in each region.

3. Transfer of technical information and experience (generational synergies)

Even when possessing exceptional technologies and expertise, if we cannot translate and fully utilize these advancements into organizational strengths, we will not be able to create products that meet the needs of our markets, that help us grow in new areas, and that ultimately solve social issues. To achieve this goal, we will build a system to accumulate and pass on core and peripheral technologies, expertise, and intellectual property to next generations. At the same time, we will pursue digital transformation (DX). Through this system, we will enhance the technical capabilities of our group as an organization, as well as train young engineers and engineers who have multiple specialties.

Nissha Innovation Center

We establish development bases in key regions as part of our global efforts to establish marketing, development, and production capabilities in priority markets. Our aim here is to contribute to the creation of product lines that meet the

unique market environments and customer needs of each region. Technological synergies, regional synergies, and generational synergies will play an important role in helping us achieve our 2030 Sustainability Vision.



Nissha's Core Technologies

Technology	Europe (NICE)	Asia (NICC)	Japan (NICK)	North America (NICA)
Printing	●	○	◎	●
Coating	◎	○	◎	◎
Laminating	◎	○	◎	◎
Molding	◎	◎	◎	◎
Patterning	●	○	◎	●
Metal Processing	●	●	●	◎

◎: Excellent expertise ●: High expertise ○: Less expertise

Financial Strategy

We aim to achieve sustainable growth and enhance corporate value by improving our ability to generate operating cash flows and capital efficiencies while stabilizing our financial base.



Senior Vice President
Chief Financial Officer
Hitoshi Koya

2020 Business Results

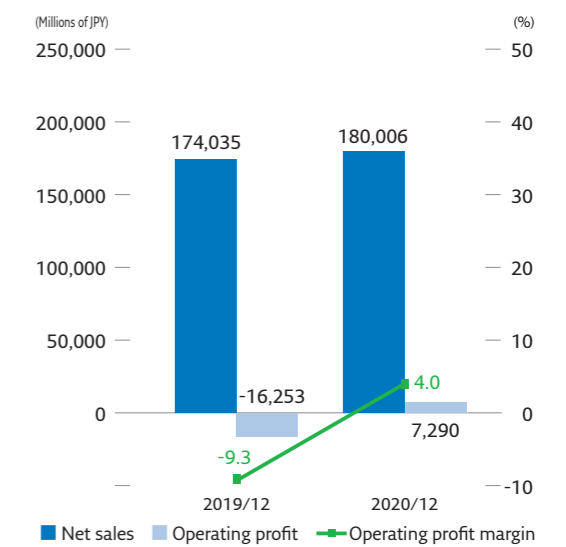
The year 2020 was the final year of the 6th Medium-term Business Plan. During the year, the group worked to improve profitability by implementing the Measures to Strengthen Profitability in preparation for changes in the business environment, mainly in the IT devices market. At the same time, we endeavored to expand our business bases and product lines through acquisitions in medical devices and sustainable materials markets.

In terms of business performance, demand for some products decreased due to COVID-19. However, demand for IT devices in the Devices business greatly exceeded forecasts at the beginning of the year. Demand for mobility (automotive/transport equipment) in the Industrial Materials business transitioned to a recovery in the second half of the year subsequent to the slump caused by COVID-19. During the first half of the year, we incurred one-time expenses related to the Measures to Strengthen Profitability. However, the effects of these measures, the impact of increased product demand, and improved production efficiency due to continued stable demand resulted in significant year-on-year improvement in operating profit for the full year.

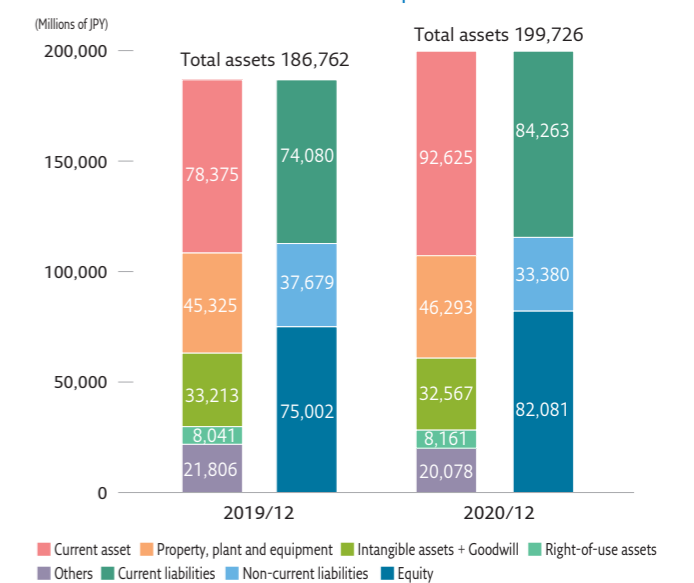
As a result, 2020 consolidated net sales were JPY 180,006 million (up 3.4% year on year), gross profit was JPY 36,810 million (up 52.5% year on year). Operating profit was JPY 7,290 million and net profit attributable to owners of the parent was JPY 7,069 million (compared to a net loss attributable to owners of the parent of JPY 17,183 million in the previous fiscal year). We also delivered a significant improvement in gross profit margin, reaching 20.4% (compared to 13.9% in the previous fiscal year). This improvement was due in part to the effects of the Measures to Strengthen Profitability implemented in 2020. As a result of the return to profitability, operating profit margin and net profit attributable to owners of the parent improved to 4.0% and 3.9% respectively (both measures were losses in the previous fiscal year). ROE has also recovered to 9.0%.

As of the end of 2020, total assets were JPY 199,726 million, an increase of JPY 12,963 million compared to the end of the previous fiscal year. Current assets totaled JPY 92,625 million, an increase of JPY 14,249 million from the end of the previous fiscal year. This increase was mainly due to an increase in cash and cash equivalents. Current liabilities increased by JPY 10,183 million to JPY 84,263 million, mainly due to an increase in trade and other payables. Non-current liabilities decreased by JPY 4,298 million to JPY 33,380 million, mainly due to a decrease in bonds and borrowings. Total equity increased by 9.4% compared to the end of the previous fiscal year, reaching JPY 82,081 million. As a result, our equity ratio increased slightly compared

Consolidated statements of profit and loss



Consolidated statements of financial position



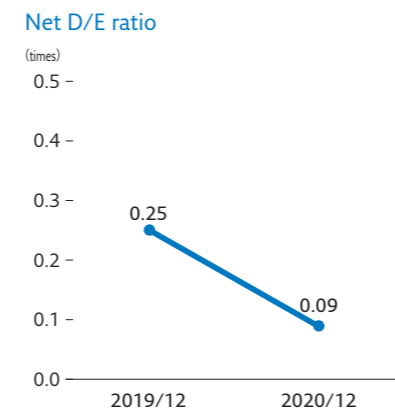
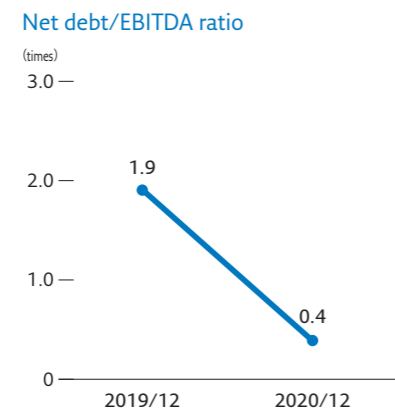
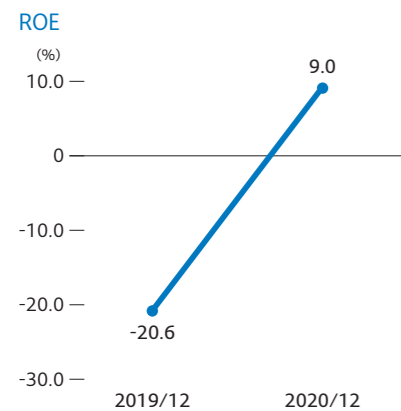
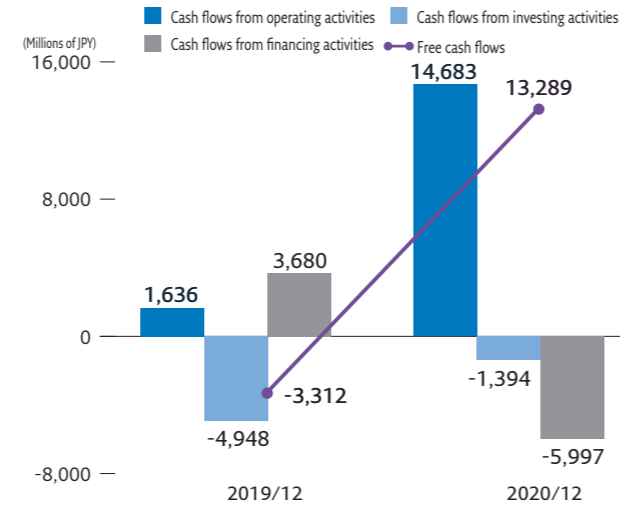
to the end of the previous fiscal year, from 40.2% to 41.1%. Due to the increase in cash and cash equivalents and decrease in borrowings, net debt/EBITDA* ratio improved markedly, down to 0.4 (compared to 1.9 in the previous fiscal year). Net debt-to-equity ratio also improved significantly compared to the previous year, down from 0.25 to 0.09. Total asset turnover ratio was 0.93 times, nearly the same level as in the previous fiscal year (0.87).

With respect to 2020 cash flows, net cash from operating activities improved significantly compared to the previous year, reaching JPY 14,683 million. This improvement was mainly due to the recording of JPY 7,051 million in profit before income taxes, due to business performance recovery, and an increase in trade and other payables. Net cash used in investing activities amounted to JPY 1,394 million. Although we recorded JPY 6,110 million in proceeds from the sale of investment securities, including strategic shareholdings, we used cash of JPY 5,297 million for the purchase of property, plant and equipment, and JPY 3,152 million for acquisitions of subsidiaries and other businesses. By selling off unprofitable businesses and non-business assets, we now focus solely on areas of high added value and growth. Net cash used in financing activities amounted to JPY 5,997 million. This result was mainly due to an increase in total debt of JPY 3,325 million in short term loan repayments (amount borrowed during the period minus amount repaid

during the period) and JPY 579 million in long term loan repayments (amount borrowed during the period minus amount repaid during the period). We also made payments of JPY 1,746 million in dividends to the owners of the parent during the year.

* We define EBITDA as operating profit + depreciation and amortization + impairment loss.

Consolidated statements of cash flows



2021 Forecast

We expect the global economic situation for 2021 to improve as the economy recovers. However, we must keep in mind the potential economic impact of a rebound from COVID-19, as well as fluctuations in financial and capital markets.

During 2021, the first year of the 7th Medium-term Business Plan, we expect the Devices business to see a slowdown in product demand for smartphones, while product demand for tablets should remain stable. In the Industrial Materials business, we expect demand to remain strong for decorative products for mobility and for metallized paper, a sustainable material. Product demand for contract design/development and manufacturing (CDMO) and business media in the Medical Technologies business should transit to a recovery from the slowdown caused by COVID-19. Given these expectations, we forecast net sales of JPY 172,500 million, operating profit of JPY 10,500 million, and net profit attributable to owners of the parent of JPY 8,700 million for 2021.

Consolidated Financial Result Forecast for 2021 (Millions of JPY)

	2020 Results	2021 Forecast
Net sales	180,006	172,500
Industrial Materials	48,858	52,300
Devices	102,708	88,000
Medical Technologies	20,568	24,000
Others	7,870	8,200
Operating profit	7,290	10,500
Operating profit margin	4.0%	6.1%
Industrial Materials	869	2,900
Devices	10,131	8,400
Medical Technologies	989	1,400
Others	-4,700	-2,200
Profit before tax	7,051	10,900
Profit attributable to owners of parent	7,069	8,700

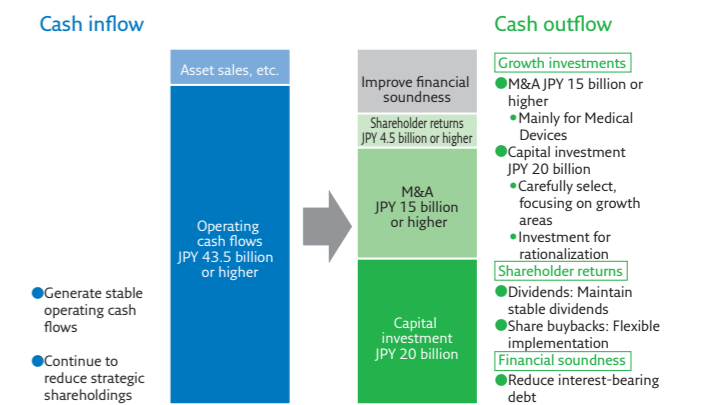
Strengthening Our Financial Base

We are striving to strengthen our financial base to support aggressive growth investments. Measures here include strengthening financial governance, reducing various financial risks, improving capital efficiency, and increasing shareholders' equity. In terms of financing, we have increased our relative balances of long-term debt by issuing corporate bonds to stabilize our balance sheet. We have also reduced costs by refinancing the existing loans of our overseas subsidiaries. During the period covered by the 7th Medium-term Business Plan, we intend to generate stable operating cash flows and continue to reduce our strategic shareholdings. Based on our efforts, we expect net cash inflows of more than JPY 43,500 million over the next three years. In terms of resource allocation, we plan to invest about JPY 15,000 million in M&A as growth investments, mainly in the medical field. We will also make considered investments of about JPY 20,000 million in capital expenditures, mainly in growth fields. Our basic policy for shareholder returns is to provide stable dividends. We will also consider share buybacks as a flexible option for shareholder returns. We use surplus funds to further reduce interest-bearing debt as well as to maintain and improve our financial soundness.

Nissha has received a BBB+ rating from Rating and Investment Information, Inc. In March 2021, the outlook on our credit rating was revised from negative to stable. This improved rating reflected improvements in our capital and debt structure stemming from a reduction in net interest-bearing debt and the accumulation of capital. Capital expenditures in the Devices business peaked earlier, signaling a lesser burden of future capi-

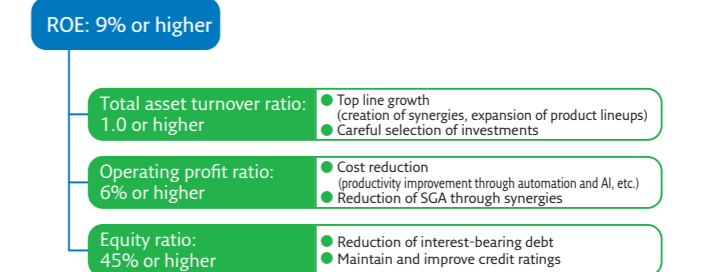
tal expenditures. Over the medium to long term, we aim to strengthen the earnings base of the businesses and products we have positioned as growth areas. We also intend to improve profitability and stability and to upgrade our rating to an A by shortening debt redemption periods and improving our capital and liability structure further. Key indicators may fluctuate in the short term due to the implementation of M&A and other factors. Over the medium to long term, we will maintain a net debt/EBITDA ratio of less than 1.0 and a net debt-to-equity ratio of less than 0.5 to stabilize our financial base.

Cash allocation (three-year cumulative)



Capital Policy

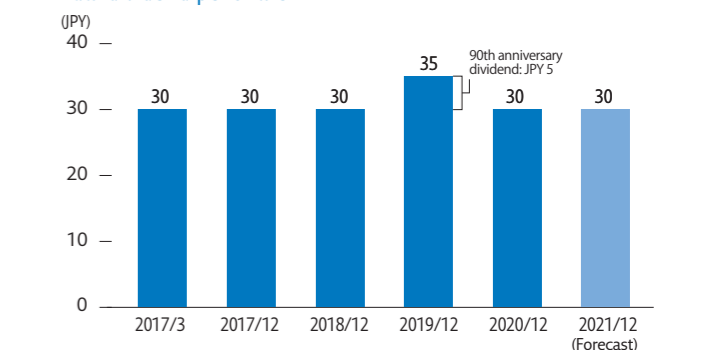
We believe in the importance of investing in growth and maintaining an appropriate level of shareholders' equity to increase shareholder value over the medium to long term. Our 7th Medium-term Business Plan calls for 9% or more in ratio of return on equity attributable to owners of parent (ROE). To achieve this goal, over the next three years, we will strive to raise total asset turnover ratio to 1.0 times or higher through top-line growth and carefully selected investments. We will also strive to achieve an operating profit margin of 6% or higher by reducing costs and SGA through synergies, while working to secure an equity ratio of 45% or higher by reducing interest-bearing debt.



Dividend Policy

Our basic policy is to pay dividends with an emphasis on continuity and stability. We consider flexible shareholder returns while ensuring financial soundness and appropriate internal reserves for investment in future growth. We will strive to maintain consistent dividends until our business portfolio is reorganized and business performance stabilized. We will also conduct share buybacks as appropriate to improve capital efficiency.

Annual dividend per share



Medical Technologies

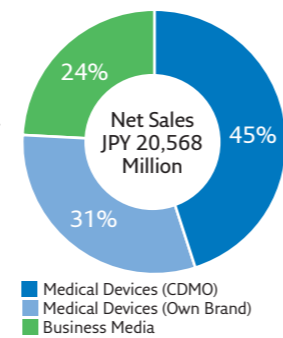


Executive Vice President
General Manager of Medical Technologies
Business Unit
Chief Executive Officer,
Nissha Medical Technologies
Sam Heleba

The Medical Technologies business aims to contribute to healthy and affluent lives by providing high-quality, high-value-added products in the markets related to medical devices. Our main products are surgical devices and medical electrodes for minimally invasive treatment*1, used in connection with cardiac diseases and many other fields. We are globally engaged in the contract design/development and manufacturing (CDMO)*2 of surgical devices, wearables, biological sensors and so on for major medical device manufacturers. Under our own brand, we manufacture and sell a wide variety of medical consumables, including medical electrodes and medical chart paper. In addition, we are involved in the production and sale of industrial chart paper, tickets, and other business media.

*1 Minimally invasive treatment: Medical treatment that minimizes the physical impact on the patient as much as possible during diagnosis and treatment.
*2 CDMO (Contract Design/Development and Manufacturing Organization): An organization engaging in a series of processes from medical device design and development to manufacturing.

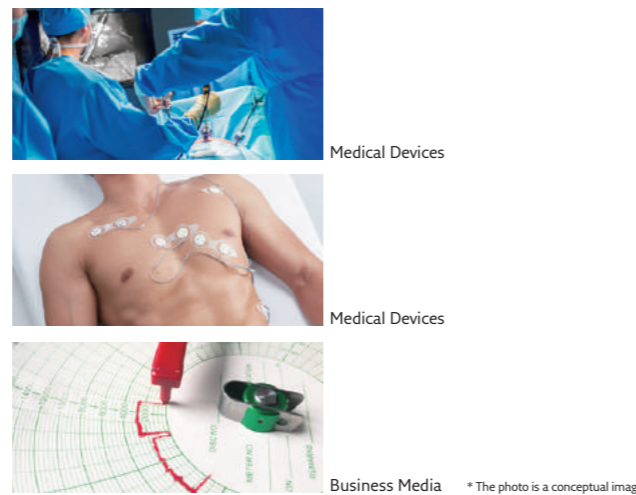
Net Sales by Market (2020)



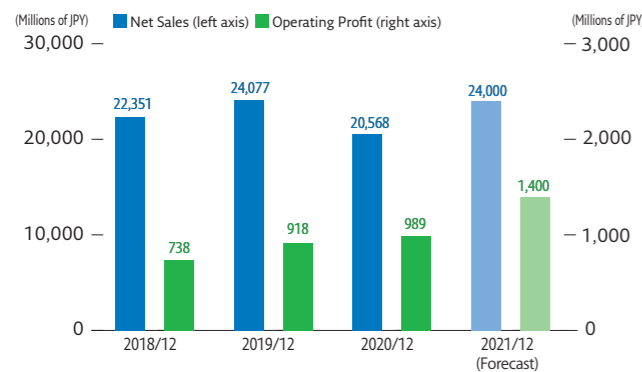
Products



Markets



Net Sales/Operating Profit



Overview

During the fiscal year ended December 2020, the impact of COVID-19 led to an increase in demand for personal protective equipment, including our own brand of medical electrodes and face shields. This increase in demand offset weakness in products for contract design/development and manufacturing (CDMO) related to elective surgeries. The COVID-19 pandemic also caused slow demand for business media products, such as those used at commercial shopping facilities. Our business has been making a gradual recovery from the impact of the pandemic.

As a result, consolidated net sales were JPY 20,568 million (down 14.6% year on year) and segment income (operating income) was JPY 989 million (up 7.7%).

The business forecast for the fiscal year ending December 2021 should recover from the COVID-19 slump, as demand recovers for CDMO and business media products.

The 7th Medium-term Business Plan - Medical Technologies

Qualitative Vision

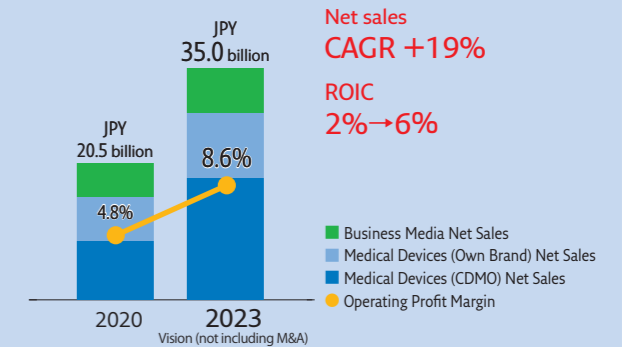
Expand CDMO for minimally invasive medical devices and enhance business development in Japan and Asia

Quantitative Vision

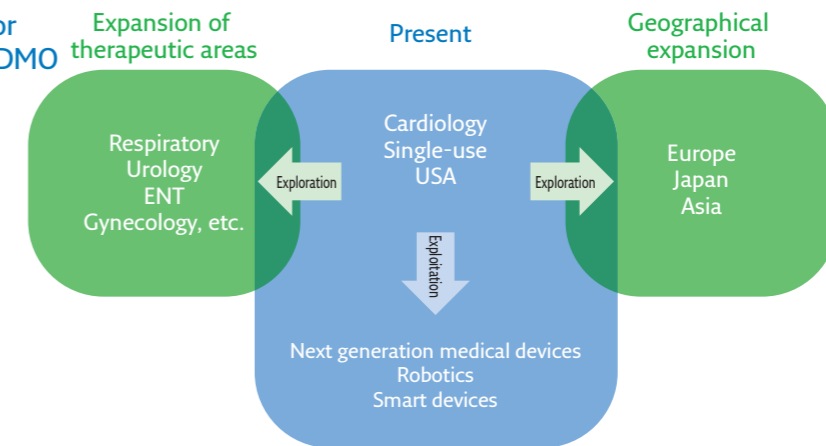
Net sales JPY 35.0 billion Operating profit JPY 3.0 billion
(Operating profit margin 8.6%)

Strategies

- Expand medical devices CDMO
 - Expand design and development capabilities
 - Expand therapeutic areas
 - Enhance business development in Japan and Asia
- Pursue opportunities for M&A



Growth strategy for medical devices CDMO



Aiming for business growth through contract design/development and manufacturing (CDMO)

The Medical Technologies business has a global presence in North America and Europe, provides a wide range of contract design/development and manufacturing (CDMO) services, particularly to major medical device manufacturers. In addition to the cardiac and laparoscopic fields, where demand is expected to continue, we plan to develop products like rigid borescopes for urology and gynecology, expanding CDMO services. In our businesses in Japan and Asia, we plan to strengthen design and development services for domestic medical device manufacturers engaged in production overseas. We intend to do the same for overseas manufacturers who wish to tailor their products to Japanese regional characteristics.

In 2023, the final year of the 7th Medium-Term Business Plan, we aim to achieve net sales of JPY 35,000 million and operating income of JPY 3,000 million (operating margin of 8.6%).



Minimally invasive medical devices (image)

Strengthen services in North America, Japan, Asia, and Europe

The COVID-19 pandemic uncovered the risk of a decrease in the number of elective surgeries. However, we note growing demand for the development, manufacture, and stable supply of single-use medical devices that take into consideration the risk of infection. We have also noted similar demand for devices used in telemedicine. This situation provides an opportunity to expand our Medical Technologies business further, which possesses CDMO capabilities and branded medical device supply chain in North America, Europe, and Japan/Asia. We hope to develop higher-value-added CDMO services for medical devices in Japan and Asia by utilizing our abundant business assets in the areas of single-use therapeutic devices for minimally invasive and acute care and wearable sensors developed and manufactured at our North American locations. In addition, we also aspire to provide design and development services for diagnostic devices to better understand the condition of patients. This aspiration extends to therapeutic devices to relieve various burdens on patients. To achieve these aspirations, we will apply our knowledge of force sensors, gas sensors, and fine electrode patterning technology in the Devices business.

Industrial Materials



Director of the Board
Senior Vice President
General Manager of Industrial Materials
Hisashi Iso

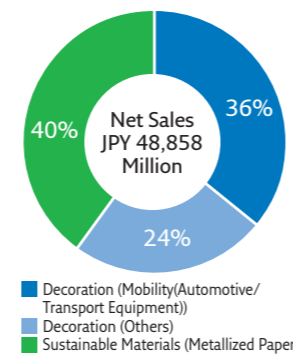
The Industrial Materials business expands globally via proprietary technologies that add value to the surfaces of various materials, including design and functional value.

In the field of decoration, IMD, IML, and IME, which facilitate simultaneous in-mold decoration, design and function adding of plastic products, are extensively adopted in mobility components (automotive/transport equipment) and home appliances in global markets.

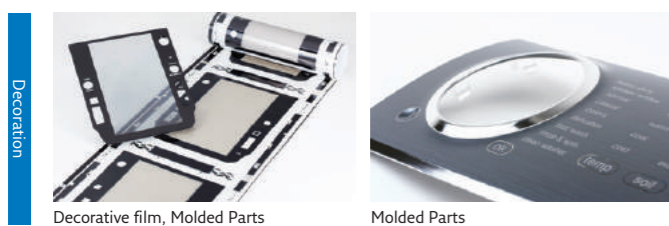
In the field of sustainable materials, we have begun to offer pulp molding products made from plant-derived materials to meet rising demands for limiting environmental impact. We are finding business opportunities in new markets, including pharmaceuticals, medical devices, and health foods. Also, our metallized paper, which unites the properties of metallic luster and printing friendliness, has the largest market share in the industry as sustainable materials for beverages and foods on a global basis.

The strength of our Industrial Materials business is our ability to help customers create new products. Here, we propose not only color and design, but also shape and function. Another strength is our ability to provide products and services globally with consistency in quality.

Net Sales by Market (2020)

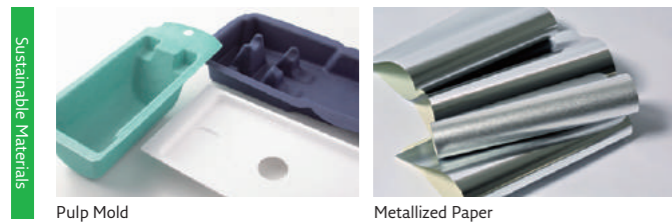


Products

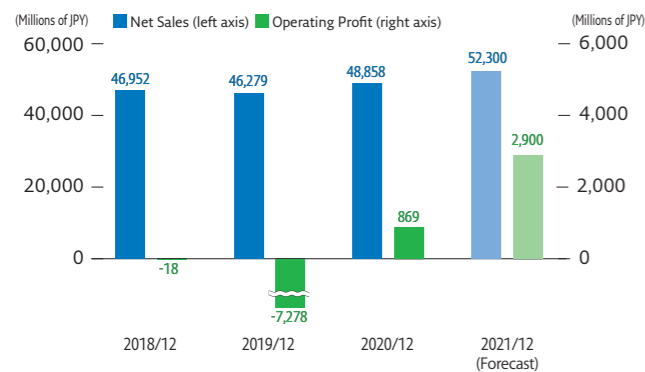


Molded Parts

Markets



Net Sales/Operating Profit



Overview

During the fiscal year ended December 31, 2020, demand for mobility components in the field of decoration began to recover in the second half after a significant decline due to the impact of COVID-19. In addition, we succeeded in expanding business sites through a corporate acquisition in the field of metallized paper, a sustainable material. Operating profit turned into the black due to the effects of the measures to strengthen profitability in addition to an increase in product demand.

As a result, segment sales were JPY 48,858 million (an increase of 5.6% as compared to the previous year). Segment profit (operating profit) of JPY 869 million (segment loss (operating loss) of JPY 7,278 million in the previous year) was recorded.

We expect product demand for decorative products for mobility and metallized paper, a sustainable material, to remain strong throughout the fiscal year ending December 2021.

The 7th Medium-term Business Plan - Industrial Materials

Qualitative Vision

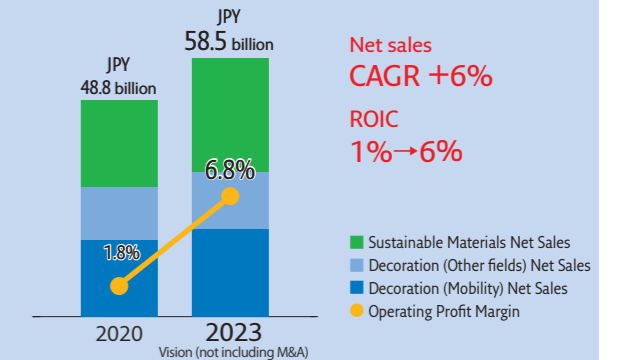
Become solution provider that provides value based on decoration, molding, and sustainability

Quantitative Vision

Net sales JPY 58.5 billion Operating profit JPY 4.0 billion
(Operating profit margin 6.8%)

Strategies

- Leverage global strategic assets
- Launch of new products
 - Expand product lineups with decoration + functions
 - Sustainable packaging materials featuring plant-derived materials



Accelerating new customer acquisition and creating new products by leveraging business assets developed in the global market

The Industrial Materials business represents the most advanced global operations in North and South America, Europe, and Asia within our company. We intend to accelerate new customer acquisition and new product creation by making the most of the business assets we have developed through our past activities, while also conducting stable business operations through sustainable growth.

The vision of the Industrial Materials business is to become a solution provider that provides value based on decoration, molding, and sustainability. We not only add design and function to the surface of materials, but also develop a wide range of products that include modular products that combine multiple parts, as well as products that contribute to a sustainable society.

In 2023, the final year of the 7th Medium-Term Business Plan, we aim to achieve sales of JPY 58,500 million and operating income of JPY 4,000 million (operating margin of 6.8%).

Leveraging our strengths to provide products and services globally with no sacrifice in quality

We understand the rising importance of local production for local consumption and producing identical goods across multiple locations. These needs have only increased as people become aware of the major risks of supply chain disruptions and stagnation due to COVID-19 and abnormal weather patterns. The Industrial Materials business views this as a major business opportunity. This business has an advantage of being able to provide products and services globally everywhere with consistent quality.

For our decorative and other existing products, we intend to adopt digital transformation (DX) to consolidate customer information management on a global basis, thereby increasing sales efficiency and improving our top line.

We plan to provide new value to product development in the mobility market, which is currently undergoing a transformation through CASE. Here, we intend to expand our product lineup by introducing decorations and functions in collaboration with our Devices business. The plastic-free trend is another business opportunity. Seizing on this opportunity, we will develop pulp molded products on a global basis, using the same level of processing precision as our plastic molded products and featuring plant-derived materials in regions and industries with high environmental awareness.

New Products Meeting Expectations for Sustainable Packaging Materials

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



Giorgio Bosso

For some time, AR Metallizing has seen increased demand for sustainable, direct food contact packaging materials. Seeing this trend on the horizon AR Metallizing's team have been working on identifying and developing sustainable, direct food contact packaging materials. The first of these projects is now being introduced into the market.

AR Metallizing's metallized paper butter wrap is one such example. Competing companies have introduced (or aim to introduce) sustainable packaging materials onto the market. AR Metallizing has aimed to go one step further with recyclable direct food contact

packaging options that also offer special barrier properties, technical capabilities and other benefits.

Where competitors are introducing sustainable food packaging materials, AR Metallizing is introducing sustainable direct food contact packaging solutions, giving the firm a competitive advantage.

This business activity supports Nissha overall goal to achieve growth by expanding product lineups that solve social issues. Limiting (single-use) plastic packaging by providing an alternative packaging material that is a paper-based mono-material has a positive impact on the environment. In addition, for some years now, we have successfully focused on sustainable manufacturing, for instance, via minimizing waste and the reduced use of energy.



Devices

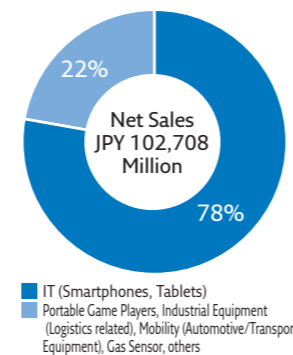


Director of the Board
Senior Executive Vice President
General Manager of Devices Business Unit
Daisuke Inoue

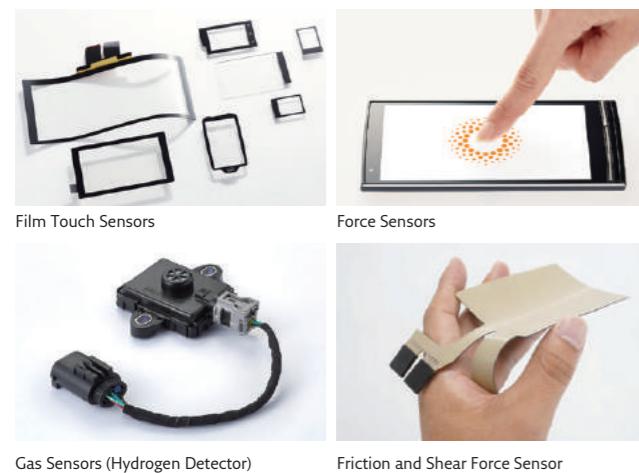
The Devices business provides a variety of functional components and products incorporating electronics technology. Film touch sensors, our current mainstay product, are widely used in the global market for smartphones, tablets, portable game consoles, industrial equipment (logistics related), mobility (automotive/transport equipment), and other applications. This wide adoption is due to the excellent transparency, high definition, and durability of our sensors, in addition to thinness, lightness, and flexibility that take advantage of the features of film. We also provide force sensors to measure the amount of pressure applied to objects, as well as gas sensors to detect the presence and concentration of various gases.

In the future, we will cooperate with the Industrial Materials and Medical Technologies businesses to develop and provide new functional components and products that meet the needs of these target markets and customers.

Net Sales by Market (2020)



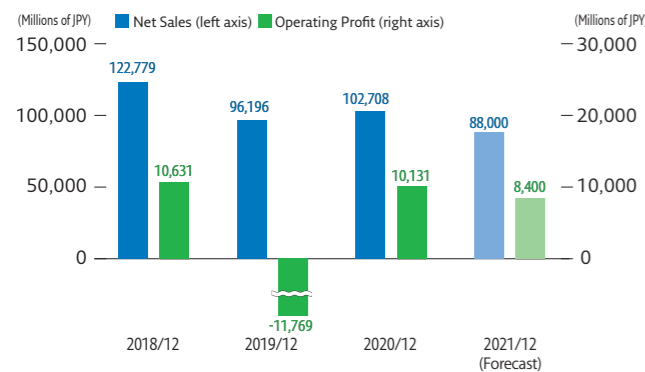
Products



Markets



Net Sales/Operating Profit



Overview

During the fiscal year ended December 31, 2020, demand for our mainstay products for smartphones and tablets largely exceeded the initial projection and demand for game players and industrial equipment remained robust. Although temporary expenses were incurred in relation to measures to strengthen profitability in the first half of the fiscal year, operating profit for the fiscal year significantly increased compared to the previous year, thanks to those measures, an increase in product demand and the improved production efficiency resulting from continued stable demand.

As a result, segment sales for the fiscal year ended December 31, 2020 were JPY 102,708 million (an increase of 6.8% as compared to the previous year). Segment profit (operating profit) was JPY 10,131 million (segment loss (operating loss) of JPY 11,769 million in the previous year).

We expect smartphone-related product demand for the fiscal year ending December 2021 to slow, while demand for products related to tablets should remain stable.

The 7th Medium-term Business Plan - Devices

Qualitative Vision

Develop two-pronged business

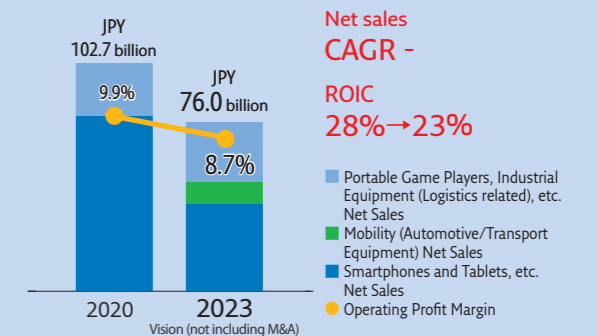
- (1) our existing mainstay film touch sensors
- (2) new products that meet the needs of our markets (mobility/medical devices/healthcare)

Quantitative Vision

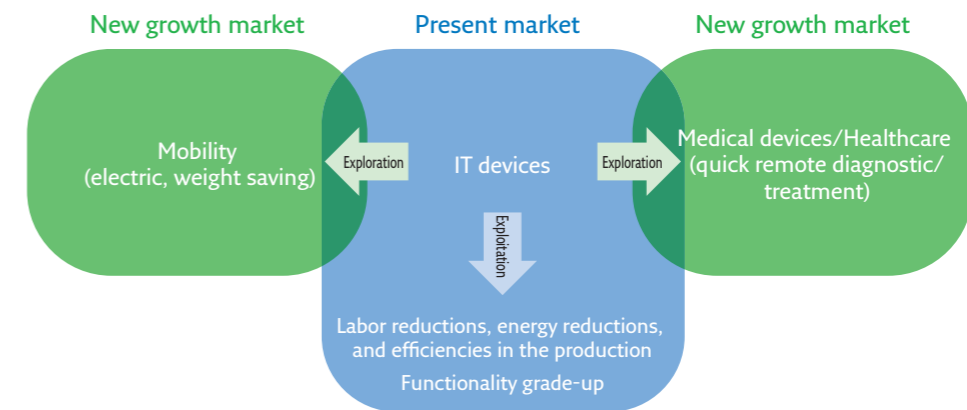
Net sales JPY 76.0 billion Operating profit JPY 6.6 billion
(Operating profit margin 8.7%)

Strategies

- Exploitation of film touch sensors for IT devices
- Exploration for mobility and medical devices/healthcare



Strategies



Targeting new growth markets in addition to the IT devices market

Film touch sensors, which have been a mainstay product, target mainly the consumer electronics (IT devices) market. However, the IT devices market is very risky due to volatile demand. To avoid this volatility, we have added the mobility and medical devices/healthcare markets to target as new growth markets. What these markets have in common is expected steady and stable growth. At the same time, these markets are undergoing a major change in form of new and popular electronics, as well as information and communication technologies. We believe that the technology, production, and quality control we developed in the IT devices market can be retained through this transition to these new markets.

Pursuing labor reductions, energy reductions, and efficiencies in the production of existing products

In addition to improving our technological capabilities further to meet customer needs, we are pursuing further labor reductions, energy reductions, and mass production efficiency improvements in our existing film touch sensor business. (See P.042)

Our new target market and product business seeks to gain a firm grasp of the market and customer needs. With this understanding, these businesses will develop high-value products that exploit synergies within Nissha Group. To this end, we are focusing on expanding our marketing and design capabilities.

Increased adoption of film touch sensors in automotive displays

The film touch sensors in our Devices business contribute to better visibility of in-vehicle displays due to excellent optical characteristics. These sensors can be mounted on displays with large screens, curved surfaces, or irregular shapes. In addition, the high affinity with OLED (Organic Light Emitting Diode) displays, which are friendly to the human eye and have excellent color reproduction, our sensors are highly regarded, being adopted in the latest flagship models of North American and European automotive manufacturers released in 2020. Japanese automotive manufacturers will be using our sensors in new models in 2021. We continue to seek business opportunities to use film touch sensors in automotive displays as strive toward mobility market sales of JPY 10 billion (2023) as part of the 7th Medium-Term Business Plan.



New Business Development Office

Director of the Board
 Executive Vice President
 Chief Strategy Officer
 Director of Corporate Strategy Planning
 Senior Director of New Business
 Development Office
Wataru Watanabe



Vision of the Business Development Office

Our 7th Medium-Term Business Plan identifies medical devices, mobility, sustainable materials, and IT devices as target markets. Our strength lies in enhancing the value proposition of our products by combining six processing technologies according to the needs of our customers and providing these products at an appropriate quality and price. To date, however, our strength and our outlet for application development has been focused on the IT devices market. The mission of the New Business Development Office is to develop new businesses and products by applying the core technologies we have cultivated in the IT devices market to growth sectors.

To seize market opportunities outside of IT devices properly, we must not only respond to customer needs with our existing processing technologies, but also propose the use of comprehensive technologies related to services and solutions. In other words, rather than pursuing a business model based on mass production of specific single products (providing processing technology), as in the case of IT devices, we must create prod-

ucts that are more highly modularized. At the same time, the value propositions of these products must be integrated vertically to be more attractive.

In a world of rapidly changing needs and technologies, business development methods must also change. The Business Development Office focuses on diversifying the means of utilizing our technology, searching constantly for the intersection between technology and markets. We believe we can also identify and utilize external capabilities effectively. Our efforts here include adopting complementary technologies from other companies or acquiring sales channels through partnerships or acquisitions. Pursuing this kind of business development requires human resources who can create a business vision, empathize and resonate with others, and take on challenges boldly. The New Business Development Office will continue to exercise leadership in aspiring to new challenges, practicing the spirit of "Do Good and Make Money."

Applying the Core Technologies in the IT Devices Market to Growth Markets



Full-Scale Entry Into the Pharmaceutical Business

One of our priority markets is the medical field. Here, we have focused on Drug Delivery System*1 (DDS), and we have been developing film-like formulations (oral film formulations, microneedle patches) that best utilize our core technologies. Film-like formulations are expected to contribute to easier medication administration and improve quality of life (QOL) for patients. The market should expand even more due to changes in methods of administration and away from conventional tablets and injections. In January 2021, we launched the Pharmaceutical and Cosmetics Business Unit. This business unit integrated Nissha Group's pharmaceutical and cosmetics businesses, and now we are accelerating the commercialization of these businesses globally.

We are also seeing synergies with Zonnebodo Pharmaceutical Co., Ltd. (Hachioji, Tokyo), which we acquired in November 2019. The addition to our group has accelerated the development of new products, including film-like formulations, and we plan to complete a manufacturing building for oral film-like formulations on the Zonnebodo Pharmaceutical premises in the spring of 2022. Zonnebodo Pharmaceutical has been in business for 80 years, and the company manufactures and sells proprietary pharmaceuticals and quasi drugs. In the area of proprietary pharmaceuticals, we are developing niche products such as tinnitus relief products and vitamin-based preparations used in the skin disease field, all of which are experiencing growth in demand. Our Renovigo (quasi drug) is a cavity prevention product that can be used from infancy. This long-selling

product has enjoyed customer support for nearly 30 years. Introducing Nissha's marketing expertise has revitalized the brand and resulted in additional new product line. We will leverage the strengths of our Group and Zonnebodo Pharmaceutical to develop marketing-oriented products such as YASIORI, a portable disinfectant spray commercialized during the COVID-19 pandemic.

Sparsha Pharma USA (California, U.S.A.) became an equity-method affiliate in May 2020. Sparsha is a venture company with strengths in the development and manufacturing of transdermal drug delivery systems (transdermal patches) in film-like formulations. We successfully launched a 24-hour lidocaine patch (pain-reliever), an OTC drug*2 developed in-house, and have several proprietary pharmaceuticals in the development pipeline. At present, members of our company are assigned to Sparsha to assist in the technology transfer of oral film formulations, which have a high technological affinity with transdermal drug delivery. In this way and more, we plan to expand our business in the United States, which is the world's largest pharmaceutical market. We aim to contribute to society by enriching people's lives and the pharmaceutical and cosmetics markets through innovation and utilization of the core technologies cultivated since our founding.

*1 A medication delivery system that aims to optimize the action of the required amount of drug on the required area for the required time.

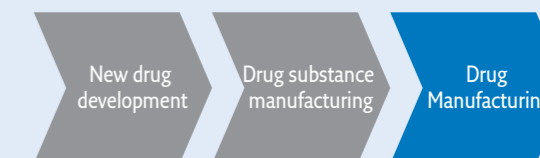
*2 OTC is an abbreviation of Over-the-counter.

Our DDS Strategy

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

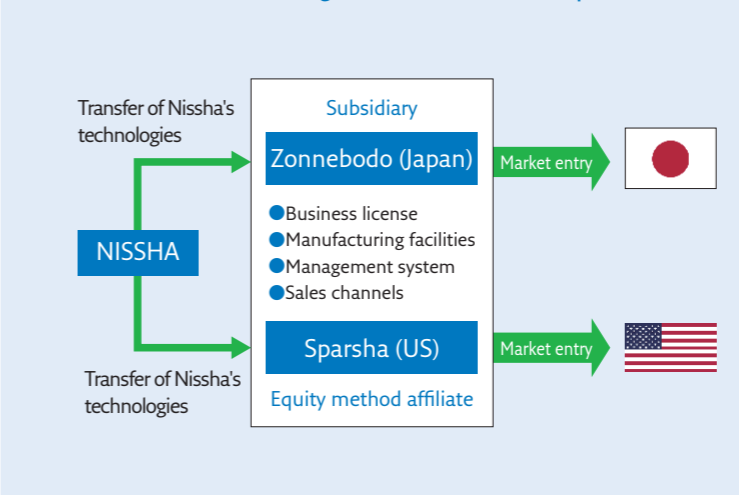


- Apply of our core technologies to drug manufacturing



Supply chain for drugs

Transferred Nissha Technologies to Zonnebodo and Sparsha Pharma



Evolutions in Quality and Production

We will achieve evolutions in quality and production with the principles of working by managing structural procedures and pursuing the maximum output with the minimum input

Director of the Board
 Executive Vice President
 Chief Quality and Production Officer
 Director of Total Quality Management Office
 Director of Total Production Management Office
 Senior Director of Pharmaceutical and Medical Device Affairs
 Director of Medical Management Office
 Senior Director of Devices Business Unit, Quality and Production
 Representative Director, Nitec Precision and Technologies, Inc.

Yutaka Nishimoto



Concepts for the evolution of quality and production and approaches

Under the slogan, Quality Every Day, we implement quality initiatives to ensure quality from the customer point of view, pursuing zero defects throughout the company, across all our businesses, and on a global basis. We aim to earn the trust and satisfaction of our customers continuously by delivering low cost and high quality based on the principle of working by managing structural procedures (process approach). We are never satisfied with the status quo in our existing businesses. Rather, we remain aware of the issues and pursue further improvements. In new businesses as medical devices and mobility, we achieve progress by meeting the quality requirements (ISO standards, etc.) of the markets reliably and faithfully. These efforts are not limited to improving the quality of our products, but also extend to improving the quality of our company, including our strategy and responses to environmental, safety, labor, and human rights issues.

Our production is based on the principle of pursuing the maximum output (sales, quality, and customer satisfaction) with the minimum input (materials, manpower, investment, and time). Productivity improvement initiatives throughout the company,

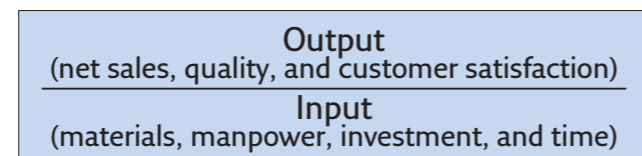
across all our businesses, and on a global basis reflect the following key words: on-time delivery, rate of defective products released to the market, awareness of the latest technologies and products, quality improvement from the source and constant improvement in the workplace (complete elimination of waste), yield, productivity of direct and indirect employees, 5S, standardization, automation, employee skills and values, small group activities, and improvement proposals. The gap between current input and desired input stems from unreasonableness, inconsistency, and waste in the workplace. These issues should be eliminated completely through productivity improvements. We evolve by seeking to close this gap by utilizing our strengths, through production technology, and through our on-site improvement capabilities.

The quality and production strategy map provides a summary of our strategies to evolve quality and production as described in our 7th Medium-Term Business Plan. The map reflects the above initiatives based on the four perspectives of the Balanced Scorecard (BSC).

Slogan for quality initiatives



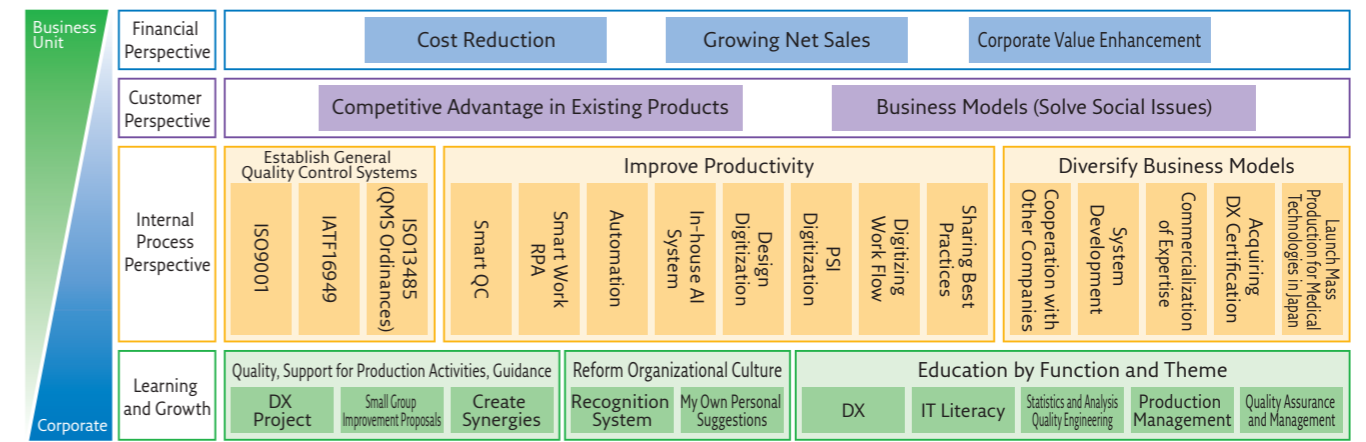
Productivity Improvement



Productivity improvement = Activities to make amount of inputs closer to must-be amount

- On-time delivery
- Rate of defective products leaked to the market
- Awareness of the latest technologies and products
- Sourcing quality improvement and constant improvement in the workplace (complete elimination of waste)
 - Yield
 - Productivity of direct and indirect employees
- 5S, standardization, automation
- Employee skills and values
- Small group activities and improvement proposals

Quality and Production Strategy Map of The 7th Medium-Term Business Plan



Initiatives to improve productivity

Our efforts to improve productivity consist of three main initiatives: (1) reduce quality costs by monitoring quality trends autonomously and conducting visual inspection via AI; (2) improve direct employee productivity by bringing visibility to equipment utilization rates, by predicting equipment abnormalities (preventive maintenance), and by using industrial robots; and (3) improve indirect employee productivity by digitizing workflow via RPA automation and engaging in work process design (reducing working hours significantly). We are achieving greater standardization and automation in process management as we digitize paper records and use big data in connection with our accumulated data. In the future, we hope to develop cross-process themes, such as improving design quality and refining PSI (Production-Sales-Inventory). In so doing, we will suggest business proposals that are best suited to our customers. We will create global synergies by developing and sharing information obtained through the activities above, our best practices in particular, not only in single locations, but across various other locations as well.

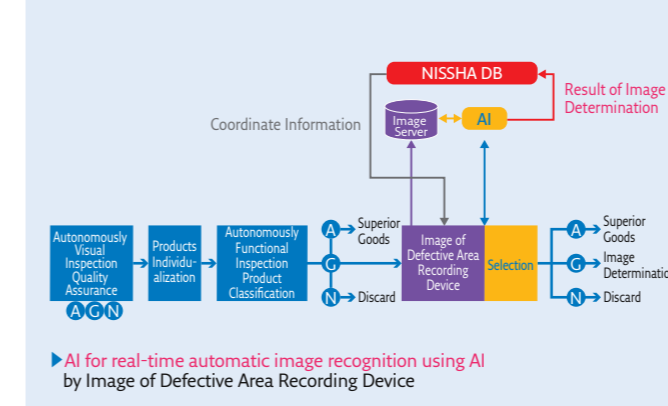
In addition, I believe greater efforts toward small group initiatives and bottom-up activities (including my own personal suggestions for improvement) will lead to company growth and human resources development in parallel, as well as contribute to productivity improvements.



Small Group Activity Presentation

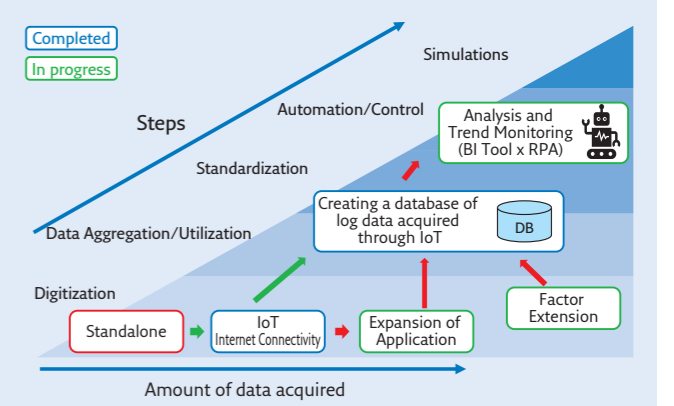
Examples of Lean Operations in the Devices business

- ① Use of AI for automatic image recognition using AI
 Using high-resolution cameras and AI-based image recognition, we have recovered products rejected as waste in the past due to insufficient inspection capabilities. This system reduces the number of human inspectors without compromising quality or accuracy.



▶ AI for real-time automatic image recognition using AI by Image of Defective Area Recording Device

- ② Adopting IoT at existing facilities
 By incorporating IoT (internet connectivity) at existing facilities and expanding the range of facilities using IoT, we achieved quality improvements, productivity improvements, and the digitization of factory predictive maintenance systems.



Infrastructure Supporting Sustainable Corporate Value Improvement

Since our founding, Nissha Group has continued to evolve our businesses by adapting flexibly to changes in the business environment. In so doing, we have grown into the group as we are today. To achieve our vision for 2030, we will create business opportunities in solutions for social issues, strengthening our management base under strong leadership having diverse perspectives.

We will strengthen our corporate governance globally, pursuing the creation of tangible and intangible synergies and reducing environmental and social risks. On this solid foundation, we aim to improve our corporate value and achieve sustainable growth over the medium to long term.

- 044 Corporate Governance
- 054 Management Team
- 057 Message from Independent Outside Directors of the Board
- 063 Human Resources Strategy
- 065 Major Initiatives to Reduce Environmental and Social Risks
- 067 Dialogue With Shareholders and Investors



Corporate Governance

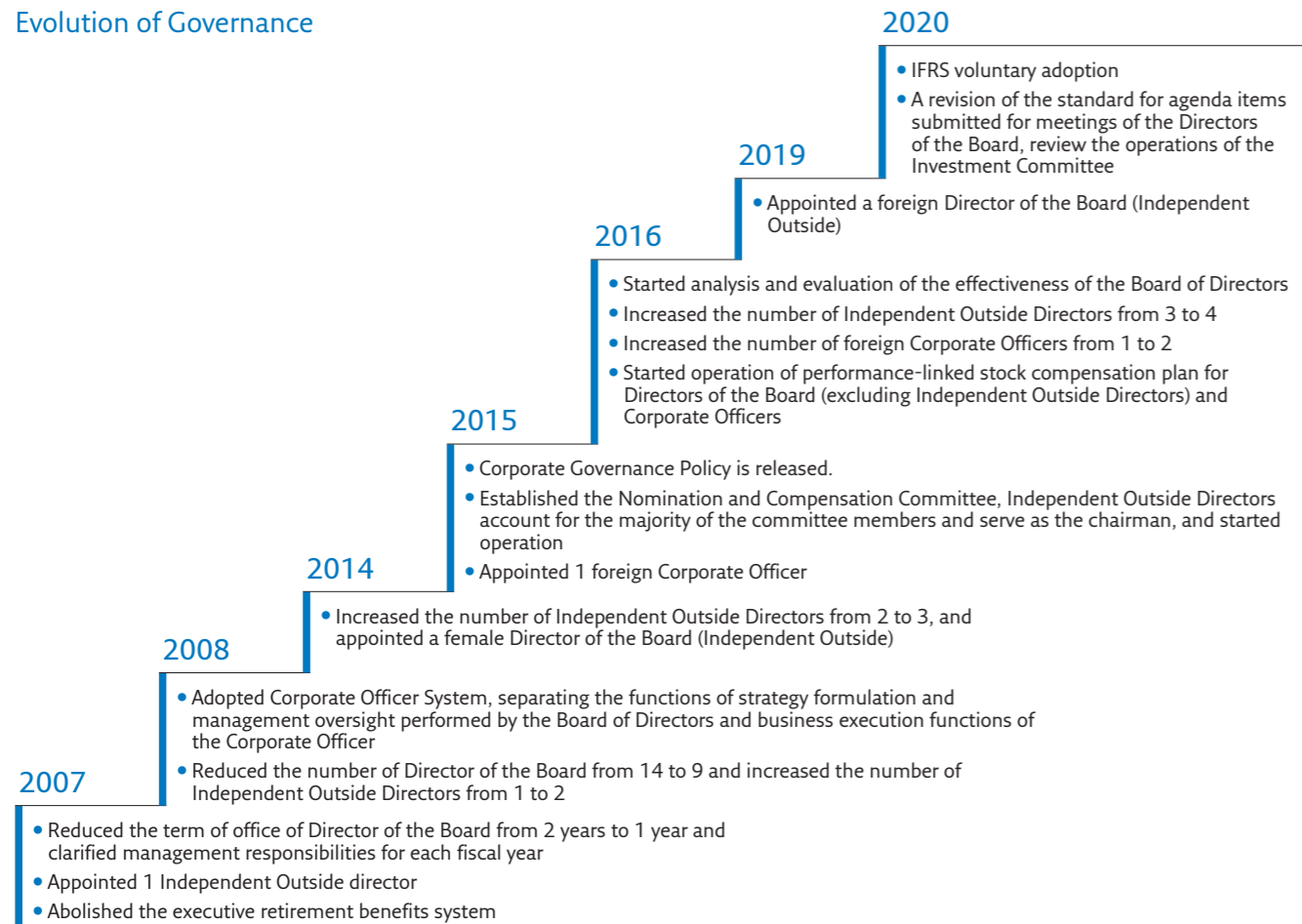




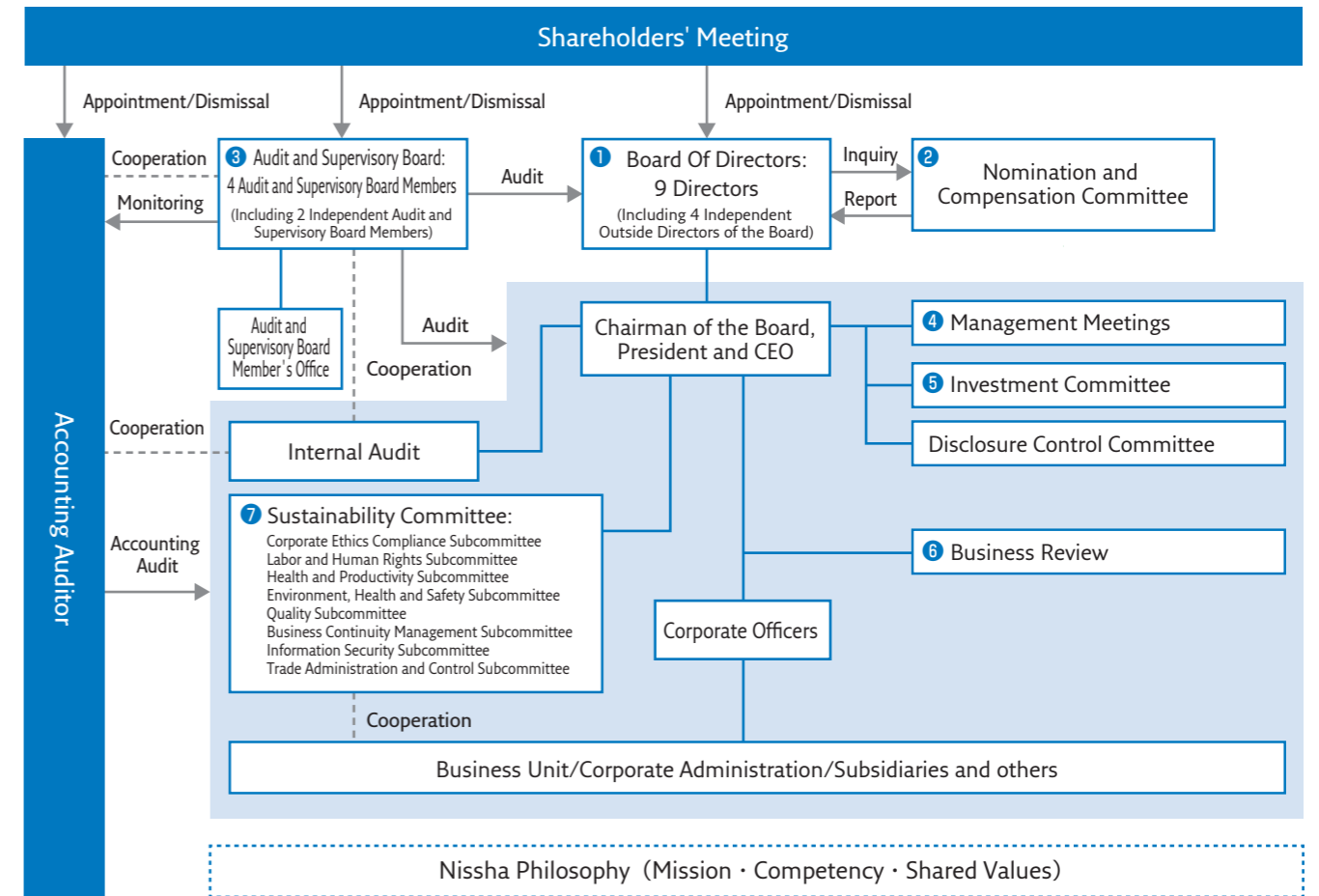
Nissha Governance System

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



Corporate Governance Structure



1 Board of Directors

The Board of Directors makes decisions on matters requiring resolutions pursuant to laws and regulations and our Articles of Incorporation. The board also makes decisions on matters deemed important for management, and supervises the execution of duties by directors and executive officers. (→ P.047)

2 Nomination and Compensation Committee

We established and operate the Nomination and Compensation Committee as an advisory body to the Board of Directors. The committee consists of a majority of Independent Outside Directors and is chaired an independent outside director. (→ P.049)

3 Audit and Supervisory Board Members and Audit and Supervisory Board

In accordance with laws and regulations, our Articles of Incorporation, and various company rules, Members of the Audit and Supervisory Board have the authority to audit the execution of duties by the Directors of the Board and executive officers. Members also select and dismiss the accounting auditor, exercise authority related to audit compensation, and make appropriate audit-related determinations from an independent, objective standpoint. The company's independent Audit and Supervisory

Board members are lawyers and certified public accountants. These individuals contribute to the maintenance and improvement of the company's corporate governance system through advanced expertise in their respective fields.

4 Management Meetings

Management meetings consist mainly of internal directors who deliberate on the direction of important management matters within the scope of authority of the chairman of the board, president and CEO.

5 Investment Committee

The objective of the Investment Committee is to ensure discipline in investment decisions by discussing the strategic rationale and validity of investment returns for high-priority investments prior to submission to the Board of Directors. The committee also monitors the progress of investments that have been completed.

6 Business Review

Business review is convened by the chairman of the board, president and CEO. These meetings are attended by internal directors and management members (executive officers) from each business. Held on a monthly and quarterly basis, business reviews confirm the progress of business strategies based on KPIs (Key Performance Indicators)

and serve as a forum to discuss actions to be taken in the short term. The purpose of these meetings is to monitor the execution of business by executive officers and to respond promptly to changes in the business environment.

In addition, the company appoints managers from major acquired subsidiaries as executive vice presidents and senior vice presidents within the head office. These individuals report on a monthly or quarterly basis to the chairman of the board, president and CEO, and the chief strategy officer (CSO) on the progress of performance plans and management issues.

7 Sustainability Committee

The Sustainability Committee is chaired by chairman of the board, president and CEO. The committee vice chair is the director in charge of sustainability. The Sustainability Committee prioritizes social issues that represent business opportunities for the group, risks that may impede business continuity, and materialities. Eight subcommittees under the umbrella of the business organizations and the Sustainability Committee set strategy items based on these matters. The subcommittees also set key performance indicators (KPIs) and targets, implement PDCA cycles for the management thereof. (→ P.017 Sustainability and Materiality)



1. Directors

The company's Board of Directors is composed currently of nine individuals. Candidates for director must possess a balance and diversity of expertise, experience, and capabilities to fulfill their role in making important management decisions and in supervising the execution of duties by directors and executive officers. (→ P.054)

We appoint internal directors who are thoroughly familiar with our businesses, who are capable of implementing our growth strategies, and who are qualified to supervise the execution of our business. We appoint multiple independent outside directors who meet not only the requirements for Independent Outside Directors as stipulated in the Companies Act, but who also meet the criteria for independence as established by the Board of Directors. The term of office for directors is one year to better clarify management responsibilities for each fiscal year. Candidates for board of director positions are determined by the Board of Directors based on the above policy and after receiving a recommendation from the Nomination and Compensation Committee.

2. The Board of Directors

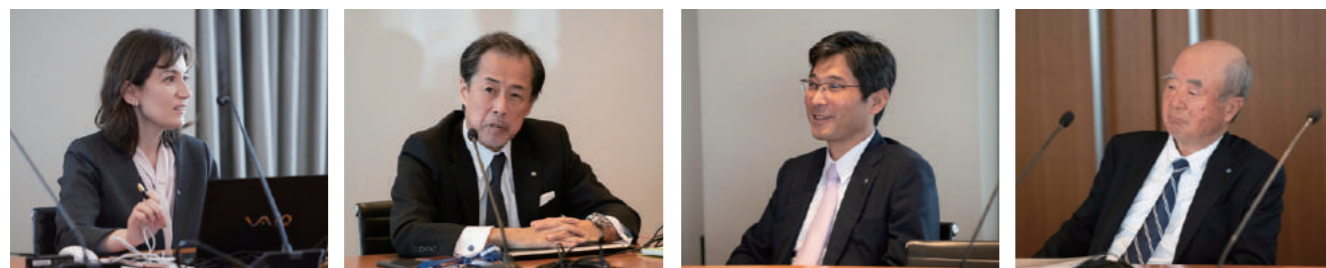
The Board of Directors is a body that makes decisions on matters deemed as having managerial importance, as well as those matters requiring board resolution per laws, regulations, and the Articles of Incorporation. Further, the board oversees the performance of directors and executive officers in business 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 Deliberations of the Board of Directors in fiscal 2020

- Review of the 6th Medium-term Business Plan, formulating the 7th Medium-Term Business Plan
- Preliminary deliberations and decisions regarding M&A projects
- Measures to Strengthen Profitability
- A revision of the standard for agenda items submitted for meetings of the Directors of the Board, review the operations of the Investment Committee
- Issuance of bonds
- Revision to compensation system for directors and executive officers
- Human resources system reform for general employees
- Business reports by the CEOs of major overseas subsidiaries
- Sustainability Committee activities in the reporting
- Evaluations of the effectiveness of the Board of Directors
- Verification of reasonableness of strategic shareholdings
- IR and SR report



Management Team

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.

Directors

	Title	Term	Generation	Independence * Outside Directors	Careers at other companies * Inside Directors	Experience working overseas	Desired Knowledge/Experience					
							Corporate management/management strategy	Sales, Marketing	Production, Quality, Technology, Research and Development	Finance/M&A	HR/talent development	Legal, Compliance
Junya Suzuki	Chairman of the Board, President and CEO	21 years 9 months	50s	—	●	●	●	●		●		
Daisuke Inoue	Director of the Board	3 years	50s	—	●	●	●			●	●	●
Wataru Watanabe	Director of the Board	3 years	40s	—		●	●	●		●		
Yutaka Nishimoto	Director of the Board	Newly appointed	50s	—			●		●			
Hisashi Iso	Director of the Board	Newly appointed	50s	—				●				
Kazuhito Osugi	Independent Outside Director of the Board	4 years 9 months	60s	●	—	●				●		●
Makoto Ando	Independent Outside Director of the Board	3 years	60s	●	—		●	●	●			
Asli M. Colpan	Independent Outside Director of the Board	2 years	40s	●	—	●	●	●	●		●	
Kazumichi Matsuki	Independent Outside Director of the Board	2 years	60s	●	—	●	●					●

At the conclusion of the general meeting of shareholders in March 2021

Audit and Supervisory Board Members

	Title	Term	Generation	Independence * Outside Directors	Careers at other companies * Inside Directors	Experience working overseas	Desired Knowledge/Experience					
							Corporate management/management strategy	Sales, Marketing	Production, Quality, Technology, Research and Development	Finance/M&A	HR/talent development	Legal, Compliance
Yasuro Nonaka	Full-time Audit and Supervisory Board Member	6 years 9 months	60s	—							●	●
Testuya Taniguchi	Full-time Audit and Supervisory Board Member	1 year	60s	—			●	●				
Shigeaki Momo-o	Independent Audit and Supervisory Board Member	19 years 9 months	80s	●	—	●						●
Yusuke Nakano	Independent Audit and Supervisory Board Member	5 years 9 months	50s	●	—					●		

At the conclusion of the general meeting of shareholders in March 2021

3. Nomination and Compensation Committee

The company established the Nomination and Compensation 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 compensation 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 one of which is 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 compensation.

Members

Outside Members (4)

Kazuhito 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 Deliberations in fiscal 2020

- Candidates for Directors
- Succession plan (requirements for the management team)
- Compensation system for directors (compensation level, composition, ratio of fixed and variable compensation, etc.)
- Compensation for Directors

The Nomination and Compensation Committee consists of six members, four Independent Outside Directors including myself as the committee chair, the president, and an officer in charge of corporate planning. For Independent Outside Directors to function appropriately in terms of human resources, it is necessary to devise ways to increase contact with personnel who are at the prospective director level. In this regard, we have asked the company to increase opportunities for presentations at meetings of the Directors of the Board and informal social gatherings. We nominated two new candidates for the Board of Directors this year. Since we, the Independent Outside Directors, already had the opportunity to evaluate the candidates at a personal level, we were able to report to the Board of Directors with confidence.



Committee Chair
Kazuhito Osugi

Director and Audit and Supervisory Board Member Compensation, Etc.

(1) Basic Policy on Compensation, Etc.

① Basic Policy

- The compensation system for directors and members of the Audit and Supervisory Board is structured to allow these individuals to exercise their authority appropriately in the supervision of business execution and management. Compensation is also designed to encourage sustainable growth of the group and the enhancement of corporate value over the medium to long term.
- In particular, the compensation of directors who are also responsible for business execution is structured to encourage a shared sense of values with shareholders and to contribute to the enhancement of corporate performance and corporate value.

consists of base compensation, bonuses, stock-based compensation, etc.

- Since Independent Outside Directors supervise management from a standpoint independent of business execution, compensation for Independent Outside Directors does not include performance-linked compensation. Rather, compensation for these directors is entirely base compensation determined according to the career experience and responsibilities of the independent outside director in question.
- Compensation for Audit and Supervisory Board Members consists solely of base compensation, as members are responsible for auditing the group from an independent standpoint.

② Approach

- Compensation for directors responsible for business execution

Compensation for directors responsible for business execution base compensation

Type	Contents	Compensation	General meeting of shareholders
Base Compensation	• Fixed monthly compensation • Base pay is determined according to the level of contribution and an evaluation of performance.	JPY 430 million per year (Including JPY 40 million per year for independent outside directors)	June 17, 2016
Short-term performance-linked compensation (bonuses)	• Achieve performance targets for each year and incentives for proper management • Bonuses are determined based on progress toward targets according to profit and loss for the period		
Medium-term, performance-linked compensation (stock-based compensation, etc.)	• Incentive to encourage a sense of contribution is designed to encourage sustainable growth of the group and the enhancement of corporate value over the medium to long term • Board Benefit Trust (BBT) • Points are awarded for the three years of the Medium-Term Business Plan in accordance with the level of achievement of the position, consolidated performance targets for each year. This system increases awareness of contribution to the continuous improvement of Medium-Term Business Plan performance and corporate value at Nissha.	Maximums Every Three Fiscal Years: • Maximum amount of company contribution to trust: JPY 226 million • Maximum total number of points awarded to officers: 411,000 (1 point = 1 share)	March 19, 2021

(2) Determination Process

- ① Policies, structures, and performance-linked mechanisms for director compensation are deliberated by the Nomination and Compensation Committee. These findings are then submitted to the Board of Directors, who make determinations regarding these measures.
- ② The compensation 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 compensation levels subject to the conditions above. This draft is discussed by the Nomination and Compensation Committee. The findings of the committee are submitted to the Board of Directors, which makes a final decision.
- ③ Compensation 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.

Actual Compensation to Company Directors and Audit and Supervisory Board Members in 2020

Position	Total Compensation	Compensation by Category			Number
		Base Compensation	Bonuses	Stock	
Directors of the Board (Internal)	JPY 226 Million	JPY 151 Million	JPY 52 Million	JPY 22 Million	5
Audit and Supervisory Board Members (Internal)	JPY 26 Million	JPY 26 Million	—	—	3
Independent Outside Directors and Independent Audit and Supervisory Board Members	JPY 46 Million	JPY 46 Million	—	—	6

(3) Compensation for the Year 2021 and Thereafter

Since November 2019, the company has reviewed the compensation system for directors (compensation level, composition, ratio of fixed and variable compensation, etc.) through ongoing deliberations within the Board of Directors and the Nomination and Compensation Committee.

Deliberation process for review of the compensation system for directors

- November 2019
Nomination and Compensation Committee
▶ Organize issues related to compensation systems based on the results of external compensation surveys. (compensation level, composition, ratio of fixed and variable compensation, etc.)
- December 2019–February 2020
Nomination and Compensation Committee
▶ Discussion of Short-term performance-linked compensation (bonuses)

Nomination and Compensation Committee
 ▶ Medium-term, performance-linked compensation (stock-based compensation)

Discussion of Nomination and Compensation Committee

Outside Committee Members
 The executive compensation system should be flexible and in line with the company's business conditions and direction at the time.

Internal committee member
 The key point of evaluation is contributing to the progress of the reconfiguration of our business portfolio.

Discussion of Nomination and Compensation Committee

Internal committee member
 Asked for two individual opinions:
 (1) Increase the ratio of stock-based compensation to total compensation at the SR meeting
 (2) Consider revising the compensation framework to increase the amount of stock-based compensation
 The responses were generally supportive.

Outside Committee Members
 Stock-based compensation can be conceived of as a way for executives to raise the stock price while owning shares and conducting their own operations. Increasing that total amount would be meaningful not only to institutional investors but also to the company.

- March 2020 Board of Directors
▶ Short-term performance-linked compensation (bonuses)
- December 2020–January 2021

- March 2021 General meeting of shareholders
▶ Revision of compensation quota for stock-based compensation, etc.

Compensation structure (model compensation when performance targets are achieved)

Before revision

Fixed Pay Approx. 60%	Compensation linked to Business Results Approx. 40%
Base Compensation	Short-term performance-linked compensation (bonuses) Approx. 30% Medium-term, performance-linked compensation (stock-based compensation, etc.) Approx. 10%



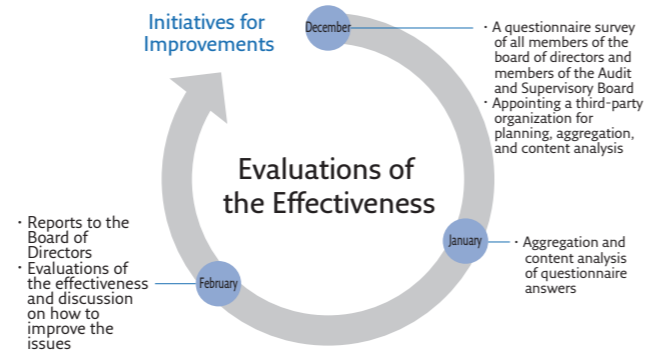
After revision

Fixed Pay Approx. 55%	Compensation linked to Business Results Approx. 45%
Base Compensation	Short-term performance-linked compensation (bonuses) Approx. 27% Medium-term, performance-linked compensation (stock-based compensation, etc.) Approx. 18%

Initiatives for Enhancing Governance

Evaluation of Effectiveness of the Board of Directors in 2020

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 year, generating ongoing improvements, and improving the effectiveness of the Board of Directors even further.



Evaluation Items (36 Questions in Total)

- (1) Progress from the previous year (2019)
- (2) Composition and operation of the Board of Directors, and support system for Directors and Audit and Supervisory Board Members
- (3) Role of the Board of Directors
 - Discuss management strategies and plans while considering the business environment and business portfolio
 - Establish an environment in which company executives take risks appropriately and delegate authority as necessary
 - Supervise company executives effectively; oversee other matters that fall under the purview of the Board of Directors
 - Supervise the development and operation of group compliance, internal control, and risk management systems
 - Supervise initiatives for constructive dialogue with shareholders and investors

Issues Identified in 2020 and Initiatives Set for 2021

Evaluation and Challenges identified in 2019	<ul style="list-style-type: none"> ● Affirm that Board of Directors is functioning appropriately and effectively ● We identified the following issues <ol style="list-style-type: none"> ① More time should be spent on analysis of the business environment, medium- to long-term direction, business risks, and appropriate responses ② To achieve the matter described above, the board should consider the standard for agenda submissions to the Board of Directors (qualitative and quantitative aspects), with a view to delegating authority. ③ The board should receive more detailed regular reports on post-merger integration (PMI) for acquired subsidiaries and the progress of subsidiary performance
Initiatives for 2020	<ul style="list-style-type: none"> ● Reexamine the rules for reporting investment projects to the Board of Directors in conjunction with a review of the standard for agenda items submitted to meetings of the Directors of the Board. ● Review the operating rules of the Investment Committee ● Review the content and method of monthly performance reporting from subsidiaries; obtain more detailed regular reports on activities, focusing on PMI and the progress of subsidiary performance
Assessment and Challenges for 2020	<ul style="list-style-type: none"> ● Confirm that the Board of Directors functions appropriately and effectively ● Matters evaluated were as follows <ol style="list-style-type: none"> 1. Progress in Issues Identified in 2019 <ul style="list-style-type: none"> ◇ Steady improvement in all areas ◇ A revision of the standard for agenda items submitted for meetings of the Directors of the Board was discussed from a wide range of perspectives over a sufficient period of time. The revision of standard, aimed at achieving both delegation of authority and accountability, was a major achievement. 2. Composition and operation of the Board of Directors; support systems for directors and Audit and Supervisory Board members <ul style="list-style-type: none"> ◇ The Board of Directors is composed of a diverse range of personnel that is well-balanced from the perspective of knowledge, experience, ability, and expertise. The ratio of internal to outside members is appropriate. ◇ The Board of Directors encourages an atmosphere in which participants can speak freely, and frank discussions are held in an unreserved manner. The chairperson has achieved the proper balance of comprehensiveness and focus, exercising precise control over when to have free discussions and ask for opinions, and when to consolidate and draw conclusions. ◇ Meetings of the Directors of the Board during the COVID-19 pandemic in 2020 were conducted online. This format was both flexible and easy to implement, enabling meaningful discussions while minimizing the risk of infection. ◇ The chairperson exercised proper differentiation in their executive role as the president and CEO and their role as chairman of the board. The chair remained aware of the line between execution and supervision, encouraging free and open exchange of opinions and posing questions to elicit clearer discussions when insufficient explanations were offered by executives. The chair also received positive feedback for carefully and humbly listening to the opinions of Independent Outside Directors and independent members of the Audit and Supervisory Board. 3. Role of the Board of Directors <ul style="list-style-type: none"> ◇ The deliberation process for the 7th Medium-term Business Plan was adequate, and the issues facing company management were discussed fully. The off-site meeting (Directors Boot Camp) for internal and outside directors prior to the discussion of the medium-term business plan included a detailed discussion of the history and strengths of the group. This discussion proved very effective in deepening the discussions that followed. ◇ As the roles required of the Board of Directors become more sophisticated and complex, the board must not

only meet formal standards, but must also discuss ways to improve the effectiveness of company operations to achieve a long-term increase in corporate value and to make continuous self-directed improvements.

- ◇ The chairman of the board, president and CEO and other executive officers value dialogue with shareholders and investors. These officers are engaged actively in investor relations and shareholder relations activities, and the content dialogues are reported regularly to the Board of Directors. In addition, issues raised through dialogue are reflected in management activities.

- The following issues were identified
 1. Discussion regarding sustainability among the members of the Board of Directors
 - ◇ Group ESG initiatives are being implemented in an appropriate manner.
 - ◇ On the other hand, compared to the discussion of governance (G), less discussion of environment (E) and society (S) occurred. More time should be spent in the future identifying materialities and strengthening related discussions among the Board of Directors.
 2. Management and supervision of group companies (overseas group companies and subsidiaries in particular)
 - ◇ A management system for group companies is in place and supervised by the Board of Directors. The COVID-19 pandemic, however, caused a need for enhanced supervision, particularly for overseas group companies. The company must also reexamine its supervisory system and clarify responsibilities and authority, including the delegation of head office functions.
 - ◇ While we received more substantive monthly performance reports from subsidiaries and regular activity reports focusing on PMI and performance progress from acquired subsidiaries, the Board of Directors must continue to address the issue in meetings of the Directors of the Board to verify and supervise return on investment.
 3. Further improvements in reference materials and explanations in meetings of the Directors of the Board
 - ◇ The quality of the materials submitted at meetings of the Directors of the Board is high and generally easy to understand. Steady improvements have been made in the explanations given by those submitting agenda items each year.
 - ◇ For further improvement, it will be necessary for those submitting agenda items to understand the nature of the issues and risks, and to provide explanations that focus on the main points while taking into account the nature of discussions to initiate at meetings of the Directors of the Board.

2021 Policies

- Hold more vigorous discussions on materialities at Board of Director meetings and regularly report on ESG initiatives
- Establish the Regional Collaboration Committee and commenced operations to strengthen global governance. The Board of Directors to receive regular reports.
- Enhance the capabilities of director and executive officers to give effective explanations

Initiatives and Policies to Support Independent Outside Directors and Independent Audit and Supervisory Board Members

The company engages in various measures to ensure adequate supervision and advice from Independent Outside Directors, as well as audit-related advice by the independent members of the Audit and Supervisory Board, at meetings of the Directors of the Board.

- (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) Briefings and distribution of materials in advance of meetings of the Directors of the Board

Aiming to improve the quality of discussions at meetings of the Directors of the Board, materials related to meeting agenda items and proposals will be distributed in advance to directors and Audit and Supervisory Board members. In addition, on the day of each monthly meeting, the chairman of the board, president and CEO and the officer in charge of the agenda will provide supplementary briefings to Independent Outside Directors and independent members of the Audit and Supervisory Board regarding the background and content of important agenda items. The briefings serve to bring together Independent Outside Directors and independent members of the Audit and Supervisory Board, offering an opportunity for the frank exchange of opinions, thereby strengthening mutual cooperation. Minutes of Management Meetings and Investment Committee Meetings are provided prior to meetings of the Directors of the Board to ensure Independent Outside Directors have access to internal information.
- (3) Off-site meetings for directors (Director Boot Camp)

In 2020, we held an off-site meeting (Director Boot Camp), separate and distinct from board of director meetings, in advance of discussions regarding the formulation of the 7th Medium-term Business Plan. President Suzuki gave a presenta-



tion on the history, background, essence, and traditions of the company, after which the directors engaged in a focused discussion on the topic of management strategy and vision.

- (4) 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.

 - ▶ Business reports to the Board of Directors by the CEOs of major overseas subsidiaries (Graphic Controls Group and AR Metallizing Group)
 - ▶ Presentations by senior vice presidents at meetings of the Directors of the Board
 - ▶ Participation and discussion in joint meetings at the beginning of the fiscal year at which all group department heads gather
 - ▶ Participation in company events (e.g., Medical Technology Forum), etc.
- (5) Visit to Business Locations

We provide opportunities for independent Outside Directors of the Board and Independent Audit and Supervisory Board members to visit domestic operating bases to deepen their understanding of our businesses.

■ Establishment of Regional Collaboration Committees

As an initiative to strengthen global governance throughout Nissha Group, the company established Regional Collaboration Committees (RCC) in July 2021 as a framework for cooperation across businesses and companies in the three regions of the Americas, Europe, and China. In addition to the responsibilities and discipline of the vertically consolidated business organization to date, this committee is part of the company's aim to establish a system for cross-organizational sharing and the creation of synergies between management functions.

To implement and promote group materialities on a global basis, each RCC and local group companies are delegated the authority to plan and execute activities in their respective regions based on the policies for each function, working under the jurisdiction of the administrative divisions of the Global Headquarters (GHQ). The main objective is to delegate authority to the RCC or local group company to plan and execute local activities based on functional policies under the control of the administrative division of the global headquarters. This system places particular emphasis on ensuring the implementation of effective initiatives that reflect the nature and diversity of each region.

In the Americas and Europe, the company will appoint a representative (who is also an executive officer of the Company) from each of the group companies acquired (Graphic Controls Group and AR Metallizing Group) to chair their respective RCCs. The company regards acquired group companies as major players since these companies are already global in nature and have developed a wide range of management functions of the type expected by GHQ. In each case, a Japanese employee will be appointed as an assistant to the chairperson to facilitate communication with GHQ and put in place a structure to enhance effectiveness. In China, we will appoint as chairperson a representative from a group company who has developed excellent

skills in communicating with local employees and who has gained an understanding of business practices through many years of being stationed in China.

In each RCC, a person in charge of each function will be appointed from among the directors or employees of the subsidiaries in the region, rather than any single group company assuming the functions of an RCC. The person in charge will exercise leadership in the execution of the relevant functions, not only for the company to which he or she belongs, but also for other group companies in the region. The chairperson will provide oversight. By providing feedback on the functional policies formulated by GHQ, we will help divisions in charge deepen their understanding of global regions and formulate policies that account for actual situations on the ground.

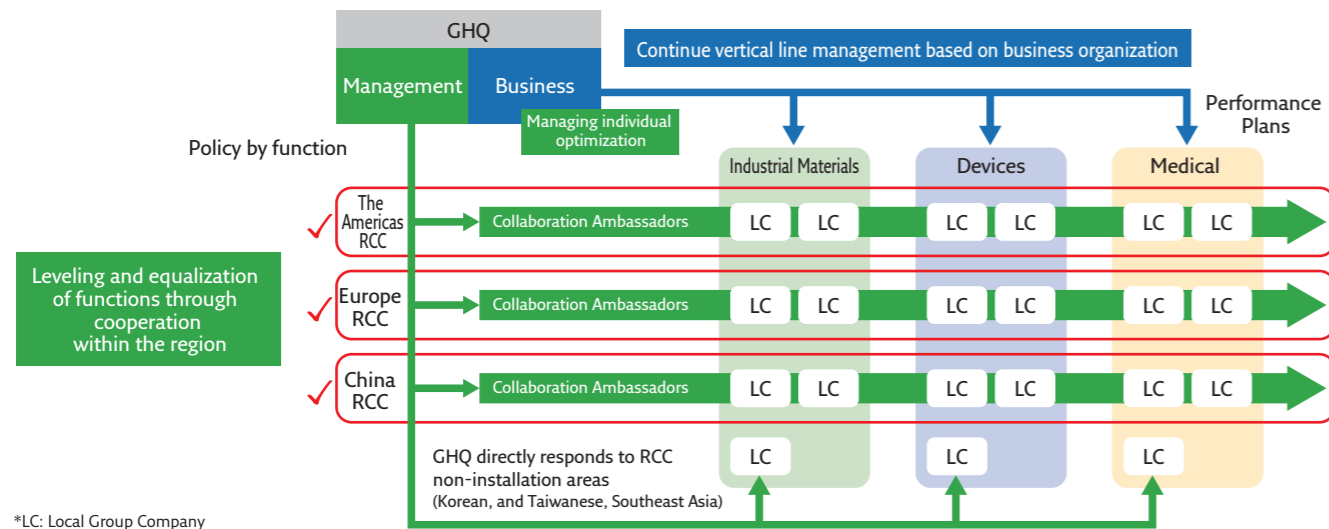
By building a system in which regional executives and employees cooperate and demonstrate their abilities, we will promote the creation of tangible and intangible synergies within the group. The design of this structure is similar to the so-called matrix organization in which both vertical and horizontal chains of command coexist. The design also aims to create synergies. The responsibilities to be fulfilled by the vertical and horizontal chains, however, are different, so there will be no conflicts (such as confusion in reporting lines) caused by the matrix.

The details of the initiatives in each region will be reviewed on a regular basis, and the chairman of the board, president and CEO will report to the Board of Directors once a year.

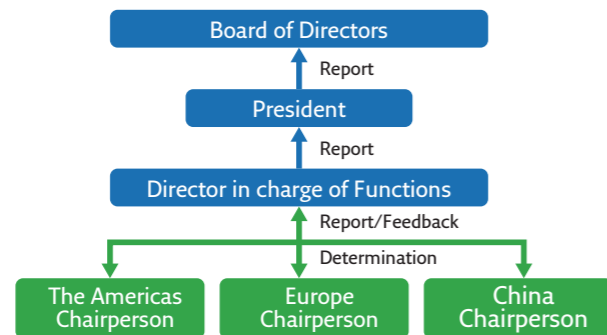
By developing a system that enables cross-organizational cooperation based on geographical regions, we aim to create synergies among subsidiaries and share best practices, thereby achieving the Connected as One* concept of the 7th Medium-term Business Plan.

* Internal statement referring to "Synergy Business Plan" emphasized in the 7th Medium-term Business Plan.

Coexistence of Business and Regional Axes



Monitoring



Directors of the Board



Junya Suzuki, MA
 Chairman of the Board,
 President and CEO
 Chairman of Sustainability Committee



Daisuke Inoue, MBA
 Director of the Board
 Senior Executive Vice President
 General Manager of Devices Business Unit
 Senior Director of Human Resources,
 General Affairs and Legal Affairs
 Senior Director of Health and Productivity
 Management
 Director of Tokyo Division Headquarters



Wataru Watanabe, MBA
 Director of the Board
 Executive Vice President
 Chief Strategy Officer
 Director of Corporate Strategy Planning
 Senior Director of New Business
 Development Office
 Senior Director of Sustainability
 Senior Director of Investor Relations



Yutaka Nishimoto
 Director of the Board
 Executive Vice President
 Chief Quality and Production Officer
 Director of Total Quality Management Office
 Director of Total Production Management Office
 Senior Director of Pharmaceutical and Medical
 Device Affairs
 Director of Medical Management Office
 Senior Director of Devices Business Unit, Quality and
 Production
 Representative Director, Nitec Precision and
 Technologies, Inc.



Hisashi Iso
 Director of the Board
 Senior Vice President
 General Manager of Industrial
 Materials Business Unit
 Director of Marketing, Industrial
 Materials Business Unit



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
 Executive Vice President
 General Manager of Medical
 Technologies Business Unit
 Chief Executive Officer, Nissha Medical
 Technologies



Hitoshi Koya
 Senior Vice President
 Chief Financial Officer



Ryomei Omote
 Senior Vice President
 Chief Technology Officer
 Senior Deputy Director of New
 Business Development Office
 Director of Product Development, New
 Business Development Office



Hidenori Yamaguchi, Ph.D.
 Senior Vice President
 Senior Director of Digital
 Transformation



Yoshitami Aoyama
 Senior Vice President
 Chief Information Officer
 Chief Supply Chain Officer



Atsushi Sugihara, MBA
 Senior Vice President
 Senior Director of Industrial Materials
 Business Unit, Production and Quality
 Representative Director, Nitec
 Industries, Inc.



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



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 Medical
 Technologies Business Unit,
 Marketing and Customer Relationship
 Management
 Director of Business Promotion,
 Medical Technologies Business Unit



Shuzo Okumura, MEng
 Vice President
 Senior Director of Medical
 Technologies Business Unit, Japan
 Operations



Kazuhiro Nishikawa
 Vice President
 Senior Director of Devices Business
 Unit, Development, Engineering,
 Procurement and Supply Chain
 Management



Satoshi Aoki, MBA
 Vice President
 Director of Corporate Human
 Resources and Employee Benefits

As of July 1, 2021

Message from Independent Outside Directors of the Board



Nissha is fortunate to have four Independent Outside Directors of the Board who offer objective eyes 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 2020.

Kazuhiro Osugi

Mr. Kazuhiro Osugi attended all 18 meetings of the Board of Directors held in the fiscal year ended December 2020. 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 18 meetings of the Board of Directors held in the fiscal year ended December 2020. 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 18 meetings of the Board of Directors held in the fiscal year ended December 2020 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 all 18 meetings of the Board of Directors held in the fiscal year ended December 2020 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

Kazuhiro 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.
June 2016	Independent Outside Director of the Board, the Company (present post)
August 2018	Outside Director, Frontier Management Inc. (present post)
June 2021	Independent Outside Director, The Gunma Bank, Ltd. (present post)



Groundbreaking measures including the adoption of new Board of Directors meeting standards for discussions, and holding of a boot camp by directors has increased the effectiveness of Nissha's Board of Directors. In order that we can further strengthen the collective power of Independent Outside Directors and improve their management literacy, we hold gatherings of Independent Outside Directors only.

Governance Management of Nissha

As Independent Outside Director, my basic understanding is that the central issue in corporate governance is to check that top management exercises its power in a healthy manner. My ideal image of governance management is top management devoting themselves to the intellectual challenges posed by Independent Outside Directors, while at the same time ceaselessly working to increase corporate value. I am aware that this fundamental philosophy is fully shared by President Suzuki, and believe that this is a cornerstone of Nissha's governance management.

Initiatives in Improving the Effectiveness of the Board of Directors

As a measure to increase the effectiveness of the Board of Directors, last year we implemented the following two epoch-making measures.

The first was raising the monetary criteria for discussing capital investment and M&A projects in the Board of Directors meeting. The measure shifted the focus of the Nissha Board of Directors away from being focused on management, and towards being focused on monitoring.

The second was starting a boot camp (reminiscent of the US Marine Corps training facilities) for the first time. In this intensive meeting, after receiving a lecture from the president about the essentials of the company including its history, participants conducted intensive discussions on topics such as markets the company should focus upon in the future, and ideal goals for corporate value and shareholder returns. Discussions from the boot camp resulted in valuable input in formulating the 7th Medium-term Business Plan.

Some of the issues that need to be considered in the future in order to further improve the effectiveness of the Board of Directors are: (1) from a qualitative point of view, can we further narrow down the number of agenda items and use our time and resources on discussions of fundamental and long-term management strategies; and (2) should the focus of monitoring

methods be moved away from P/L-based accounting management and towards business portfolio management with more of an emphasis on ROE and ROIC?

During the debate regarding raising standards for discussion, I was very impressed by President Suzuki's fair and impartial chairmanship of the proceedings. There were differences in enthusiasm amongst Independent Outside Directors regarding these proposals, and some significant differences in opinion amongst members of the board of directors with some Audit and Supervisory Board members presenting counterarguments — heated discussions continued over three Board of Director meetings. Given these circumstances, the president stayed true to his position as chairman of the Board and listened to both sides of the debate fairly and attentively without any bias toward the company's original proposal.

Characteristics of Nissha's Independent Outside Directors

The four Independent Outside Directors are diverse in terms of nationality and gender, and we also have varied backgrounds including Panasonic, Mitsubishi Corporation, Kyoto University, and the Bank of Japan. We could be called a small intellectual community comprising industry, academia, and government. To make the most of these characteristics in governance management, I proposed that we hold gatherings of just Independent Outside Directors. The objective of having Independent Outside Directors meet alone is to further expand the objectives detailed in the practical guidelines regarding the Corporate Governance Code and roles of the Independent Outside Directors, and to improve management literacy by encouraging a free and frank exchange between the four directors of opinions in a manner reminiscent of an intellectual salon. These measures will further strengthen their collective power as Independent Outside Directors.

As Independent Outside Director, I hope to continue working hard in order that Nissha can steadily increase its corporate value, and so that we can fully meet the expectations of investors and all other stakeholders.

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)



The 7th Medium-term Business Plan is the culmination of accumulated company-wide wisdom comprising results from the boot camp together with discussions at the Board of Directors meeting.

"Synergy Business Plan" is put forth as a code of conduct. Together with the results of synergy we will confront these creation methods, in support of having the Board of Directors as a font of wisdom.

Formulating the 7th Medium-Term Business Plan

Formulation of the company's Medium-term Business Plan began in earnest given the ongoing impact of COVID-19 from last year, right at a time in which the very significance of a company's existence was being questioned. We had young employees who will grow the company in the medium to long term analyze the company environment, then use the results of this analysis to determine which social issues Nissha should solve as part of its mission. We then had them formulate concrete company-wide and business-specific strategies, which they found very fulfilling. In the review process, we Independent Outside Directors intensively talked about growth strategy in the boot camp, and these discussions have been continued at later Board of Directors meetings. Called Connected As One* and Synergy Business Plan, the 7th Medium-term Business Plan approved in December 2020 is the culmination of accumulated company-wide wisdom.

Of course, the execution phase is where a plan is put into effect, however the external environment is changing more dramatically than expected. While monitoring progress as needed, the role as an Independent Outside Director is, as I see it, to have the courage to push for changes in policy and return to basics and rethink our strategies and tactics if necessary.

I am really looking forward to the 7th Medium-term Business Plan. These are the important first three years towards making Sustainable Vision a reality. While using these outside perspectives, I would like to work so that we can be an agile board of directors that develop what needs to be developed, and that implements what needs to be implemented.

Issues in Achieving "Synergy Business Plan"

Synergy Business Plan is put forth as the code of conduct for the 7th Medium-term Business Plan. This refers to creating new social value through organically combining each division and using the output of synergy-based technologies, products, and work methods to improve Nissha's sales and profits.

Results of synergies are starting to become apparent — these

include the YASIORI portable disinfectant spray commercialized by Zonnebodo Pharmaceutical which became a subsidiary in 2019, and overseas, a design and development project for molded parts of face shields jointly promoted by our Industrial Materials business bases in Korea and China together with our Medical Technologies business base in the United States. I feel that this results from having three different perspectives on creating synergies between our divisions. These are an upstream synergy which communicates with customers and markets, synergy with other departments to obtain knowledge and resources that we do not have, and synergy with external elements for collaboration with different departments that have developed in different cultures.

We are also announcing new mechanisms to accelerate the creation of synergies. One example of these is an initiative to hold a technology forum at which senior management conduct online discussions into new business opportunities, and convey expected areas of synergy to all employees. We have also proposed a quotation system utilizing AI that automatically responds to customer inquiries about pricing and delivery dates for newly designed products — this has greatly improved the efficiency of order-taking activities at our global bases. In addition to these results, I would like to be the type of Board of Directors that offers support in drawing forth wisdom, in order that ways in which synergies are created can be communicated and shared throughout the company on an ongoing basis.

* Internal statement referring to "Synergy Business Plan" emphasized in the 7th Medium-term Business Plan.

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)



Formulating the 7th Medium-term Business Plan is an important first step towards realizing Nissha's sustainability vision for 2030.

In quickly grasping the need for change and formulating an effective vision, I am confident that Nissha's management will successfully transform our corporate strategy and achieve our goals.

The 7th Medium-term Business Plan

The 7th Medium-term Business Plan is a critical step towards Sustainability Vision of Nissha; ie. where the company wants to be in 2030. It involves transforming Nissha's corporate strategy towards medical devices and mobility and moving away from the IT devices (smartphone) business. Such change has been inevitable and triggered by the changes in the attractiveness and growth rate of some of the businesses (that is the main IT devices business) Nissha has been operating in. I endorse such change the company is going through for two reasons. First, the internal management of Nissha led by its CEO has been very successful in quickly grasping the problem they are facing and thus the need to change. This is easier said than done as histories of many companies are full of managers who have been reluctant to change and thus eventually failed. Second, Nissha's managers have been also effective in creating a vision determining where they would like to see the company in the long-term. The current mid-term plan is thus a critical and big step in moving the company towards that vision.

The 7th Medium-term Business Plan is also called the synergy business plan as it aims to accelerate synergies among different businesses of Nissha. To put it simply, the current mid-term plan seeks to achieve more cooperation across business units and within businesses in different geographical locations. Examples can be the cooperation between Medical Technologies business and Devices business; as well as Industrial Materials business and Devices business. More collaboration among teams in Japan and other parts of the world is also encouraged. Working across business units or geographical locations is not always easy; and can even raise resistance as people are required to work out of their comfort zones. However, Nissha's corporate office has been keen to promote such collaboration. The synergy generation is thus not only a top-down process at Nissha but a process which gives autonomy to businesses in formulating collaboration with other businesses. There is even a Synergy Award to stimulate such collaboration so the gains from cooperation is widely recognized and praised with the whole organization.

Challenges to achieve the 7th Medium-term Business Plan

I feel enthusiastic and confident as an Independent Outside Director about the transformation Nissha is going through. The reasons for that are two folds. First, I observe the top management is taking a step-by-step process, and not a rushed change, in reshaping the corporate portfolio. Although there is to learn through experimentation when going through change, in Nissha's case the transformation is always backed by careful and rigorous analysis led by the Corporate Strategy Planning office. I thus strongly believe the company will end this mid-term plan by upgrading its existing resources and building new capabilities, and thus creating real value from the relatively newly-added businesses, especially the medical business. Secondly, the top management is proactively cultivating an open environment in which directors freely and constructively discuss new initiatives. This kind of honest discussion is very important to make sure everyone has a say in the process and eventually be on the same page. Corporate office is also making efforts to ensure that all the employees of Nissha wholeheartedly support the new strategy. This is very important because no strategic transformation will really succeed without collective support from the whole organization.

In sum, Nissha has been successful in carefully crafting the 7th Medium-term Business Plan, and now the real task is to implement it in a similarly successful fashion. As Nissha has successfully transformed from a traditional printing company to an IT devices company and now heading towards medical devices and related businesses, I am convinced that the current management headed by its CEO will effectively achieve this goal.

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
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)



Through repeated discussions, we have adopted new standards for discussion for Board of Director's meeting deliberations that are in accord with Nissha's current circumstances. The 7th Medium-term Business Plan is designed to give a deeper business structure and enhance our basic strengths. Key to this is strengthening global governance, which supports overseas expansion. As an Independent Outside Director, I will continue to oversee the activities of the regional control function.

Discussions on Reviewing Standards for Discussion for Board of Directors Meetings in 2020

At the Board of Directors meeting, we spent a substantial amount of time in reviewing standards for discussion for these meetings, based upon proposals by business divisions. We held robust discussions on the purpose of the review, the legal standing of the standards for discussion, the relationship between Nissha's current business activities and the standards for discussion, and how to come to internal decisions on proposals not presented for discussion at board meetings, but no conclusions were drawn after a single meeting. After several discussions, we decided to adopt new standards for discussion that we determined to be most appropriate to Nissha's current situation.

In executive-level decision-making, we confirmed that all relevant departments including individual functional departments participated in discussions of individual proposals, and that discussions proceeded without omission. In addition, together with the materials, the minutes of the discussions in the Investment Committee, the final deliberative body at the execution stage are distributed to all directors, and we have established a system by which directors are able to express their opinions if they have any concerns with the decision-making at the execution stage.

Formulating the 7th Medium-Term Business Plan

In the formulation of the 7th Medium-term Business Plan, we ensured opportunities such as the boot camp for discussions with executives outside the Board of Directors meeting. As Independent Outside Director, I was able to obtain more information than previously, and participate in the formulation of the plan.

The formulated plan aims to deepen Nissha's business structure that has seen significant changes, and to strengthen our fundamental soundness looking towards the next stage of development.

Currently, Nissha is approaching a new turning point looking

towards its next big step. We will work together in harmony as if each of our individual businesses are part of a single living organism. We can feel this in the rhythms and vitality of management as a whole. I believe that our desire to become this type of management entity and to work together on a global scale is embodied in the phrase Connected As One* put forth in the 7th Medium-term Business Plan.

Strengthened Global Governance Evaluation and Expectations of the Regional Collaboration Committee (RCC)

An important point here is strengthening global governance, which supports overseas expansion.

Here, in addition to vertically structured business units that are responsible for performance, we have enhanced our global governance by having local companies share cross-sectional managerial functions as Regional Collaboration Committees (RCCs) using virtual communities.

In the current complex age of global operating activities, in addition to our normal business capabilities, functioning of our functional departments that share accounting, legal, and other administrative functions on a global basis are the mainstays of supporting and strengthening sales activities and of exerting governance. The legal department is said to function as a corporate guardian or a business partner — as both a check yet at the same time as a support for management. Given that both of these functions are in demand within all functional departments, the challenge for RCC is how this can be achieved. Furthermore, each functional department has its own expertise, but to prevent these becoming isolated, we will keenly listen to the opinions of other functional departments with a sense of allowing an encroachment into each other's airspace. I would like us to consider what actions are needed in order to maximize Nissha's corporate value based upon the idea of "Act with Integrity," one of Shared Values of Nissha Philosophy, and to cooperate by fully leveraging our expertise. As Independent Outside Director, I would like to closely supervise the activities of the RCC.

* Internal statement referring to "Synergy Business Plan" emphasized in the 7th Medium-term Business Plan.

The composition of the Independent Outside Directors is changing in line with the Company's growth strategy, and we currently have four outstanding Independent Outside Directors in their positions. These messages from our Independent Outside Directors are indicative of their deep understanding of our management, and awareness of the issues. I hold these in common, and we are united in our efforts to achieve our business goals.

Chairman of the Board, President and CEO

Junya Suzuki

I feel it is effective to introduce outside perspectives for many matters, as I have experienced the benefits of doing so. Some noteworthy examples in our business units include hiring many internationally capable staff in the 2000s, and hiring many quality, production technologies, and volume production engineers for our Device business in the 2010s, thus recombining their skills and our organizational culture. Expansion of our overseas locations and corporate acquisitions during that period also brought new blood into Nissha Group, diversifying our capabilities and encouraging synergies.

I feel the introduction of Independent Outside Directors has had the same effect. My board meetings feature a lot of discussion and information sharing on various aspects of our agenda. As put forth in my message from the CEO, the current line-up of Independent Outside Directors is the third generation in terms of their mix of skills. Its composition is changing in line with our growth strategy, and we currently have four such directors in their positions. I feel its composition should continue to change to match the directionality of our growth strategy. Regarding our skills mix, we take into account expertise in specific industries and fields, but I feel that a certain length of time in office is an important factor in having a deep understanding of our company. The right personality is also very important. Each of them is very supportive of management, and I give serious attention to their advice.

Independent Outside Directors are by definition from outside the company, and as such are not involved in our day-to-day operations. Accordingly, the amount of information they have regarding management and executive functions is low in absolute terms. While understanding this, our Board of Directors works to ensure a healthy relationship that lets the Company provide accurate and reliable information in a reasonable fashion, and in which Independent Outside Directors can offer advice and supervision from broad perspectives while not being mired in detail or swayed by personal preferences. I'm sure that the robustness of our Board of Directors is founded upon such mutual cooperation.

We bring up points of mutual note through daily communication. I also place importance upon our yearly Board of Directors Effectiveness Evaluation (questionnaire conducted with the cooperation of a third party) as a focal point for improving governance. From these responses, we extract issues to confront during the next fiscal year, and have made it a habit to resolve these within the first half of that period.

These comments from the Independent Outside Directors represent their deep understanding of, and commitment to the management of our Company. The issues these directors have pointed out are on target, and I fully agree with these. We all have diverse backgrounds and approaches, but we are all united in our commitment to Nissha's business goals.



Human Resources Strategy

Achieve growth strategies by bringing together diverse talents and passions



Vice President
Director of Corporate
Human Resources and
Employee Benefits
Satoshi Aoki

Basic Human Resources Policy

Nissha sees changes in the market environment as business opportunities and continues to grow by adapting to change. More specifically, we continue to grow by creating products and services that meet market needs and the needs of the times, while deepening and expanding our core technologies.

The driving force behind Nissha growth through change is diverse talents and passions, as stated in our Mission, which identifies our main goal and purpose. We clearly state in our Basic Human Resources Policy (below) the basic ideas that we

value as we develop our various human resources strategies. Human resources strategies must adapt to support the implementation of our medium-term vision and business plan. This Basic Human Resources Policy exists as the basis for such changes.

In January 2021, we revised our human resources system to coincide with the start of the 7th Medium-term Business Plan. We designed this new human resources system based on this Basic Human Resources Policy.

Basic Human Resources Policy

- We respect diversity and utilize the individuality and strengths of our employees.
- We appropriately respond to employees who grow with the company and are highly motivated to contribute.
- We encourage proactive action and unconventional changes when adapting.
- We emphasize global teamwork to achieve results.
- We provide a full training system and challenging growth opportunities.
- We develop human resources who can contribute to society through our business activities.

Revised Human Resources System

The focus of the new Nissha human resources system is on basic evaluations -the backbone of the system- which have been changed in clear ways. Operations based on employee seniority are now gone. Instead, the focus is on the capabilities of the employees and the importance of employee roles.

Employee ability is defined as the ability demonstrated in actual work situations (i.e., demonstrated ability). Nissha values the initiative of our employees and their ability to bring change and to influence the people around them. The importance of the role, on the other hand, refers to our expectation that each employee plays a different role in the company, the importance

of which can vary. This new change systematizes the concepts here, reflecting the performance of each role in employee compensation.

Our new system encourages employees to improve their ability to perform their duties by providing challenging growth opportunities such as job rotations and extensive training. We hope to operate this system in such a way that the growth of the employee leads to the growth of the company. One example of this would be offering larger roles to employees who demonstrate improvement in their work.

Talent Cultivation

Nissha considers employees to be the source of our strength, and we are engaged in systematic talent cultivation.

To realize our medium- to long-term growth strategy, Nissha locations in Japan follow a training system based on several pillar concepts: selective training to develop the next generation of management, hierarchy-based training to match the stage of employees, and function-based training to provide specialized knowledge according to job type.

The most representative training at Nissha Academy is the Business School, which is held every three years as part of our medium-term business plan. This school is an original program that focuses on knowledge and skills related to the planning and implementation of management strategies. In consideration of the 'S' (Social) in "ESG", we have identified Business

School selection rate improvement as a KPI. We will set targets by 2030 and systematically develop our future management team.

In addition, we will enhance education and training programs with an awareness of each target market to expand the capabilities of employees who play an active role in medical devices, mobility, and sustainable materials. These product lines are the growth areas defined in our 7th Medium-term Business Plan.

The human resources department at our head office in Japan will roll out educational programs to overseas bases for talent cultivation, as well as to develop local management, an initiative to be driven by the overseas bases themselves. Through these talent cultivation programs, Nissha is committed to the growth of both the company and its employees.

Bringing Visibility to Women's Activities



Corporate Human Resources
Development and Recruitment
Senior Manager
Saori Yamaguchi

Nissha respects diversity and brings together people from different nationalities, races, and genders to enhance the overall strength of the organization.

The Human Resources Department at the head office in Japan monitors the portfolios (demographic combinations and personnel assignment) of approximately 5,300 Nissha People working in about 20 countries and regions. The ratio of male to female employees in our global consolidated workforce is approximately six to four, male to female. However, the current ratio of male to female management is approximately eight to two along the same gender lines. The ratio of male to female employees and management at each location varies due to local social infrastructure, work styles, and other factors. While the ratio of female employees is relatively high at our bases in North America, Central and South America, China, and Southeast Asia, many of our bases, including our headquarters in Japan, have issues with the ratio of female management.

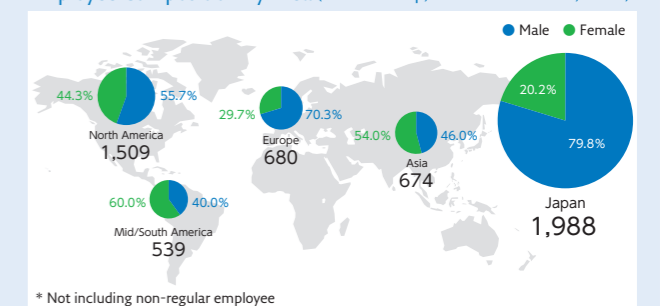
The 7th Medium-term Business Plan includes a measure regarding the 'S' (Social) in "ESG." Here, we will start a project to promote the activities of female employees at all locations, pursuing a KPI to increase the ratio of female management to a certain target value before the year 2030. Specifically, each base will set a goal to bring the ratio of female management closer to the ratio of female employees, aiming ultimately to achieve proportionate ratios.

For example, to bring the ratio of female management (approximately 5%) closer to the ratio of female employees (approximately 30%), the Headquarters in Japan is planning to develop projects to promote the advancement of women more systematically and strategically. Traditionally, 100% of female employees at the Japan headquarters have returned to work after taking childcare leave. While we have extensive support measures in place, including shorter working hours



for childcare and a telework option after returning, we will strengthen measures to support female employee career orientation. To encourage career planning in line with women's life events, we provide women with training for management roles, predominantly male today. We encourage female employees to participate in selective training for leadership development, and we have opened a career consultation office specifically for women.

Employee Composition by Area (Nissha Group, as of December 31, 2020)



Major Initiatives to Reduce Environmental and Social Risks

1 Responding to Risks Related to Business Continuity Materiality: Continuity of Business Activities



Responding to Large-Scale Disasters

Nissha Group has established a basic business continuity plan to prepare for and respond to emergencies such as natural disasters and pandemics. The Business Continuity Management Subcommittee, which is a subcommittee under the Sustainability Committee, plays a central role in pursuing business continuity initiatives. The company's Emergency Response Regulations defines emergency situations, as well as actions and systems required from initial response to the initial stages of business recovery. In the unlikely event that a business-disrupting event occurs (an emergency situation that exceeds a certain level such

as a natural disaster or pandemic), we will establish a response task force headed by the President and CEO at our Global Headquarters in Kyoto.

Our Basic Plan for Business Continuity Management (BCM) provides specific implementation steps for quick recovery at important business locations. We also conduct regular business continuity plan (BCP) drills, including trainings for management, to verify the effectiveness of our plans. In 2020, we conducted a drill assuming the Kaga Plant of Nitec Precision & Technologies Inc. would be damaged by an earthquake.



BCP drill

Response to the COVID-19 Pandemic

In response to the government's declaration of a state of emergency in April 2020, and on the same day as the declaration, we established a COVID-19 Task Force headed by the president and CEO. We are committed to minimizing people's move and avoiding the 3 Cs through telework and web conferencing. We also communicate up-to-date information on infection prevention and health management to our employees. In addition, we prepared an initial response manual and conducted desktop drills in the event of a suspected infection within the company. In cases in which an infection was confirmed, we responded appropriately, with no impact on our plant or business operations.

2 Employee Safety Materiality: Occupational Health and Safety



Nissha Group has established an Occupational Health and Safety Policy. We communicate this policy to all employees to ensure the safety and health of all people involved in our business activities. In addition, we established health and safety targets, supported by activities to prevent various industrial accidents. We endeavor to understand the status of health and safety measures and reduce associated risks at subsidiaries newly added to Nissha Group through mergers and acquisitions, as well as at important overseas locations.

Workplace Risk Reduction - Risk Assessment

We conduct risk assessments continuously to evaluate the risk of danger or harm to workers posed by the chemical substances handled in our production facilities and workplaces. We implement measures on a prioritized basis, beginning with the highest risk substances. We reflect residual risks based on these risk assessments in the operation of our management system. When selecting materials to be used in our products, we evaluate the health hazards of chemical substances in accordance with the Nissha Control Criteria for Chemical Substances in Purchased Products during the design review. In this way, we strive to ensure the health of workers during mass production.

Safety Patrols

We have formed teams led by safety and health managers, industrial physicians, and members of the Nissha Crew Alliance (labor union) to conduct safety patrols in the workplace. In addition to checking for potential hazards, unsafe work practices, and the proper management of chemical substances, we endeavor to raise safety awareness in the workplace, including the perspective of customer demands for safety.



3 Initiatives Related to Information Security Materiality: Protection and Utilization of Information Assets



Management System and Initiatives for 2020

Nissha Group establishes and maintains an Information Security Management System (ISMS) to protect highly confidential information assets from threats. Such assets include information on new products, advanced technologies, and personal information. The Information Security Subcommittee, under the umbrella of the Sustainability Committee, is responsible for promoting group information security.

During 2020, we modified and implemented appropriate trade secret management. Here, we strengthened our management of information assets according to the level of importance. We also conducted ISMS internal audits of departments that handle trade secrets.

Response to the COVID-19 Pandemic

The group adopted IT services to support the diverse working styles of our employees. Measures included automating and streamlining operations and promoting paperless operations. In 2019, we completed the conversion of our IT infrastructure to the cloud. In response to the risk of information leaks, we built a system that allows access to nearly all Nissha's IT services safely from outside the company. By creating an environment that allows employees to work anytime and anywhere, we made a smooth transition to telework, helping prevent the spread of COVID-19 and achieving seamless business continuity.

4 Initiatives Related to Labor and Human Rights Materiality: Respect for Human Rights



Nissha Group complies with international norms and laws regarding labor and human rights, and we strive for continuous improvement in this area. The Labor and Human Rights Subcommittee, which is part of the Sustainability Committee, worked to identify and reduce human rights risks throughout 2020. The committee conducted a survey on human rights risks at major overseas production sites related to our priority markets: Medical Devices, Mobility (Automotive/transport equipment), and Sustainable Materials.

As our group continues to expand, we began working to reduce labor and human rights risks in 2021 and beyond by establishing a KPI to prevent child labor or forced labor at primary suppliers in regions where labor and human rights are at high risk (Latin America, Southeast Asia, and Greater China).



5 Employee Health Materiality: Promotion of Health and Productivity Management



Nissha Group believes that company growth is employee growth and employee growth is company growth. Therefore, we focus particularly on talent cultivation. In addition, we consider employee physical and mental health, along with a positive attitude towards work, to be important management issues.

Health management is one of our materialities. We appointed a director in charge of health management, and formed the Health Management Subcommittee under the Sustainability Committee to plan and promote health measures for Nissha Group under the leadership of the appointed director.

Major Initiatives

- ◇ Create a vibrant and comfortable workplace (improve employee engagement)
- ◇ Prohibit smoking and eliminate passive smoke inhalation
- ◇ Improve lifestyles
- ◇ Other initiatives to maintain and improve health (anti-cancer measures, specific health guidance, support for balancing medical treatments and work)

Health Declaration

Nissha Group creates new value by focusing the capabilities and passions of a diverse based of human resources. To this end, we consider the employee mental and physical health to be an important management issue, and pursue a variety of measures to ensure employees exercise their various talents to the fullest.

Dialogue with Shareholders and Investors

Nissha Group defines our stakeholders as customer, shareholder, employee, supplier, and society. We value relationships that interact with our various stakeholders and aim to create a valuable future for all.

In particular, we consider dialogue with shareholders and investors to be a valuable opportunity to obtain meaningful suggestions and feedback from an impartial perspective. Our management team, including the president and CEO, engages actively in these dialogues, believing the frank exchange of

opinions can offer many insights to our company.

We have appointed CSO, chief strategy officer (executive vice president) as the director in charge of IR, and we have created a system to explain the details and progress of our management strategies in full to our shareholders and investors. In addition, we hold regular meetings with the finance department and others that deal with financial information to ensure meaningful dialogues with shareholders and investors.

■ Initiatives of Shareholder Relations (SR)



Senior Manager
Corporate Strategy, Shareholder Relations
Naoko Yoshida

Dialogue with Shareholders and Investors

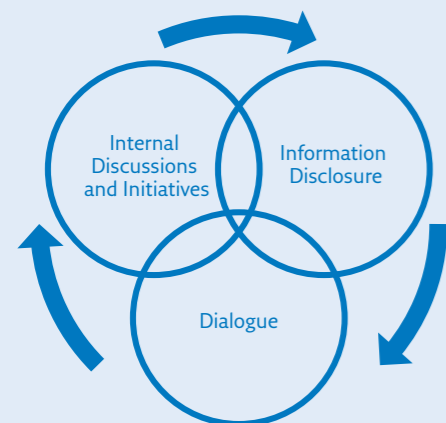
For institutional investors

We began offering meetings to explain agenda items for general meetings of shareholders in 2013 as one way to provide in-person discussions related to corporate governance. We continue to hold these meetings to this day. In recent years, we have broadened our approach to ESG topics, and these meetings now serve as a forum to discuss the nature of executive compensation, the latest issues with which we are engaged, and ESG on a general basis, based on our integrated report.

For Individual Investors

Our annual general meeting of shareholders is an opportunity for dialogue. We also offer management presentations and product exhibitions after the conclusion of general meetings of shareholders to deepen an understanding of our businesses and our medium- to long-term strategies.

In 2021, we began live streaming our general meetings of shareholders (hybrid virtual meeting with participation) to provide information to shareholders who are unable to attend in person.



Structure and Role of Shareholder Relations

Structure

To date, our shareholder relations structure consisted of joint efforts by the legal department, responsible for governance and its information disclosure, and other matters related to general meetings of shareholders, and the investor relations department, responsible for dealing with investors. In 2021, we created the new shareholder relations department under the Corporate Strategy Planning. In the future, we will strive to delve deeper into the thoughts of our management team, providing information and dialogue that balances legal aspects and aspects of greater interest to investors.

Role

The role of the shareholder relations/investor relations department is to be a facilitator between investors and company management, communicating company initiatives and the logic behind them. In this way, investors can make appropriate evaluations of the non-financial value of the company in addition to the financial and we can learn the thoughts and reasoning of investors via dialogues. The shareholder relations/investor relations department then provides appropriate feedback to the company from the perspective of the investors.

Internal Discussions and Initiatives Based on Dialogue

Reports to the Board of Directors

We report regularly to the board of directors regarding matters raised and opinions expressed by shareholders and investors. We also report regularly on the latest trends in ESG. Issues raised through dialogues are discussed at meetings of the Directors of the Board, who reflect these issues in management via measures deemed necessary, etc.

Information Disclosure Through Integrated Reports, Etc.

Through dialogues, Nissha learns about matters of high interest among investors, the latest in important ESG initiatives, and other investor requests. We reflect these matters in our annual integrated report, convocation notice for general meetings of shareholders, etc.

Use of Shareholder Questionnaires

We provide questionnaires on the day of our general meeting of shareholders and appended to business reports sent to our shareholders. We use the responses received to guide the management of future general meetings of shareholders.

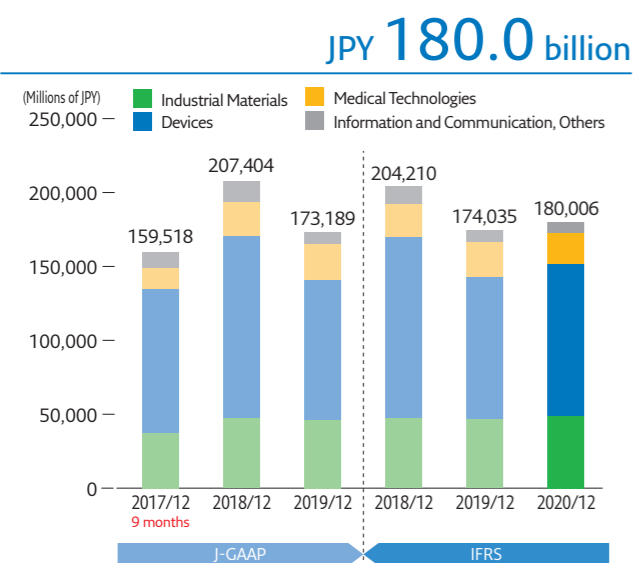


Reference

- 069 Financial Highlights
- 071 Non-Financial Highlights
- 073 11-Year Financial and Non-financial Summary
- 075 Consolidated Financial Statements
- 079 Business and Other Risks

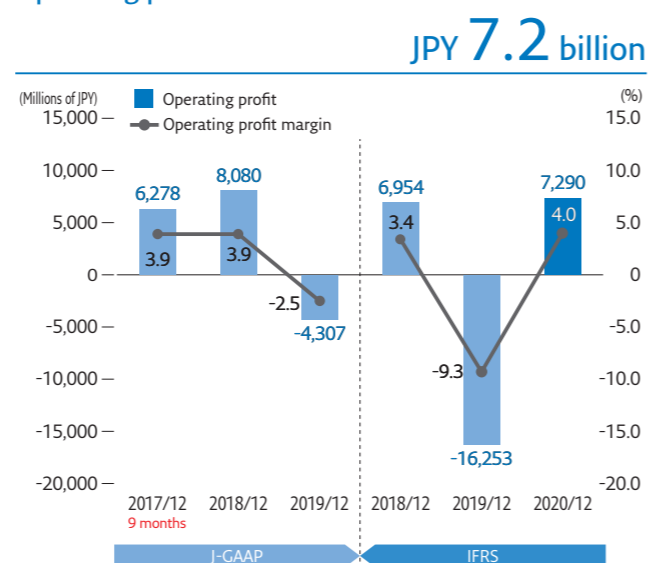
We voluntarily adopted International Financial Reporting Standards ("IFRS") for the Group's consolidated financial statements of the Annual Securities Report for the fiscal year ending December 31, 2019.

Net Sales



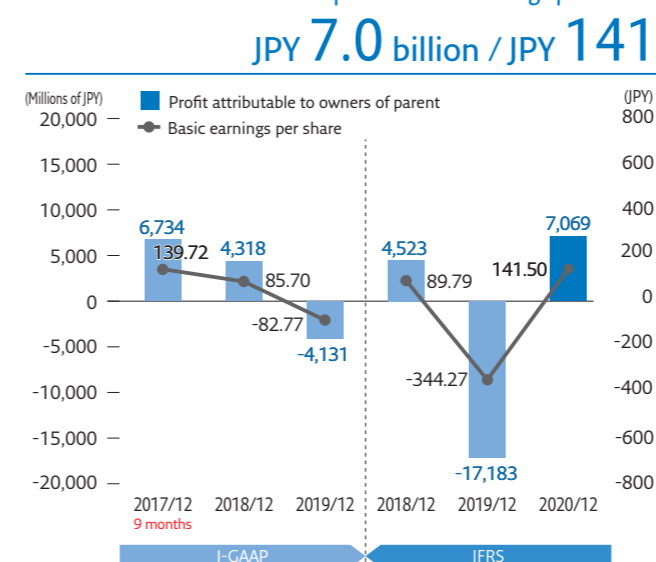
Although demand for some products decreased due to the impact of COVID-19, demand for IT devices in our Devices business was much higher than expected initially. Demand for mobility products in our Industrial Materials business began to recover from weakness through the second half of the year.

Operating profit



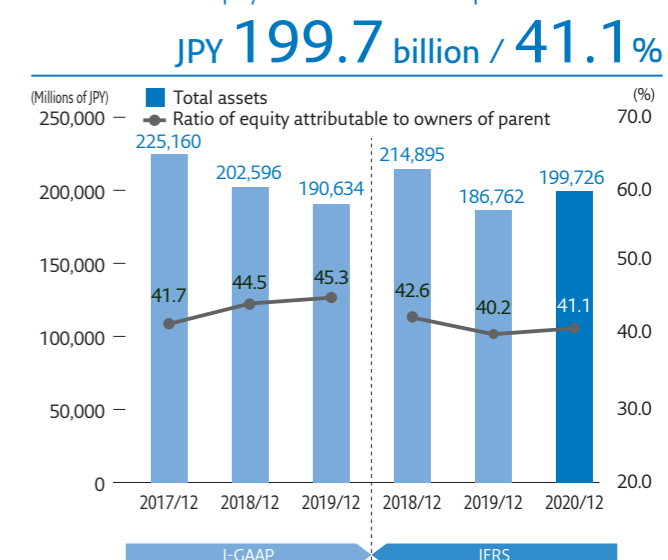
We incurred one-time expenses for the Measures to Strengthen Profitability during the first half of the year. However, these measures, the impact of increased product demand, and improved production efficiencies stemming from continued stable demand, combined to drive significant improvement in full-year operating profit.

Profit attributable to owners of parent/Basic earnings per share



Net income attributable to owners of the parent was JPY 7,069 million, mainly due to a significant improvement in operating profit and the application of tax effect accounting. Basic earnings per share was JPY 141.50.

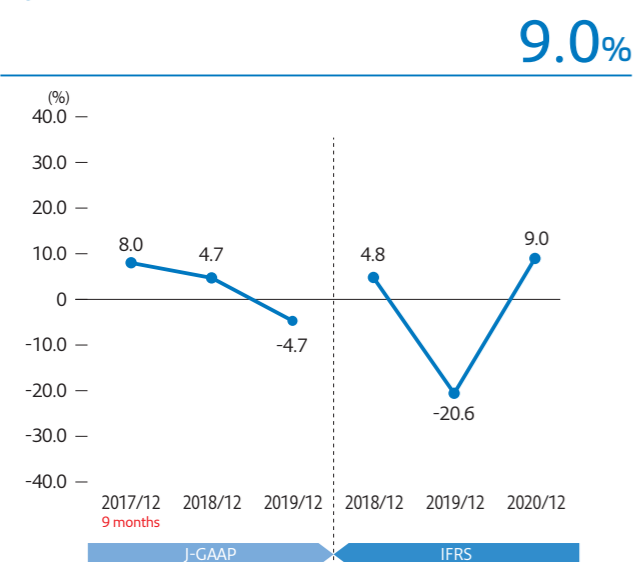
Total assets/Ratio of equity attributable to owners of parent to total assets*



Total assets amounted to JPY 199,726 million, up JPY 12,963 million compared with the end of the previous fiscal year. This increase was mainly due to an increase in current assets, including trade and other receivables and inventories. Equity increased by JPY 7,078 million to JPY 82,081 million, mainly due to an increase in retained earnings resulting from the recording of profit attributable to owners of the parent. As a result, the ratio of equity attributable to owners of parent to total assets was 41.1%.

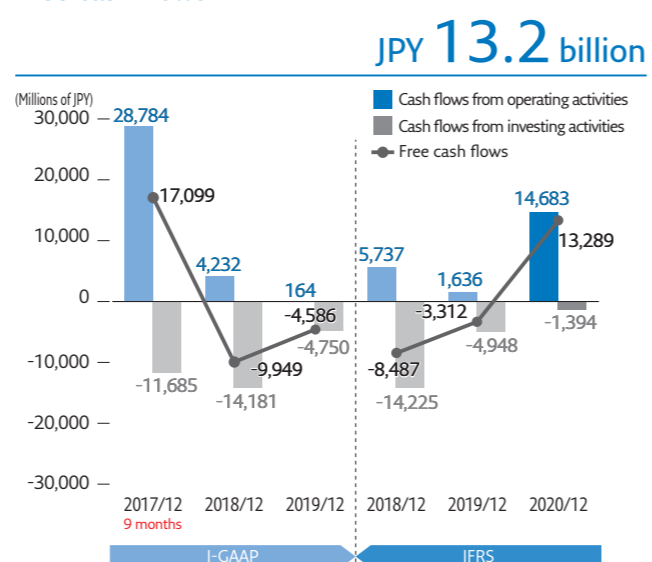
* Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/sum of total liabilities and equity (Japanese standard (equity ratio): Shareholders' equity/sum of total liabilities and net assets)

ROE



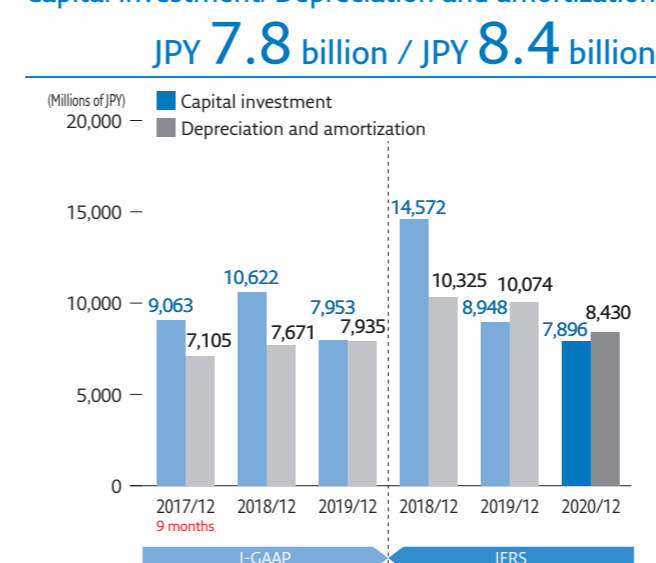
We divide ROE into net profit ratio, total asset turnover, and financial leverage (total assets divided by equity attributable to owners of the parent). For the end of 2020, net profit ratio (indicator of profitability) improved significantly from the previous fiscal year to 3.9%. The total asset turnover ratio (indicator of efficiency) improved due to the increase in net sales. Financial leverage increased slightly compared with the end of the previous fiscal year. As a result, ROE was 9.0%.

Free cash flows



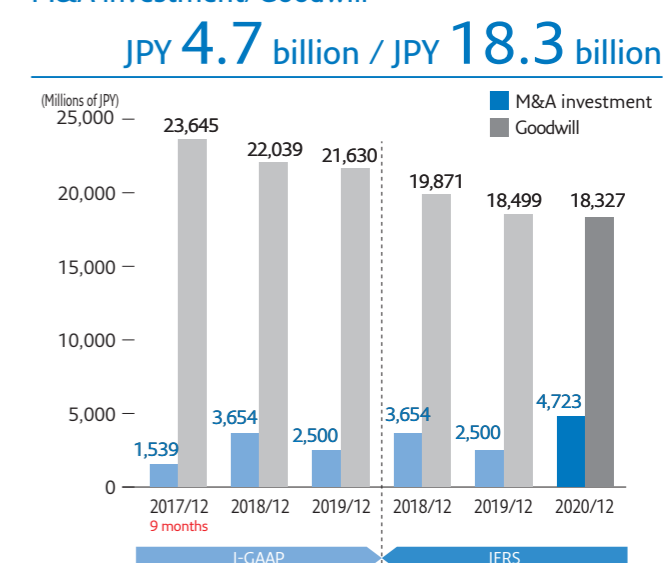
Net cash provided by operating activities amounted to JPY 14,683 million (up 797.2% compared with the previous fiscal year), mainly due to our recovery in business performance. Net cash used in investing activities amounted to JPY 1,394 million (down 71.8%), mainly due to M&A activities. This amount was offset in part by the sale of strategic shareholdings. As a result, free cash flows totaled JPY 13,289 million.

Capital investment/Depreciation and amortization



We upgraded and expanded production facilities for the Industrial Materials and Devices businesses. With respect to other divisions and group facilities (R&D, Administration), we had renovation construction and introduced a new prototype production line at the Kameoka plant. As a result, capital investment totaled JPY 7,896 million. Depreciation and amortization expenses totaled JPY 8,430 million. Under IFRS, right-of-use assets are included in the ratio of capital expenditures to depreciation and amortization.

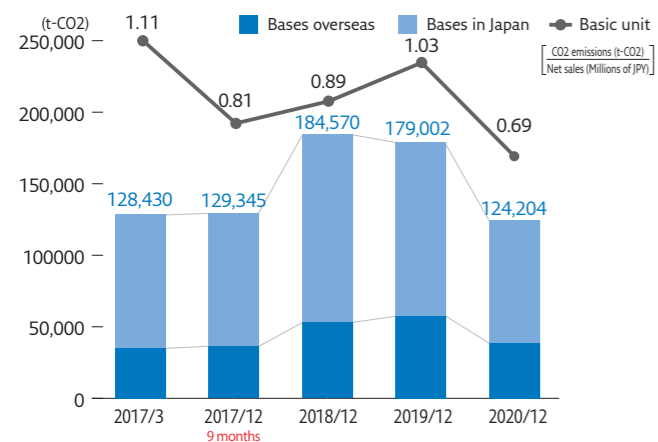
M&A investment/Goodwill



M&A investments amounted to JPY 4,723 million, mainly due to acquisitions in the Medical Technologies and Industrial Materials businesses. Goodwill as of the end of 2020 was JPY 18,327 million.

E: Response to a Decarbonized Society

Trends in CO2 Emissions and Basic Unit



In 2020, Nissha Group changed our method of calculating CO2 emissions, using the market-based method*1 for Nissha Group in Japan and the location-based method*2 for Nissha Group companies overseas to calculate the electricity emissions factors. The CO2 emissions for Nissha Group in 2020 were 124,204t-CO2. Using the conventional calculation method, the figure was 163,746t-CO2, a decrease of about 8.5% compared with the previous year.

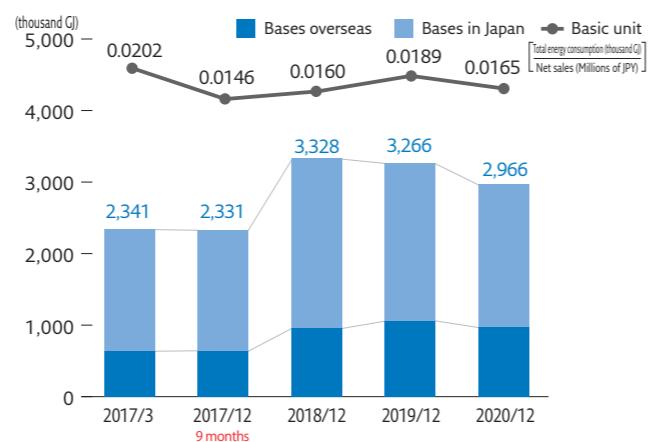
We strive to reduce CO2 emissions by improving production efficiency and promoting energy-saving initiatives.

*1 Market-based method: A method for calculating Scope 2 (indirect) emissions based on the electricity emission factor of electricity purchased under contract. The choice of low-carbon electricity will be reflected in emission reductions.

*2 Location-based method: A method of calculating Scope 2 emissions based on average emission factors within a specific area, such as a region or country. Our energy-saving efforts will be reflected as emissions reductions. However, our efforts to reduce emissions through the selection of low-carbon electricity will not be reflected in the reductions.

E: Response to a Decarbonized Society

Trends in Energy Consumption and Basic Unit

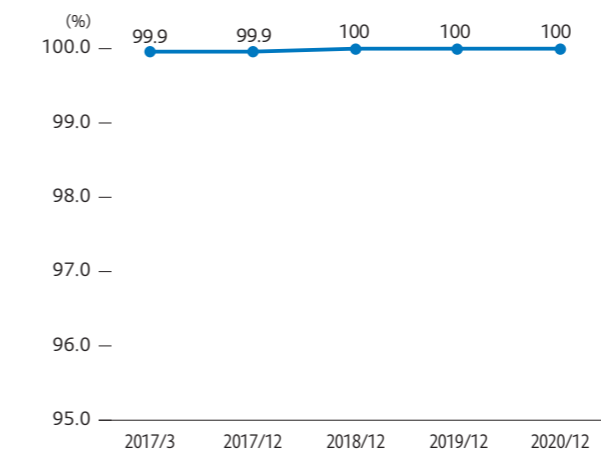


The energy consumption for Nissha Group in 2020 was 2,966,000 GJ.

Although net sales increased year on year, we suspended production temporarily at some production sites due to the impact of COVID-19. Energy consumption at our Global Headquarters in Kyoto and other sales sites decreased due to the promotion of telework.

S: Promoting Health and Productivity Management

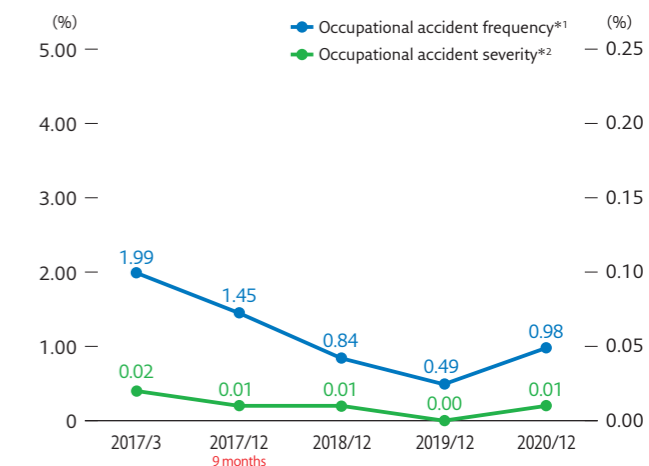
Stress Check Implementation Rate (in Japan)



In 2019, we adopted a web-based system that allows users to check results immediately after an examination, leading to greater awareness of their own stress and the effects of self-care. We also provide feedback on the results of workplace stress check analyses to line managers in each organization. This feedback provides opportunities to learn how to read and utilize the results properly, thereby helping to create a more comfortable workplace.

S: Occupational Health and Safety

Occupational Accidents (in Japan, permanent and temporary employees)



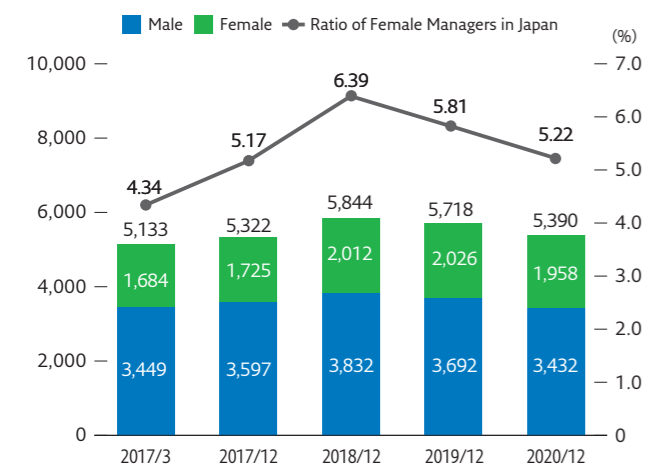
In 2020, we engaged in initiatives emphasizing work procedure manuals and adherence thereto. However, we saw poorer results in terms of frequency and severity of incidents. To follow up, we are working on correcting the issues that became apparent from these accidents by renovating equipment and reviewing work procedures.

*1 Occupational accident frequency: Refers to the number of injuries and casualties resulting from occupational accidents (one or more days of leave) per one million working hours.

*2 Occupational accident severity: Refers to the severity of occupational accidents in terms of the number of working days lost per one thousand working hours.

S: Improving Human Resource Capabilities, Utilizing Diverse Human Resources

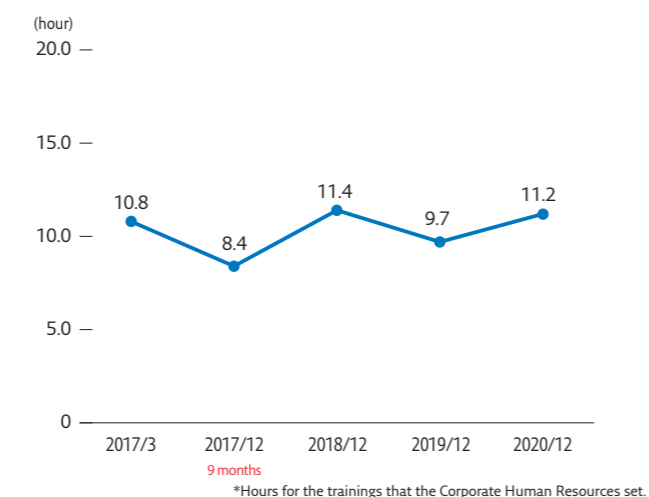
Ratio of Male to Female Employees, Ratio of Female Managers



The ratio of women in management positions was 5.22%. Under the 7th Medium-term Business Plan, we plan to launch a project to promote activities for women at all business locations. Our goal here is to bring the ratio of females in management roles closer to the ratio of female to male employees. We plan to make more systematic and strategic efforts to promote activities for women than we have in the past.

S: Improving Human Resource Capabilities, Utilizing Diverse Human Resources

Training Hours per Employee (Nissha Group in Japan, Permanent Employees Only)

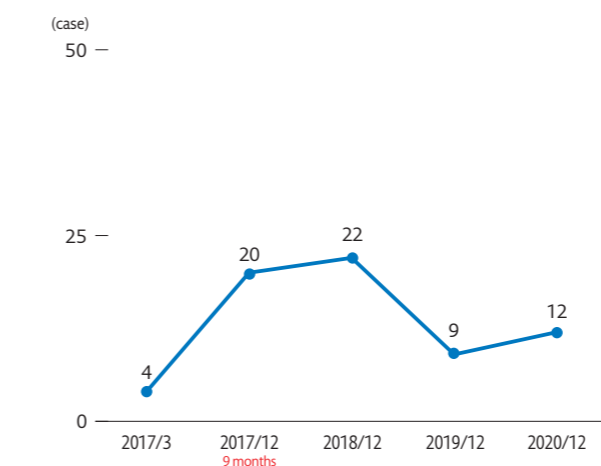


*Hours for the trainings that the Corporate Human Resources set.

The Nissha Group believes that employees are its most important management resource, and so we are working to systematically develop our human resources. Due to changes in the training system and other factors, the number of training hours per employee in fiscal 2020 was 11.2 hours. We aim to see the company and our employees grow together through enhanced training programs that reflect an awareness of the growth areas in the 7th Medium-term Business Plan. These growth areas are Medical Devices, Mobility, Sustainable Materials, and IT devices.

S: Respect for Human Rights

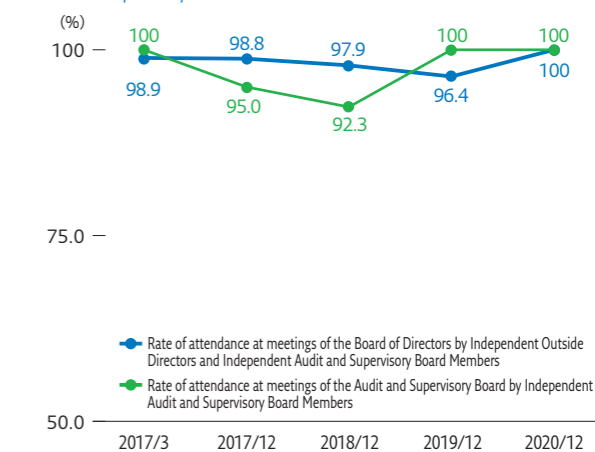
Number of Calls to the Hotline (Internal Reporting Desk)



In accordance with the Whistleblower Protection Act, Nissha Group established internal regulation, which we call Internal Reporting Code. We have designated external lawyers as hotline consultation contacts to ensure the anonymity of informants and a proper understanding of the details of reports to the hotline. During 2020, the hotline received 12 consultations regarding workplace environment and interpersonal relationships. All 12 cases have been resolved. In addition, a summary of these cases was reported to the Corporate Ethics and Compliance Subcommittee, whose members include Chairman of the Board, president and CEO and other Inside Directors of the Board. Inside Audit and Supervisory Board Members and internal auditors also participated in this meeting as observers. We share certain cases at local workplaces, giving due consideration to privacy and other factors. We are now making efforts to prevent recurrence of these matters. We continue to pursue corporate ethics and compliance, recognizing and addressing risks promptly and appropriately. Our aim is to create a favorable work environment in which all employees fully demonstrate their abilities.

G: Corporate Governance

Rate of attendance at meetings of the Board of Directors by Independent Outside Directors and Independent Audit and Supervisory Board Members Rate of attendance at meetings of the Audit and Supervisory Board by Independent Audit and Supervisory Board Members



The secretariat of the Board of Directors and the Audit and Supervisory Board establishes an annual schedule of meetings in advance. The secretariat notifies Directors and Audit and Supervisory Board members of the schedule to ensure attendance.

The rate of attendance at meetings of the Board of Directors by Independent Outside Directors and Independent Audit and Supervisory Board Members was 100%. The rate of attendance at meetings of the Audit and Supervisory Board by Independent Audit and Supervisory Board Members was 100%.

11-Year Financial and Non-financial Summary

(Millions of JPY)

Fiscal Year	J-GAAP										IFRS												
	FY2011.3	FY2012.3	FY2013.3	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2017.12	FY2018.12	FY2019.12	FY2018.12	FY2019.12	FY2020.12										
J-GAAP	IFRS										9 months												
Net sales	114,054	80,160	89,427	110,922	118,775	119,222	115,802	159,518	207,404	173,189	204,210	174,035	180,006										
Japan	37,159	33,060	37,992	29,956	28,889	31,530	30,250	29,443	33,538	26,554	31,059	25,840	25,593										
Overseas	76,895	47,100	51,435	80,966	89,885	87,692	85,552	130,075	173,866	146,635	173,150	148,194	154,412										
Cost of sales	104,864	79,759	83,508	93,898	93,713	90,121	98,885	133,292	170,113	149,254	166,337	149,900	143,195										
Selling, general and administrative expenses	14,136	12,117	12,702	15,089	16,311	18,558	20,820	19,948	29,210	28,242	29,152	27,672	25,988										
Operating profit	-4,946	-11,716	-6,783	1,935	8,750	10,541	-3,904	6,278	8,080	-4,307	6,954	-16,253	7,290										
Ordinary profit	-5,396	-11,320	-4,643	5,182	12,494	9,237	-4,914	7,578	7,380	-4,696	-	-	-										
Profit before income taxes	-3,788	-22,243	-5,010	5,151	10,761	7,883	-6,130	7,323	6,097	-2,213	6,367	-16,634	7,051										
Total income taxes	-1,312	6,440	427	1,185	-482	985	1,299	594	1,911	1,916	2,113	588	-18										
Profit attributable to owners of parent	-2,464	-28,684	-5,438	3,967	11,245	6,898	-7,408	6,734	4,318	-4,131	4,523	-17,183	7,069										
Net cash provided by (used in) operating activities	-722	3,541	13,864	14,413	21,590	14,815	-2,570	28,784	4,232	164	5,737	1,636	14,683										
Net cash provided by (used in) investing activities	-6,672	-4,277	-7,206	-16,149	-4,141	-21,476	-23,290	-11,685	-14,181	-4,750	-14,225	-4,948	-1,394										
Net cash provided by (used in) financing activities	-378	3,076	-4,677	-4,634	-11,063	19,633	6,826	-11,216	-2,448	5,077	-3,909	3,680	-5,997										
Capital expenditures	11,020	6,724	13,669	12,287	3,207	4,885	12,267	9,063	10,622	7,953	14,572	8,948	7,896										
Depreciation	10,338	8,599	9,530	11,219	9,687	7,847	8,351	7,105	7,671	7,935	10,325	10,074	8,430										
R&D expenses	2,477	2,543	2,699	2,351	2,334	2,519	2,422	2,387	3,865	3,621	3,949	3,659	2,869										
At Year-End																							
Net assets	Total equity										80,396	48,986	44,491	51,676	66,313	70,096	74,606	94,054	90,326	86,255	91,546	75,002	82,081
Total assets	142,942	105,250	114,964	106,140	115,430	156,107	182,670	225,160	202,596	190,634	214,895	186,762	199,726										
Cash and cash equivalents	17,107	19,490	23,692	20,272	29,484	41,688	22,090	29,291	16,757	17,622	16,757	17,499	25,067										
Interest-bearing liabilities	24,278	28,336	23,668	19,209	10,393	18,340	36,851	27,474	27,703	36,715	38,499	45,900	42,313										
Closing stock price (JPY)	1,795	1,083	1,663	1,359	2,195	1,648	2,638	3,280	1,312	1,121	1,312	1,121	1,498										
Financial Indicators																							
Operating profit to net sales (%)	-4.3	-14.6	-7.6	1.7	7.4	8.8	-3.4	3.9	3.9	-2.5	3.4	-9.3	4.0										
Return on assets (ROA) (%)	-3.6	-9.1	-4.2	4.7	11.3	6.8	-2.9	3.7	3.5	-2.4	2.8	-8.3	3.6										
Return on equity (ROE) (%)	-2.9	-44.3	-11.6	8.3	19.1	10.1	-10.3	8.0	4.7	-4.7	4.8	-20.6	9.0										
Equity ratio (%)	Ratio of equity attributable to owners of parent to total assets (%)										56.2	46.5	38.7	48.7	57.4	44.9	40.7	41.7	44.5	45.3	42.6	40.2	41.1
Debt-equity ratio (%)	77.8	114.9	158.4	105.4	74.1	122.7	145.3	139.7	124.5	121.0	134.7	149.0	143.3										
Current ratio (%)	134.3	103.5	97.0	107.3	148.8	172.5	119.0	117.0	115.9	108.1	113.3	105.8	109.9										
Fixed ratio (%)	94.7	116.8	125.2	112.4	83.6	102.9	140.4	118.8	118.3	128.7	130.2	144.5	130.5										
Per Share Information																							
Basic earnings per share (JPY)	-57.25	-668.40	-126.72	92.46	262.05	160.75	-169.10	139.72	85.70	-82.77	89.79	-344.27	141.50										
Net assets per share (JPY)	Equity per share attributable to owners of parent (JPY)										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	1,502.74	1,641.61
Dividend per share (JPY)	45	0	0	5	20	30	30	30	30	35	30	35	30										
Diluted earnings per share (JPY)	-	-	-	-	-	158.44	-	129.37	83.57	-	87.55	-344.27	137.94										
Non-Financial Data																							
CO2 emissions (t-CO2)	91,326	90,881	92,245	115,702	114,937	103,970	128,430	129,345	184,570	179,002	184,570	179,002	124,204										
Number of employees	4,121	3,396	3,409	3,383	3,596	4,034	5,133	5,322	5,844	5,718	5,844	5,718	5,390										
Japan	2,880	2,331	2,321	2,296	2,373	2,361	2,342	2,351	2,362	2,300	2,362	2,300	1,988										
Overseas	1,241	1,065	1,088	1,087	1,223	1,673	2,791	2,971	3,482	3,418	3,482	3,418	3,402										
Female ratio (%)	30.0	30.0	29.3	28.4	29.4	27.5	32.8	32.4	34.4	35.4	34.4	35.4	36.3										

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.

Consolidated Financial Statements

Consolidated statements of financial position

		(Millions of JPY)	
	As of December 31, 2019	As of December 31, 2020	
Assets			
Current assets			
Cash and cash equivalents	17,499	25,067	
Trade and other receivables	34,177	37,614	
Inventories	21,415	25,435	
Other financial assets	564	222	
Other current assets	4,713	4,194	
Subtotal	78,371	92,534	
Assets held for sale	4	90	
Total current assets	78,375	92,625	
Non-current assets			
Property, plant and equipment	45,325	46,293	
Goodwill	18,499	18,327	
Intangible assets	14,713	14,239	
Right-of-use assets	8,041	8,161	
Investments accounted for using equity method	0	567	
Other financial assets	20,413	17,653	
Retirement benefit asset	265	269	
Deferred tax assets	879	1,336	
Other non-current assets	247	250	
Total non-current assets	108,386	107,100	
Total assets	186,762	199,726	
			(Millions of JPY)
	As of December 31, 2019	As of December 31, 2020	
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	44,538	49,441	
Bonds and borrowings	22,167	23,534	
Other financial liabilities	1,073	789	
Lease liabilities	1,562	1,589	
Income taxes payable, etc.	447	2,218	
Provisions	53	53	
Other current liabilities	4,237	6,637	
Total current liabilities	74,080	84,263	
Non-current liabilities			
Bonds and borrowings	14,244	8,877	
Other financial liabilities	442	1,191	
Lease liabilities	7,926	8,311	
Retirement benefit liability	4,913	5,884	
Provisions	47	47	
Deferred tax liabilities	9,773	8,738	
Other non-current liabilities	331	329	
Total non-current liabilities	37,679	33,380	
Total liabilities	111,759	117,644	
Equity			
Share capital	12,119	12,119	
Capital surplus	14,931	14,856	
Retained earnings	42,359	51,974	
Treasury shares	(1,899)	(1,720)	
Other components of equity	7,494	4,853	
Total equity attributable to owners of parent	75,006	82,083	
Non-controlling interests	(3)	(2)	
Total equity	75,002	82,081	
Total liabilities and equity	186,762	199,726	

Consolidated statements of profit or loss

	(Millions of JPY)	
	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Net sales	174,035	180,006
Cost of sales	(149,900)	(143,195)
Gross profit	24,135	36,810
Selling, general and administrative expenses	(27,672)	(25,988)
Other income	6,200	1,725
Other expenses	(18,917)	(5,214)
Share of profit (loss) of investments accounted for using equity method	-	(42)
Operating profit (loss)	(16,253)	7,290
Finance income	1,056	891
Finance costs	(1,437)	(1,130)
Profit (loss) before tax	(16,634)	7,051
Income tax expense	(588)	18
Profit (loss)	(17,223)	7,070
Profit (loss) attributable to:		
Owners of parent	(17,183)	7,069
Non-controlling interests	(39)	0
Profit (loss)	(17,223)	7,070
Earnings (loss) per share attributable to owners of parent		
Basic earnings (loss) per share (Yen)	(344.27)	141.50
Diluted earnings (loss) per share (Yen)	(344.27)	137.94

Consolidated statements of comprehensive income

	(Millions of JPY)	
	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Profit (loss)	(17,223)	7,070
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	3,170	2,706
Remeasurements of defined benefit plans	(72)	47
Total of items that will not be reclassified to profit or loss	3,098	2,754
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(839)	(1,110)
Share of other comprehensive income of investments accounted for using equity method	-	9
Total of items that may be reclassified to profit or loss	(839)	(1,101)
Total other comprehensive income	2,258	1,653
Total comprehensive income	(14,965)	8,723
Comprehensive income attributable to:		
Owners of parent	(14,927)	8,722
Non-controlling interests	(37)	1
Total comprehensive income	(14,965)	8,723

Consolidated statements of changes in equity

(Millions of JPY)

	Equity attributable to owners of parent				Other components of equity							Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of financial assets measured through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests		
Balance at January 1, 2019	12,119	15,071	60,931	(1,900)	6,961	-	(1,619)	5,341	91,564	(17)	91,546	
Profit (loss)	-	-	(17,183)	-	-	-	-	-	(17,183)	(39)	(17,223)	
Other comprehensive income	-	-	-	-	3,170	(72)	(841)	2,256	2,256	2	2,258	
Total comprehensive income	-	-	(17,183)	-	3,170	(72)	(841)	2,256	(14,927)	(37)	(14,965)	
Purchase of treasury shares	-	-	-	(0)	-	-	-	-	(0)	-	(0)	
Disposal of treasury shares	-	(1)	-	2	-	-	-	-	1	-	1	
Dividends of surplus	-	-	(1,497)	-	-	-	-	-	(1,497)	-	(1,497)	
Share-based payment transactions	-	16	-	-	-	-	-	-	16	-	16	
Changes in ownership interest in subsidiaries	-	(981)	-	-	-	15	-	15	(965)	16	(949)	
Loss of control of subsidiaries	-	-	(11)	-	-	-	-	-	(11)	35	24	
Put options granted to non-controlling interests	-	826	-	-	-	-	-	-	826	-	826	
Transfer from other components of equity to retained earnings	-	-	119	-	(176)	56	-	(119)	-	-	-	
Total transactions with owners, etc.	-	(139)	(1,389)	1	(176)	72	-	(103)	(1,630)	51	(1,578)	
Balance at December 31, 2019	12,119	14,931	42,359	(1,899)	9,955	-	(2,461)	7,494	75,006	(3)	75,002	
Profit (loss)	-	-	7,069	-	-	-	-	-	7,069	0	7,070	
Other comprehensive income	-	-	-	-	2,706	47	(1,101)	1,652	1,652	0	1,653	
Total comprehensive income	-	-	7,069	-	2,706	47	(1,101)	1,652	8,722	1	8,723	
Purchase of treasury shares	-	-	-	(0)	-	-	-	-	(0)	-	(0)	
Disposal of treasury shares	-	(85)	-	178	-	-	-	-	93	-	93	
Dividends of surplus	-	-	(1,747)	-	-	-	-	-	(1,747)	-	(1,747)	
Share-based payment transactions	-	10	-	-	-	-	-	-	10	-	10	
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Loss of control of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Put options granted to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	
Transfer from other components of equity to retained earnings	-	-	4,293	-	(4,245)	(47)	-	(4,293)	-	-	-	
Total transactions with owners, etc.	-	(75)	2,546	178	(4,245)	(47)	-	(4,293)	(1,644)	-	(1,644)	
Balance at December 31, 2020	12,119	14,856	51,974	(1,720)	8,416	-	(3,562)	4,853	82,083	(2)	82,081	

Consolidated statements of cash flows

(Millions of JPY)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before tax	(16,634)	7,051
Depreciation and amortization	10,074	8,430
Impairment losses	15,917	989
Gain on bargain purchase	-	(804)
Loss (gain) on sale and retirement of non-current assets	(4,267)	16
Gain on sale of shares of subsidiaries and associate	(878)	-
Business restructuring expenses	47	2,051
Share of loss (profit) of investments accounted for using equity method	-	42
Finance income	(1,056)	(891)
Finance costs	1,437	1,130
Decrease (increase) in trade and other receivables	4,976	(2,444)
Decrease (increase) in inventories and other payables	8,604	(2,760)
Increase (decrease) in trade and other payables	(16,362)	2,129
Increase (decrease) in provisions	(369)	(20)
Increase (decrease) in retirement benefit asset or liability	201	333
Other	3,784	490
Subtotal	5,475	15,743
Interest received	47	50
Dividends received	369	437
Payments for loss on liquidation of business	(1,402)	-
Interest paid	(1,094)	(834)
Income taxes paid	(1,954)	(1,023)
Income taxes refund	195	309
Net cash provided by (used in) operating activities	1,636	14,683
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,226)	(5,297)
Payments for retirement of property, plant and equipment	(489)	(48)
Proceeds from sale of property, plant and equipment	6,068	389
Purchase of intangible assets	(730)	(484)
Proceeds from advance payment for finance lease contract	-	1,500
Purchase of investment securities	(996)	(101)
Proceeds from sale of investment securities	422	6,110
Payments for acquisition of subsidiaries or other businesses	(2,434)	(3,152)
Proceeds from sale of subsidiaries	698	-
Payments for sale of subsidiaries	(81)	-
Purchase of shares of subsidiaries and associates	-	(213)
Other	(180)	(97)
Net cash provided by (used in) investing activities	(4,948)	(1,394)

(Millions of JPY)

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Cash flows from financing activities		
Proceeds from short-term borrowings	20,484	11,864
Repayments of short-term borrowings	(10,495)	(15,190)
Repayments of lease liabilities	(1,766)	(1,734)
Proceeds from sale and lease back transactions	-	1,294
Proceeds from long-term borrowings	1,313	1,831
Repayments of long-term borrowings	(3,403)	(2,410)
Payments for acquisition of non-controlling interests	(950)	-
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	0	93
Dividends paid to owners of parent	(1,499)	(1,746)
Other	(1)	(0)
Net cash provided by (used in) financing activities	3,680	(5,997)
Effect of exchange rate changes on cash and cash equivalents	373	276
Net increase (decrease) in cash and cash equivalents	742	7,567
Cash and cash equivalents at beginning of period	16,757	17,499
Cash and cash equivalents at end of period	17,499	25,067

Business and Other Risks

The following is a list of major risks that management believes may have a material impact on Nissha Group financial position, operating results, and cash flows. Forward-looking statements in this document are based on the judgment of the group management as of the submission date of our most-recent securities report.

(1) COVID-19 Pandemic

The COVID-19 pandemic had a significant impact on Nissha Group business activities for the fiscal year ended December 2020. While demand for products in the Devices business remained strong, demand for products in the Industrial Materials and Medical Technologies businesses declined due to the impact of the pandemic. We saw signs of a recovery in product demand beginning in the second half of the fiscal year. However, if the situation were to continue for a prolonged period, or the COVID-19 pandemic resurged in the future, such developments could affect business performance and financial position.

We established the COVID-19 task force headed by the president and CEO. Through this task force, we are implementing measures to prevent the spread of infection, to continue business operations, and to ensure the safety of employees and customers. Further, we issued the action guidelines and an initial response manual to consult in the event of a suspected outbreak. Other measures include our adoption of shift-based telework, and travel restrictions in Japan and overseas. At this time, we are working to improve the effectiveness of our measures by updating the action guidelines in response to a changing situation.

(2) Risks Related to Business Operations

1. Growth Strategy

We began operating under the 7th Medium-Term Business Plan in January 2021. Under this plan, we aim to establish a foundation for growth by maximizing synergies and making optimal use of the global business foundations we have acquired or developed to date. In medical devices, mobility (automotive/transport equipment), and sustainable materials markets, we aim to grow by expanding our product lines and services that contribute to solving social issues. Growth strategies may not progress as expected due to the impact of market environment and social trends, changes in technologies, or amendments to laws and regulations. Such developments could impact business performance and financial position.

The Board of Directors reviews the progress of medium-term business plan on a regular basis. Each year, the Board of Directors formulates a rolling plan that reflects changes in the business environment. By responding quickly to changes in the business environment, we strengthen our efforts to achieve the goals defined in our medium-term business plan.

2. Demand Fluctuations in Specific Segments or Among Specific Customers

The Devices business serves mainly the consumer electronics (IT devices) market, including smartphones and tablets. In this market, trends and customer needs change rapidly, and technology and product life cycles tend to be short. Rapid changes

in market conditions could affect group business performance and financial position.

In addition, Nissha Group tends to make a high percentage of overall sales to specific customers. Sales to these important customers may fluctuate due to factors beyond our control. These factors may include increases or decreases in product demand, changes in specifications, and changes in sales strategies of our customers. Factors such as these could affect business performance and financial position.

In response to this situation, Nissha Group is implementing growth strategies in Medical Devices, Mobility, and Sustainable Materials markets under the 7th Medium-Term Business Plan. In this way, we strive to minimize risks related to fluctuations in demand from specific segments and specific customers.

(3) Risks Related to Finances

1. Goodwill Impairment Loss

We use M&A actively as a growth strategy to reorganize and optimize our business portfolio. As a result, we have recorded goodwill of JPY 18,327 million as of the end of the fiscal year ended December 2020. If the market or the competitive environment changes significantly from our assumptions at the time a certain M&A transaction was executed, such changes could affect the business performance of the acquired company, and Nissha Group may incur an impairment loss on goodwill.

We minimize risk by conducting thorough due diligence (investigation of the target company) prior to executing an M&A transaction and by building systems to facilitate post-merger integration.

2. Exchange Rate Fluctuations

Nissha Group overseas sales ratio for the fiscal year ended December 2020 was 85.8%. These sales were mainly foreign-currency transactions, and sudden fluctuations in exchange rates could affect our business performance and financial position.

In response to this situation, Nissha Group strives to minimize foreign exchange risk by localizing production and using forward exchange contracts.

3. Other Risks Related to Finances

Other events, such as decreases in the market value of securities holdings, bad debt in accounts receivables, or obsolescence of inventories, could affect group business performance and financial position. We strive to minimize these risks by strengthening appropriate management systems.

(4) Risks Related to ESG

1. Response to a Decarbonized Society

In the wake of the Paris Agreement, countries around the

world are moving toward the creation of a decarbonized society to reduce emissions of greenhouse gases. Nissha Group considers our response to a decarbonized society to be an important issue. We endeavor to reduce risks related to this issue, as well as to create business opportunities that lead to solutions to social issues. In the future, increased costs related to environmental conservation stemming from stricter environmental laws and regulations, measures against risks related to climate change, and additional obligations to reduce our environmental impact could affect business performance and financial position.

In Sustainability Vision (long-term vision), we established a goal to achieve a 30% reduction in total CO2 emissions (compared to 2020 levels) by the year 2030 and to become carbon neutral by 2050. The Environment, Health and Safety Subcommittee, a constituent of the Sustainability Committee, identifies the causes of CO2 emissions and pursues activities to reduce emissions. The Sustainability Committee reports the details of these activities to the Board of Directors once a year. In addition, we have identified sustainable materials (derived from paper and pulp) as a priority market for the purpose of eliminating plastics. In this market, we create business opportunities by providing customers with products and services that help solve social issues.

2. Improving Human Resource Capabilities and Encouraging the Active Participation of Diverse Human Resources

Nissha Group consists of employees from various traditions and cultures across a wide range of races, nationalities, and genders. We respect diversity and aim to leverage the individuality and strength of our employees to achieve our group vision. However, we may be unable to secure and develop sufficient human resources to support the reorganization of our business portfolio. Such developments could affect group business performance and financial position.

In accordance with our Basic Policy on Human Resources, the group strives to minimize risk by creating a human resources system that fosters employees who will grow with the company and contribute to the achievement of our vision. We encourage the advancement of women, and we develop potential leaders and executives through training and education.

3. Respect for Human Rights

Business activities that respect human rights are essential to ongoing corporate operations. Events related to human rights violations could affect group business performance and financial position due to lawsuits, compensation payments, or damage to corporate value.

Nissha Group complies with international human rights and labor standards and related laws and regulations. We strive to improve the substance of our initiatives on a continued basis. The Labor and Human Rights Subcommittee, a constituent of the Sustainability Committee, ensures that our major produc-

tion sites operate in line with the Responsible Business Alliance (RBA), an international code of conduct.

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, 2021

Employees
712(Consolidated number of employees: 5,385)
*As of the end of March, 2021

Consolidated Subsidiaries
66

Bases (Subsidiaries included)
Domestic: 15
Overseas: 36
(Equity method affiliates are not included)

End of Fiscal Year
December 31

Website

Corporate Information
<https://www.nissha.com/english/index.html>

IR Information
<https://www.nissha.com/english/ir/index.html>

Sustainability information
<https://www.nissha.com/english/sustainability/index.html>

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 2020

Total number of authorized shares
180,000,000 shares

Total number of outstanding shares
50,855,638 shares

Number of shareholders
10,537

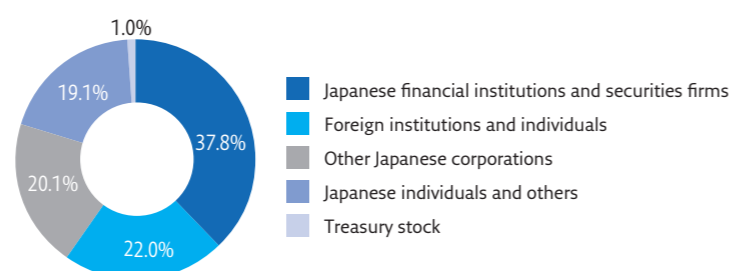
Number of shares per trading unit
100

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

Major Shareholders

	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,024	6.00
Suzuki Kosan Co., Ltd.	2,563	5.09
Meiji Yasuda Life Insurance Company	2,341	4.65
TAIYO FUND, L.P.	2,190	4.35
Custody Bank of Japan, Ltd. (Trust Account)	2,156	4.28
Mizuho Bank, Ltd.	2,076	4.12
TAIYO HANEI FUND, L.P.	1,485	2.95
The Bank of Kyoto, Ltd.	1,442	2.86
Nissha Kyo-eikai	1,150	2.28
STATE STREET BANK AND TRUST COMPANY 505227	1,026	2.03

Breakdown of Shareholders by Type (Ratio of shares owned)



Nissha Report 2021 (For the Year Ended December 31, 2020)

Date of Issue
June 2021

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Junya Suzuki
Chairman of the Board, President and CEO
Nissha Co., Ltd.

Editors
Investor Relations, Corporate Strategy Planning
Nissha Co., Ltd.
Rudy Sakaguchi

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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 forward-looking 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 forward-looking 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.

NISSHA

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