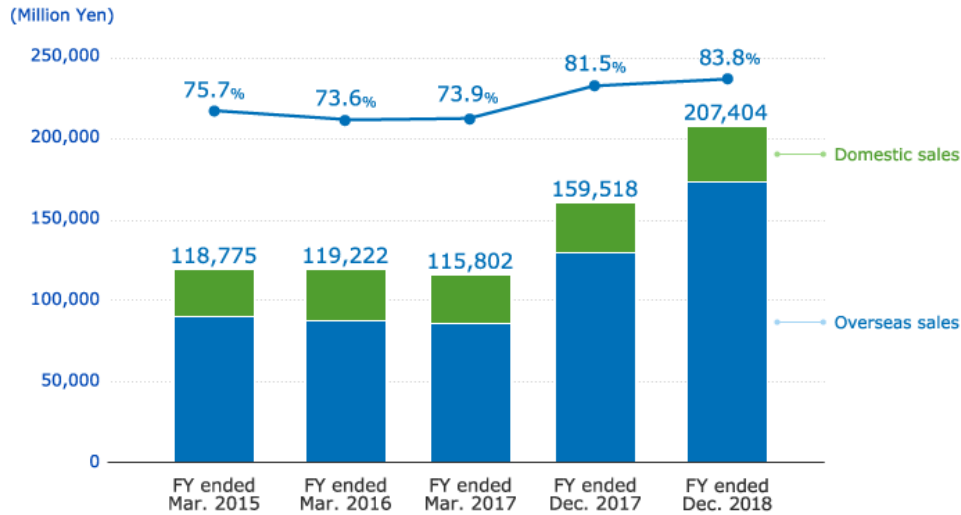


Trade Management

We at the Nissha Group earned 83.8% of our sales outside Japan in the fiscal year ended December 2018. With overseas operations expanding each year, efforts in trade management are essential from the perspective of business continuity.

Net sales and percentage of overseas sales



Trade Management Policy and Management Structure

We have in place a Trade Management Policy covering the entire Nissha Group. As an Authorized Economic Operator (AEO), we also establish rules and regulations, and maintain a structure toward continuous improvement of trade management.

Trade Management Policy

Nissha and its subsidiaries comply with legal requirements and agreements in trade and strive for continuous improvements in the trade management system for the achievement of our Mission.

1. We comply with applicable trade control laws and regulations in each country and region, and with international regimes.
2. We designate a person responsible for trade management, and develop, maintain and improve the trade management system.
3. We pursue good trusting relationships with official agencies in each country and region and international logistics companies etc.
4. We provide necessary education on trade to employees and other parties concerned.

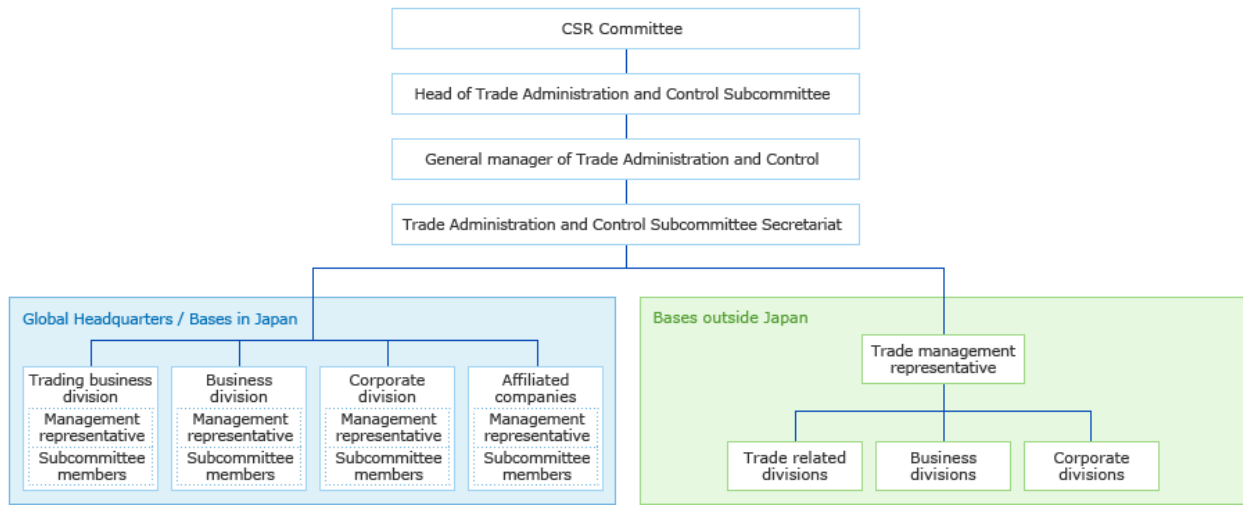
Established on October 1, 2016
Revised on January 1, 2018

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

Full-scale trade management at the Nissha Group in Japan started with the launch of the Trade Administration and Control Committee in 2011. Initiatives were passed on in 2016 to the Trade Administration and Control Subcommittee, under the framework of the CSR Committee.

The Trade Administration and Control Subcommittee, headed by the corporate officer responsible for Corporate Supply Chain Management, oversees the entire Nissha Group. In Japan, thorough management in daily operations is assigned to subcommittee members and division managers at each business division, corporate division, and affiliated company. Outside Japan, where legal systems and business practices vary by country and region, oversight is assigned to trade management representatives at each base.

Trade Administration and Control Subcommittee



Based on our Trade Management Policy, we establish the Basic Rules of Trade Management as well as other rules and regulations on trade-related operations required of an AEO. Individual Nissha divisions draw on these to compile work standards and operating procedures, and carry out import and export operations. At overseas affiliated companies, we are working to promote the Trade Management Policy and the Basic Rules of Trade Management, and to create management documents.

Trade Management Documents System Chart



Initiatives on FY ended December 2018

In the fiscal year ended December 2018, "Trade Management Education" was provided to all NISSHA Group employees in Japan based on the education system developed in the previous fiscal year, and approximately 2,800 people attended. And they were informed that even for employees who are not directly involved in trade management, there are laws and company regulations related to trade that should be observed, and that compliance leads to smooth trade and is essential to our business activities.

We also conduct regular internal audits in order to check and evaluate the status of our trade management operations. Divisions at which concerns or findings have surfaced are retrained to ensure that proper export and import procedures are implemented and employee security awareness is raised. We will strive to expand the scope of management and enhance its contents so that appropriate trade business can continue, and contribute to the improvement of corporate value.

AEO Approval

Nissha Co., Ltd. obtained approval as an AEO Exporter in June 2014, and as an AEO Importer in June 2015. Following the post-audit of AEO Exporters in May 2016, the approval of AEO Importers is maintained after the post-audit conducted in May 2017. Nissha Precision Technologies Malaysia Sdn. Bhd., based in Malaysia, obtained approval as both an AEO Exporter and an AEO Importer in October 2014.

As of the end of 2018, 59 companies in Japan are approved as both AEO Importer and AEO Exporter. Being one of these companies with dual approval, we have in place a system for safe and smooth international logistics.



Authorized Economic Operator (AEO) Program

The AEO program is designed to secure and facilitate global trade and to strengthen a country's international competitiveness by providing benefits such as reduced or simplified customs controls to operators with cargo security management and compliance structures. The September 11, 2001, terrorist attacks on the United States raised awareness of the necessity of an international framework for reinforcing anti-terrorism measures by ensuring both security and efficiency in the international movement of goods. In 2006, the World Customs Organization (WCO) adopted a set of AEO guidelines as a global standard and the basis on which countries enact laws and operate their respective AEO programs. Japan launched its AEO program in 2006, starting with exporters and expanding gradually into the current form.