# Nissha Group's Sustainability

## Approach to CSR

The Nissha Group is currently accelerating its business activities in the medical devices market and the high-function packaging materials market, in addition to expanding its business in the IT market and the automotive market, core markets in the Sixth Medium-term Business Plan. This done with a view to placing optimization of our business portfolio from the perspective of balanced management at the heart of our management strategy. Nissha is rolling out products and businesses that contribute to solving social issues both directly and indirectly based around these four key markets.

With the changes taking place in Nissha Group businesses as our Medium-term Business Plan unfolds, Nissha has established a CSR Committee, under which there are eight subcommittees which work to understand changes in and reduce the environmental and social risks that hamper business continuance. Working backwards from the vision of where we see our company headed, we proactively respond to these environmental and social risks, aiming to become a corporation our customers and all our other stakeholders value. We believe that reducing environmental and social risks, as well as expanding our products and businesses that contribute to solving social issues, will improve sustainability for the Nissha Group.
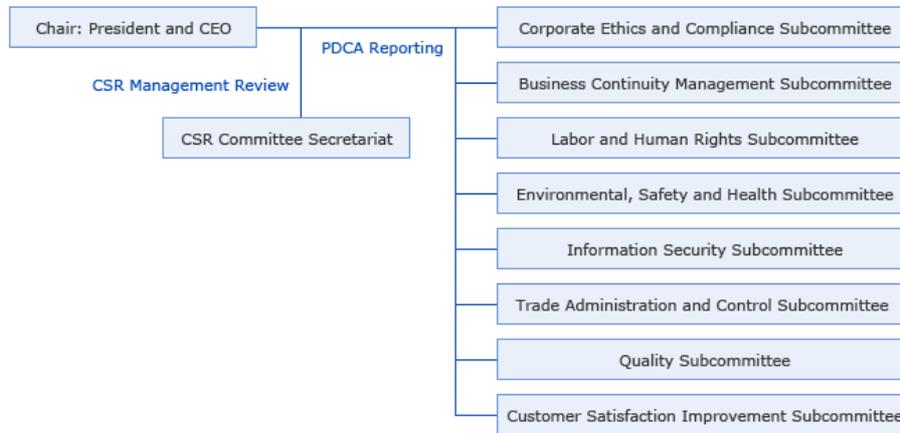
## CSR Management

### Reducing environmental and social risks with the CSR Committee

The CSR Committee establishes materiality (material issues) in environmental and social risk management, prioritizing risk elements that would prevent business continuance, and works to reduce them. Its eight subcommittees use the PDCA Cycle to deal with strategy items, KPI, and target values for each material issue. The activity policies and results of each subcommittee are checked quarterly by the CSR Committee at progress check meetings, and reported annually to the Board of Directors.

In the fiscal year ended December 2018, the first year of the Sixth Medium-term Business Plan, we ensured compliance with the Responsible Business Alliance (RBA), a code of conduct for the electronics and automotive industries, and adhered to the code of conduct for suppliers that our customers demand, working to reduce risks related to areas such as labor human rights, safety and health, the environment and ethics, and to respond to the risk management demanded by the IT market and the automotive market. In the fiscal year ending December 2019, we are working on reducing risk for the medical devices market and the high-function packaging materials market in step with the progress of the Sixth Medium-term Business Plan.

## CSR Committee Organization Chart

| | | |
|---|---|---|
| **Chair: President and CEO** | **PDCA Reporting** | Corporate Ethics and Compliance Subcommittee |
| **CSR Management Review** | | Business Continuity Management Subcommittee |
| CSR Committee Secretariat | | Labor and Human Rights Subcommittee |
| | | Environmental, Safety and Health Subcommittee |
| | | Information Security Subcommittee |
| | | Trade Administration and Control Subcommittee |
| | | Quality Subcommittee |
| | | Customer Satisfaction Improvement Subcommittee |

## Mission of the CSR Committee

The CSR Committee prioritizes non-financial risk factors that would hamper business continuity, based on the business portfolio aimed at in the Medium-term Business Plan from the perspective of improving medium- to long-term corporate value, and exercises leadership for their solution through the subcommittees under it.

## Structure of the CSR Committee

Monitoring Side
Committee Chair: Chief Executive Officer
Vice Chair: Chief Financial Officer (Director of the Board, Senior Executive Vice President, Senior Director of Human Resources, General Affairs and Legal Affairs)
Committee Members: Chief Strategy Officer, Chief Quality Officer, Chief Information Officer, Chief Supply Chain Officer

Executive Side
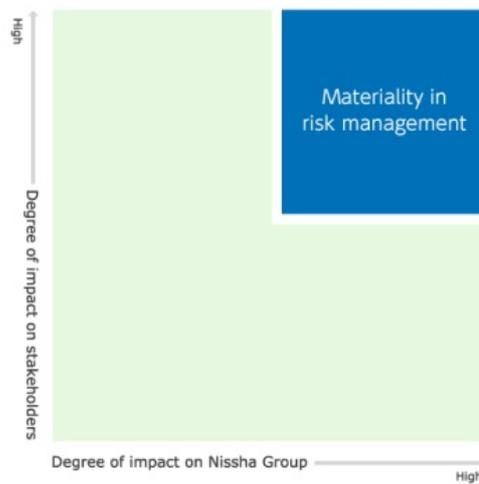Section president:Related Corporate Management Department Head and Group Head
Secretary General: Corporate Social Responsibility Group Leader
Secretariat: Corporate Social Responsibility, Corporate Communications

# Materiality in Risk Management

Nissha prioritizes environmental and social risk factors that would hamper business continuance, evolution, or growth, and tackles risk mitigation for notably important issues, designating them as material issues (materiality).

Selection of material issues is made with reference to the Global Reporting Initiative (GRI) Standards, which are guidelines for the disclosure of non-financial information, and assessed on the twin axes of materiality to the Nissha Group and materiality of our stakeholders. The vision and basic strategies of the Sixth Medium-term Business Plan are reflected in materiality to the Nissha Group, while materiality to our stakeholders incorporates the opinions of stakeholders both in the company and outside. With the start of the fiscal year ending December 2019, we have revised our material issues to match the progress of the Sixth Medium-term Business Plan.

Analysis map

| Step 1<br>Identify topics | The impacts of the Nissha Group and its supply chain are extracted based on examples provided by the GRI Standards. Boundaries, or where the impact occurs, are identified. |
|---|---|
| Step 2<br>Prioritize | Topics from Step 1 are measured for materiality to the Nissha Group (based on the medium-term business plan) and materiality to our stakeholders (SDGs, external assessment), plotted on an analysis map, and prioritized based on degree of impact. |
| Step 3<br>Validate | Topics are validated especially from the standpoint of our stakeholders based on assessment by outside experts and interviews with CSR subcommittees. |
| Step 4<br>Determine materiality and KPI | For each material topic identified in steps 1 to 3, an action program, KPI, and target KPI values are set by CSR subcommittees and approved by the CSR Committee. |

## Boundaries of material topics

| Materiality | Boundaries | |
| | Inside of Nissha Group | Suppliers |
|---|---|---|
| Product Responsibility | ● | ● |
| Complying with Laws and Regulations | ● | ● |
| Human Rights in the Workplace | ● | ● |
| Responsibility for Product and Service Continuation | ● | ● |
| The Environment | ● | ● |
| Occupational Health and Safety | ● | ● |
| Protection of Customer Information | ● | ● |

# Materiality in the fiscal year ended December 2018

**Responses focused on the IT and automotive markets, the key markets laid out in the Sixth Medium-term Business Plan (excerpt)**

| Materiality | Subcommittee | Strategy Items | KPI (target values) | Achievement Status |
|---|---|---|---|---|
| Human Rights in the Workplace | Labor and Human Rights | - Increased recognition rates for the Harassment Help Desk<br><br>- Managing weekly working hours | - Recognition rate for the Harassment Help Desk (80% or more)<br>- Compliance rate with 60 working hours total per week (100%) | ○ Reached recognition rate of 80%<br><br>△ Compliance rate of 98% |
| Complying with Laws and Regulations | Corporate Ethics and Compliance | - GDPR suppor<br><br>- Compliance education<br><br><br>- Construction of the internal reporting system for overseas bases | - Number of bases in Europe that have completed Risk assessment and correction (5 bases)<br>- Implementation rate of group-wide training (100%)<br>- Number of overseas subsidiaries that have completed preparations to construct the internal reporting system (9 bases) | ○ Correction completed in 5 bases<br><br>○ Implementation rate of 100%<br><br>○ System constructed in 9 bases |
| Protection of Customer Information | Information Security | - Ensuring establishment of ISMS operation by overseas companies | - Introduction of ISMS operation to companies recently acquired through M&A (2 companies)<br>- Support for ISMS operation for existing companies (during the fiscal year ended December 2018) | × Not introduced at 2 companies<br><br>○ Completed implementation of operational support at target bases |
| Responses to Climate Change | Environmental, Safety and Health | - Improve levels of responses to climate change | - CDP score of B | ○ Obtained a CDP score of B |
| Diversity and Equal Opportunity | Labor and Human Rights | - Expand communication with foreign nationals and international students (expand employment of foreign nationals in regular hiring periods) | - Ratio of foreign nationals among those offered jobs (20%) | ○ Foreign nationals offered jobs: 25% |
| Occupational Health and Safety | Environmental, Safety and Health | - Reduce injury accidents | - Number of injury accidents (15% fewer than the previous fiscal year) | ○ 20% reduction |
| Responsibility for Product and Service Continuation | BCM | - Maintain BCM system | - The PDCA cycle in the BCP/BCM basic plan is in operation | ○ Implementation rate of 100% |
| Supplier Assessment | The CSR Committee Secretariat is responsible | CSR Supplier audits (social and environmental aspects) | - Number of audits carried out (1 temporary employment agency) | ○ Carried out for 1 company |

████ Items migrated to "maintain" through activities during the fiscal year ended December 2018

# Materiality in the fiscal year ending December 2019

Material issues with risk reduced through the activities of the subcommittees are removed from the list, but their importance remains in terms of our risk management. These items are managed by the relevant subcommittees to ensure that they retain their low-risk status. On the other hand, material issues where risk reduction is inadequate are continued to be targeted for mitigation, and, along with newly-identified risks, have strategy items, KPIs, and target values set by the relevant subcommittees.

Materiality in risk management in the fiscal year ended December 2018 was focused particularly on the IT market, and on the automotive market where future growth is expected. In the fiscal year ending December 2019, building on the degree of achievement of KPIs for the previous fiscal year, the contents were revised in accordance with the progress of the Sixth Medium-term Business Plan, and items where risk reduction had been achieved were migrated to items classified as "maintain." Additionally, new material issues were set in order to use them as content for two of the four key markets set out in the Sixth Medium-term Business Plan, medical devices and high-function packaging materials.

## Responses focused on materiality supporting Medical Devices and High-function Packaging Materials, the key markets laid out in the 6th Medium-term Business Plan (excerpt)

| Material Issue | Subcommittee | Strategy Items | KPI (target values) |
|---|---|---|---|
| Product Responsibility | CSR Committee Secretariat | - Understanding the status of responses in the environmental and social aspects within the Medical Technologies business and reducing risks | - Publishing information in accordance with SASB[1] disclosure demands |
| Complying with Laws and Regulations | Corporate Ethics and Compliance | - GDPR[2] support<br><br>- Construction of the internal reporting system for overseas bases<br><br>- Maintenance and enhancement of trade management | - Number of bases where training is given on the revised personal information protection regulations (14 domestic bases)<br>- Number of bases in Europe that have completed preparations to construct the internal reporting system (1 overseas base)<br>- Maintenance and enhancement of management levels for workers through educational programs on trade management |
| Human Rights in the Workplace | Labor and Human Rights | - Understanding and reducing human rights risks | - Number of human rights risks understood at key overseas bases, mainly in North America and Europe (10 risk items) |
| Responsibility for Product and Service Continuation | BCM | - Understanding the status of BCP operation at key overseas bases and reducing risks | - Understanding and reviewing BCP operational status at key overseas bases, mainly in North America and Europe (2 companies) |
| The Environment | Environmental, Safety and Health | - Understanding and reducing the environmental impact of key overseas bases - Responses to climate change | - Construction of an environmental data acquisition system from key overseas bases, mainly in North America and Europe<br>- Maintain CDP[3] score of B |
| Occupational Health and Safety | Environmental, Safety and Health | - Understanding the status of safety and health at key overseas bases and reducing risk | - Construction of a safety and health data acquisition system from key overseas bases, mainly in North America and Europe |
| Protection of Customer Information | Information Security | - Ensuring operation of ISMS[4] at overseas companies | - Number of new implementations of ISMS at overseas companies that previous lacked it (3 cases) |

*1. SASB: Sustainability Accounting Standards Board

*2. GDPR: General Data Protection Regulation

*3. CDP: Carbon Disclosure Project

*4. ISMS: Information Security Management System

Items newly specified for the fiscal year ending December 2019

# Nissha Group's Stakeholders

We identify the stakeholders that support Nissha Group operations as our customers, shareholders, employees, suppliers, and society. Toward realizing our Mission, we incorporate the voice of our stakeholders into business activities that contribute to a sustainable society. Both we and our stakeholders have a clear vision, and we mutually affect each other toward realizing it. Our aim is to work together and create value for the future.

## Circle of Trust



## Customers

Nissha Group's businesses—Industrial Materials, Devices, Medical Technology, and Information and Communication—serve customers, centering on companies, spanning a broad range of fields.
We approach challenges seriously from the standpoint of our customers, resolve issues together, and offer optimal solutions. With a quality control system in place, we seek to produce quality products and services that win our customers' satisfaction.

◆Communication channels
Marketing activities in daily operations
Activities to enhance customer satisfaction
Information provided for CSR survey
Information provided about conflict minerals
Products and services information provided by website
Supplier responsibility (SR) audits by customers

## Shareholders

We have a total of 50,855,638 outstanding shares and 10,795 shareholders. In a breakdown of shareholders by type, 36.7% are Japanese financial institutions and securities firms, 23.8% foreign institutions and individuals, 20.1% other Japanese corporations, 17.7% Japanese individuals and

others, and 1.7% treasury stock (as of the end of December 2018).
In addition to disclosing information, we create opportunities to meet directly and exchange dialogue with our shareholders and investors through IR events and one-on-one briefings. Feedback and comments are reported regularly from IR representatives to management as well as at Board of Directors meetings, and used as a valuable resource for enhancing our corporate value.

◆Communication channels
Shareholders' meetings
Management briefings following shareholders' meetings
Financial results presentations and teleconferences for institutional investors
One-on-one briefings for institutional investors
Response to individual inquiries
Various materials (reports) published for shareholders and investors
IR information provided via the Nissha website
Information to investigation institutions for such as sustainable investment

## Employees

The Nissha Group has 5,861 employees. The number of employees in a breakdown by region, 39% work in Japan, 15% in Asia, 20% in North America, 9% in Europe, and 17% in Central and South America (as of the end of March 2019).
We promote the creation of safe, comfortable workplaces and offer support for diverse work styles, respecting our employees' human rights diversity from a global perspective. We at Nissha Group believe our employees are our most important management resources, and aim to achieve growth for both the company and our employees.

◆Communication channels
Labor-management meetings
Safety and health committees
Workplace improvement committee
Education and training
Personnel evaluation and interviews
Hotline (for reporting to outside the company)
Harassment help desk
Employee awareness survey and interviews

## Suppliers

Nissha Group's global operations revolve around procurement activities and engagement with a large number of suppliers.
We strive to build partnerships of co-existence and co-prosperity with our suppliers, and create corporate value founded on integrity. We seek to evaluate our suppliers fairly, impartially, and comprehensively at all times, and promote CSR procurement.

◆Communication channels
Procurement activities in daily operations
CSR procurement briefings
ESG check sheets
CSR survey and auditing
In-house exhibitions and seminars themed around supplier products and technologies

## Society

The Nissha Group has 14 bases in Japan and 41 overseas (as of the end of March 2019), each of which carries out business activities with respect for the culture and climate of the region in which it operates.
We aim for widespread co-existence based on relationships of mutual trust with society. We promote communication with local communities not only to fulfill our basic responsibilities as a corporation but also to be a company that is needed by society. We strive to be aware of global social issues and play a role in resolving them.

◆Communication channels
Exchange events with community councils and community people
Factory and facility tours

Cleanup activities in factory areas
Next-generation support activities
Support and promotion of arts and culture
Social contribution activities in collaboration with NPOs
Employees' participation in volunteer activities

# External Assessment

Major examples of external assessment in fiscal year ended December 2018 are given below (Nissha Group in Japan).

| Date | Certification/award | Company/base | Details |
|---|---|---|---|
| May 2018 | Gas Chromatography Contribution Prize | Nissha Co., Ltd. | Nissha Co., Ltd. received a Gas Chromatography Contribution Prize from the Discussion Group for Gas Chromatography of the Japan Society for Analytical Chemistry (JSAC).<br>The Discussion Group for Gas Chromatography is a main constituent of JSAC. Prizes were presented to commemorate the 60th anniversary of the discussion group's founding. Nissha was recognized as a corporation for its significant contribution to the global advancement and development of gas chromatography as well as to the discussion group. |
| October 2018 | Good Design Award for 2018 | Nissha Co., Ltd. | Vermed® Claravue developed by Integral Process SAS, Nissha Group company set up in France to produce and sell medical equipment, was awarded the Good Design Award 2018 by the Japan Institute of Design Promotion. |

Acquisition status of ISO certification and others is given below (Nissha Group, as of the end of December 2018).

| Subject Areas | Standards | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ISO/TS16949 IATF16949 | ISO9001 | ISO14001 | OHSAS18001 ISO45001 | ISO27001 | ISO50001 | ISO13485 | Others |
| Nissha Co., Ltd. Global Headquarters | | ○*1 | ○*2 | | ○ | | | |
| Nissha Co., Ltd. Tokyo Division Headquarters | | ○*1 | | | ○ | | | |
| Nissha Co., Ltd. Kameoka Factory | | ○ | | | ○ | | | |
| Nitec Industries, Inc. Koka Factory | | ○ | ○ | | ○ | | | |
| Nitec Precision and Technologies, Inc. Himeji Factory | | ○ | ○ | | ○ | | | |
| Nitec Precision and Technologies, Inc. Kaga Factory | | | ○ | | ○ | | | |
| Nitec Precision and Technologies, Inc. Tsu Factory | | | | | | | | |
| Nitec Precision and Technologies, Inc. Kyoto Factory | ○ | ○ | ○ | | ○ | | | |
| Nissha FIS, Inc. | | ○ | ○ | | ○ | | | |
| Nissha Printing Communications, Inc. Headquarters / Kyoto | | ○*1 | | | ○ | | | FSC COC |
| Nissha Printing Communications, Inc. Osaka Division Headquarters | | ○*1 | | | ○ | | | FSC COC |
| Nissha Printing Communications, Inc. Headquarters / Kameoka Factory | | ○ | | | ○ | | | FSC COC |
| Nissha F8, Inc. | | ○*3 | | | ○ | | | |

| Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Nissha Business Service, Inc. | | ○ | ○ | | ○ | | | |
| Eimo Technologies, Inc. | ○ | | | | | | | |
| Nissha Si-Cal Technologies, Inc. | | ○ | | | | | | |
| Nissha PMX Technologies, S.A. de C.V. | ○ | | | | | | | |
| Graphic Controls Acquisition Corp. | | | | | | | ○ | 93/42/EEC |
| Nissha Medical Technologies Ltd. | | ○ | | | | | ○ | |
| Tyrolmed GmbH | | | | | | | ○ | 93/42/EEC |
| Integral Process SAS | | ○ | ○ | | | | ○ | |
| CEA Medical Manufacturing Inc. | | | | | | | ○ | |
| Sequel Special Products, LLC | | | | | | | ○ | |
| Lead-Lok, Inc | | | | | | | ○ | |
| CEA Global Dominicana, S.R.L. | | | | | | | ○ | |
| Nissha Schuster Kunststofftechnik | ○ | ○ | | | | ○ | | |
| Nissha Back Stickers | | ○ | | | | | | |
| AR Metallizing N.V. | | ○ | | | | | | FSC COC |
| AR Metallizing Srl. | | ○ | | ○ | | ○ | | FSC COC |
| AR Metallizing Ltd. | | ○ | | | | | | FSC COC |
| AR Metallizing Produtos Metalizados Ltda. | | ○ | ○ | ○ | | | | FSC COC |
| Nissha (Kunshan) Precision IMD Mold Co., Ltd. | ○ | ○ | ○ | | | | | |
| Guangzhou Nissha High Precision Plastics Co., Ltd. | | ○ | ○ | | | | | |
| Nissha Precision Technologies Malaysia Sdn. Bhd. | ○ | ○ | ○ | | | | | |

*1. Management divisions are excluded from the scope of certification.

*2. Only management divisions and design and product development divisions have obtained certification.

*3. Only the Kyoto site has obtained certification.

# United Nations Global Compact

On April 3, 2012, Nissha Co., Ltd. joined the United Nations Global Compact. The Global Compact is a voluntary initiative based on 10 principles in the area of human rights, labor, the environment, and anti-corruption. Its purpose is to have various companies show responsible and creative leadership, and thereby act as good members of society and participate in creating a global framework for sustainable growth.

Signatory companies are required to express within and outside the company the commitment of top management, establish a CSR framework, make continuous improvements aiming for higher levels of management and CSR, and submit annual reports on the status and results of activities in the format of a Communication on Progress (COP).

At Nissha Group, we have in place various targets based on the 10 principles of the Global Compact and work daily toward achieving them with an eye to meeting the needs of global society. We disclose information about our activities in CSR reports, published on the Nissha Group website.

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## The Ten Principles of the UN Global Compact

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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United Nations Global Compact website: http://www.unglobalcompact.org