

Adaptation to Climate Change

The Nissha Group treats adaptation to climate change as a key issue, so we are creating business opportunities and managing risk based on the strong leadership of management.

Governance Structure

As a governance structure for risk management, a CSR Committee has been established, headed by the Chairman of the Board, President and CEO. The Committee has selected “adaption to climate change” as one of its material issues, and promotes a range of activities by the Environmental, Safety and Health Subcommittee under its jurisdiction. The Subcommittee is formed from members from Nissha Global Headquarters and our business bases, and sets KPI and company-wide strategy items at the beginning of the fiscal year. Then various targets linked to these are set at key bases in Japan. The CSR Committee checks the status of activities of the Environmental, Safety and Health Subcommittee at the progress confirmation meetings held every quarter, and reports on the activities results for the current fiscal year and policies for the new fiscal year at the first Board of Directors meeting of the next fiscal year.

On the other hand, with regard to the creation of business opportunities, the business units or divisions responsible for new product development incorporate adaptation to climate change in their various strategy items and KPIs. Progress towards targets is checked on a monthly basis at the MBR (Monthly Business Review), the progress confirmation meeting for business activities, by members of corporate officer or higher rank, especially the Chairman of the Board, President and CEO.

The MBR, which is a meeting to manage the progress of business activities, and the CSR Committee, which is responsible for risk management, share and liaise information by both having the strategy division act as the secretariat.

Specific Examples of Adaption to Climate Change

1. Risk Management

The CSR Committee Environmental, Safety and Health Subcommittee determines specific climate change risks and adapts to them in order from the greatest impact. Some risks are also dealt with in liaison with the BCM Subcommittee or others .

Major risks adapted to in the fiscal year ended December 2018:

- Risk of damage to factory operation at our core production factories, and employees hampered from coming to work through the effects of abnormal weather such as heavy snow caused by climate change.
- Risk of increased amounts and costs of power consumed due to increased summer temperatures caused by climate change.

2. Creation of Business Opportunities

Nissha creates business opportunities by being aware of social issues and providing our customers with the technology to help solve them.

Examples of creating business opportunities carried out in the fiscal year ended December 2018:

- Metallized paper, one of the main products of the Industrial Materials business, is highly regarded in the high-function packaging materials market as a product that solves the global issue of reducing the amount of plastic we use. Using metallized paper in place of plastic

packaging not only solves the problem of ocean plastic, but allows us to contribute to the promotion of recycling and the reduction of energy use when producing materials.

- IMD and IML, which are technologies to transfer both function and design onto the surfaces of a component while it is being molded, and are provided by the Industrial Materials business for the automotive market, have better yield rates than other manufacturing methods, so help reduce CO₂ emissions by contributing to the reduction of raw materials used in the first place, and the reduction of waste.

Prevention of Further Global Warming

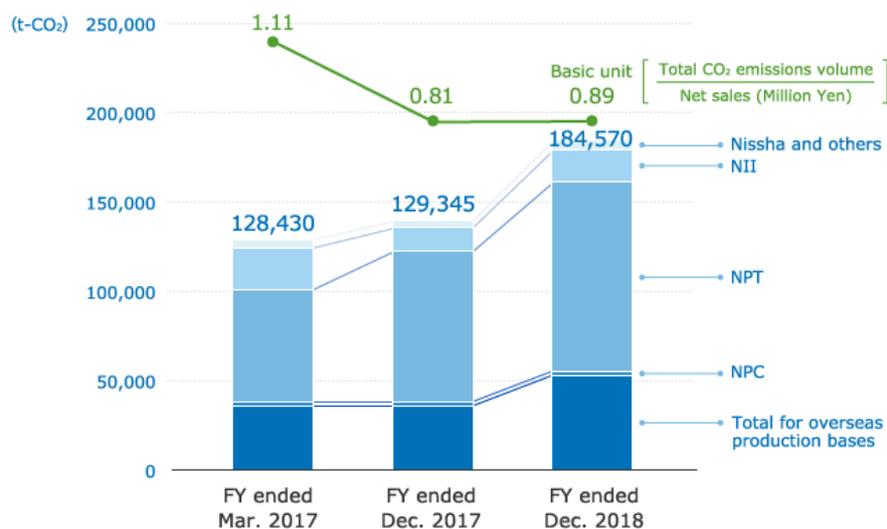
Nissha is working to acquire third-party certification related to CO₂ emissions, and disclose relevant information, as well as provide information to CDP. As of May 2019, our current CDP climate change score is 'B.'

Status of CO₂ Emissions at Nissha Group

CO₂ emissions and energy consumption at the Nissha Group between the fiscal years ended March 2017 and ended December 2018 are given in the graphs below. With the change in fiscal year end date, data for the Nissha Group in Japan in the fiscal year ended December 2017 cover a nine-month period from April to December (and a twelve-month period from April to March in FY2017.3, and from January to December FY2018.12).

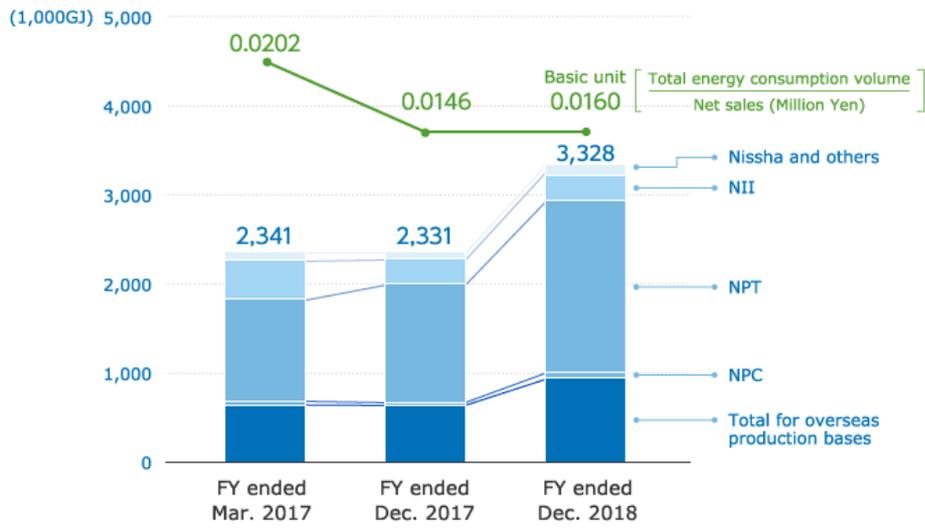
*NII: Nitec Industries, Inc. NPT: Nitec Precision and Technologies, Inc. NPC: Nissha Printing Communications, Inc.

Trends in CO₂ Emissions Volumes and Basic Unit



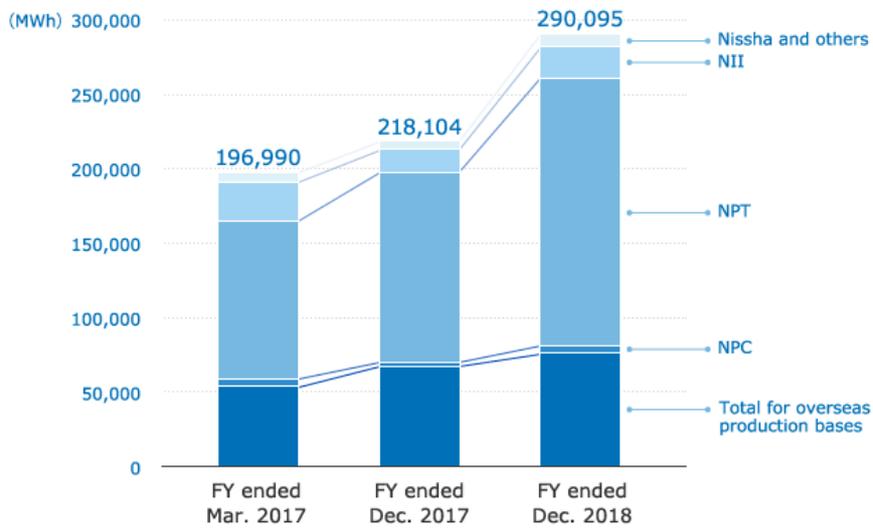
※ Includes approximate figures.

Trends in Energy Consumption and Basic Unit

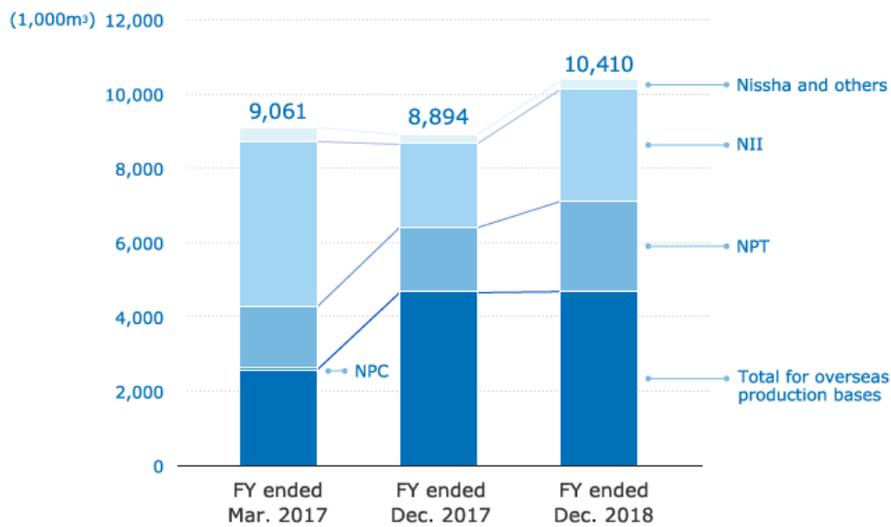


※ Includes approximate figures.

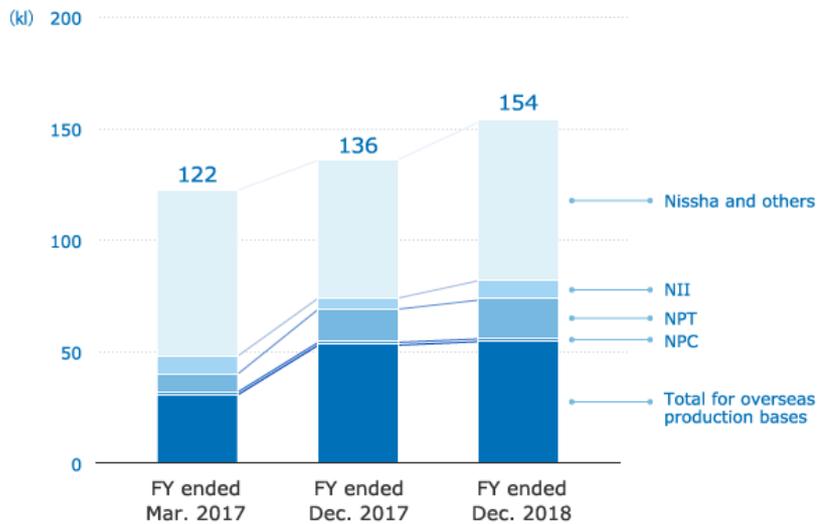
Trends in Electricity Consumption



Trends in Gas Consumption



Trends in Gasoline, Diesel, and Heavy Oil Consumption



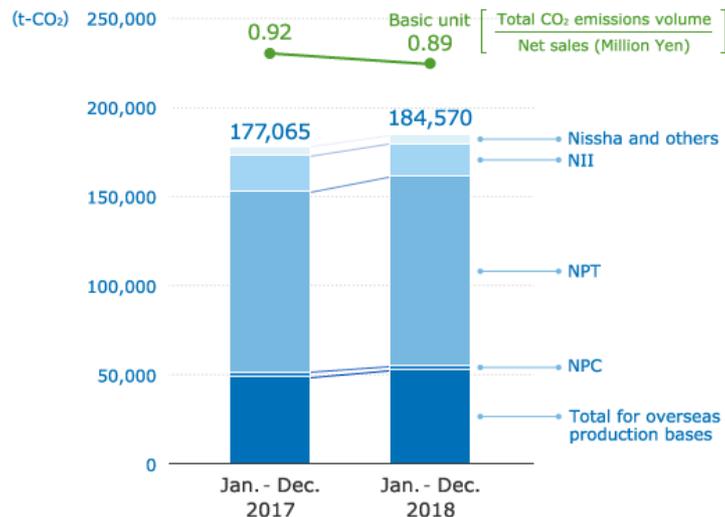
Comparison of CO₂ Emissions in 2017 and 2018

With the change in settlement month, the fiscal year ended December 2017 was only nine months, from April to December, so the emissions from January to March for the fiscal year ended March 2017 were added to make twelve months to compare them with the CO₂ emissions for the fiscal year ended December 2018 (twelve months from January to December). The CO₂ emissions for the fiscal year ended December 2018 were 184,570t-CO₂, an increase of about 4% over the emissions from the same period the previous year.

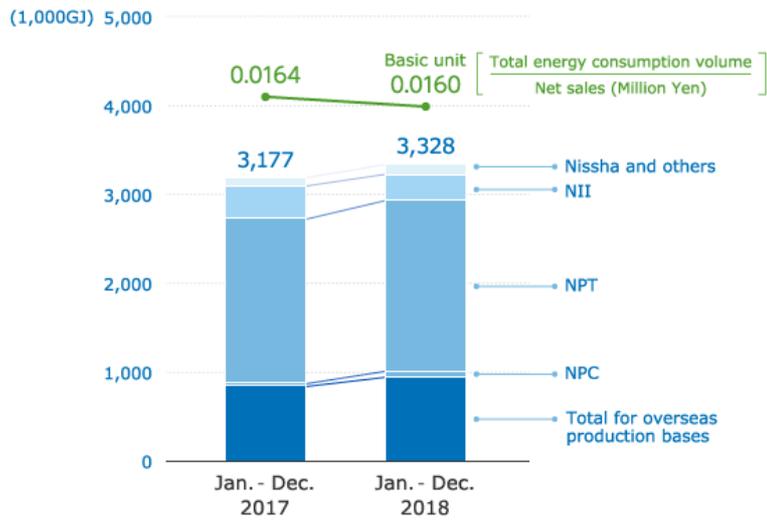
The CO₂ emissions at business bases in Japan were 131,653t-CO₂ for the fiscal year ended December 2018, accounting for around 71% of the Nissha Group's total, and an approximately 2% increase over the same period the previous year. This is due to the increased emissions from the NPT Kaga Factory and Tsu Factory: thanks to mass production of large orders ongoing from the previous year, NPT's overall emissions rose around 4%. However, CO₂ emissions for the fiscal year ended December 2018 at overseas production bases were 52,917t-CO₂. About 29% of the Nissha Group's CO₂ emissions were produced by our overseas production bases.

Nissha Group emits virtually no energy-related greenhouse gases other than CO₂, and their effects are minimal.

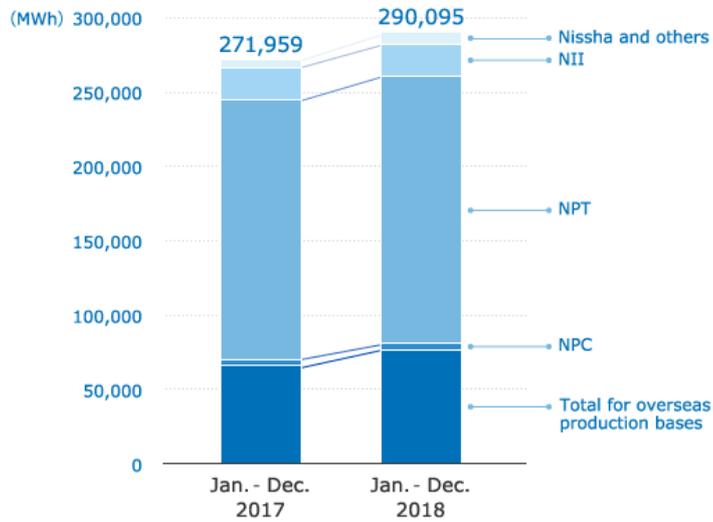
Trends in CO₂ Emissions Volumes and Basic Unit



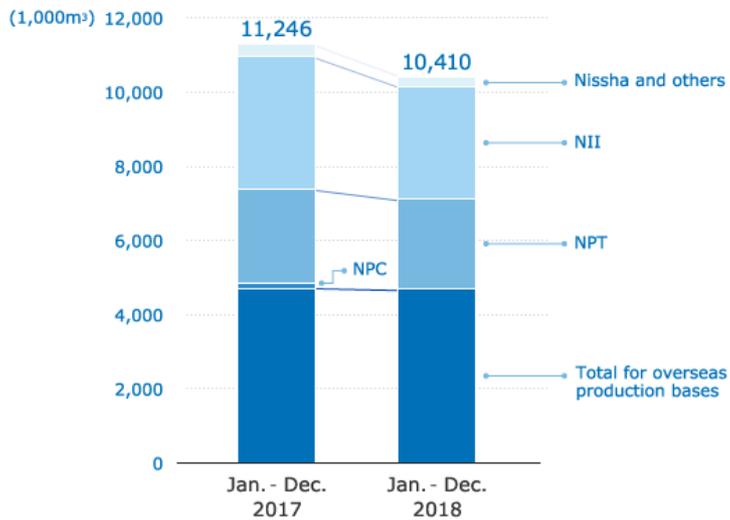
Trends in Energy Consumption and Basic Unit



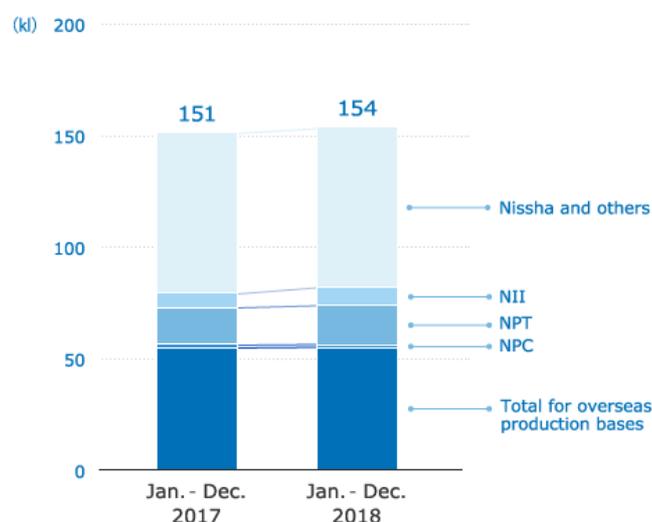
Trends in Electricity Consumption



Trends in Gas Consumption



Trends in Gasoline, Diesel, and Heavy Oil Consumption



Basic Unit Management by Production Volume and Its Issues

The Nissha Group's production bases in Japan are required by the Act on the Rational Use of Energy to understand and manage the use of energy on a corporation basis. In addition, the basic unit management of energy usage using production volumes has been carried out independently from the fiscal year ended April 2014, with the aim of improving energy use efficiency.

The basic unit performance for each production base in the fiscal year ended December 2017 was set as 1.00 across the board, so the target for the fiscal year ended December 2018 was set at "0.99 or less" using this as a standard. The results are shown in the table below. The basic unit targets at the NPT factories responsible for the Devices business production all fell short of the target due to changes in demand.

The Nissha Group's production bases are moving ahead with reducing their fixed usage amounts as well as their flexible usage amounts of energy while liaising with the CSR Committee's Environmental, Safety and Health Subcommittee. There are some effects on the basic unit values from changes in external temperature in different seasons, but to solve these issues we are moving ahead with analyzing data and making the amount of energy we use visible, increasing the precision of basic unit values, and sustainably improving basic unit management.

Company	Basic Unit (based on production volume etc.)			FY ended Dec. 2017 Evaluation
	FY ended Dec. 2017 Results	FY ended Dec. 2018 Target	FY ended Dec. 2018 Results	
Nissha Co., Ltd. (Global Headquarters, Tokyo and others)	1.00	0.99 or less	0.94	Satisfactory
Nitec Industries, Inc., Koka	1.00	0.99 or less	0.94	Satisfactory
Nitec Precision and Technologies, Inc., Himeji	1.00	0.99 or less	1.21	Poor
Nitec Precision and Technologies, Inc., Kaga	1.00	0.99 or less	1.00	Poor
Nitec Precision and Technologies, Inc., Kyoto	1.00	0.99 or less	2.42	Poor
Nitec Printing Co., Ltd.,	1.00	0.99 or less	0.93	Satisfactory

Note: Evaluations are based on April–December 2017 results

Initiative in Scope 3 Management

In line with the move in recent years to report indirect emissions from companies through their supply chain, defined by the Carbon Disclosure Project (CDP) as Scope 3 sources, and to promote reductions toward improving the company's ESG rating*, the Environmental, Safety and Health Subcommittee continues to lead efforts at Nissha to survey Scope 3 emissions and improve our ESG rating.

CO₂ emissions during the period January – December 2018 amounted to 2,423t-CO₂ from employee commuting, 1,528t-CO₂ from business travel (excluding gasoline), 3,242t-CO₂ from major logistics suppliers in Japan, and 10,969t-CO₂ from major materials suppliers in Japan.

We plan to continue our efforts in Scope 3 management in cooperation with our suppliers.

Scopes 1, 2, 3: Scopes of GHG emissions

Scope 1: Direct GHG emissions from sources owned or controlled by the company

Scope 2: Indirect GHG emissions through consumption of electricity, steam, or heat

Scope 3: Indirect emissions other than those in Scope 2

* ESG rating: A method of evaluating companies based on environmental, social, and governance criteria