

NISSHA

Nissha Report 2023

English



Medical Devices

Mobility

Sustainable Materials

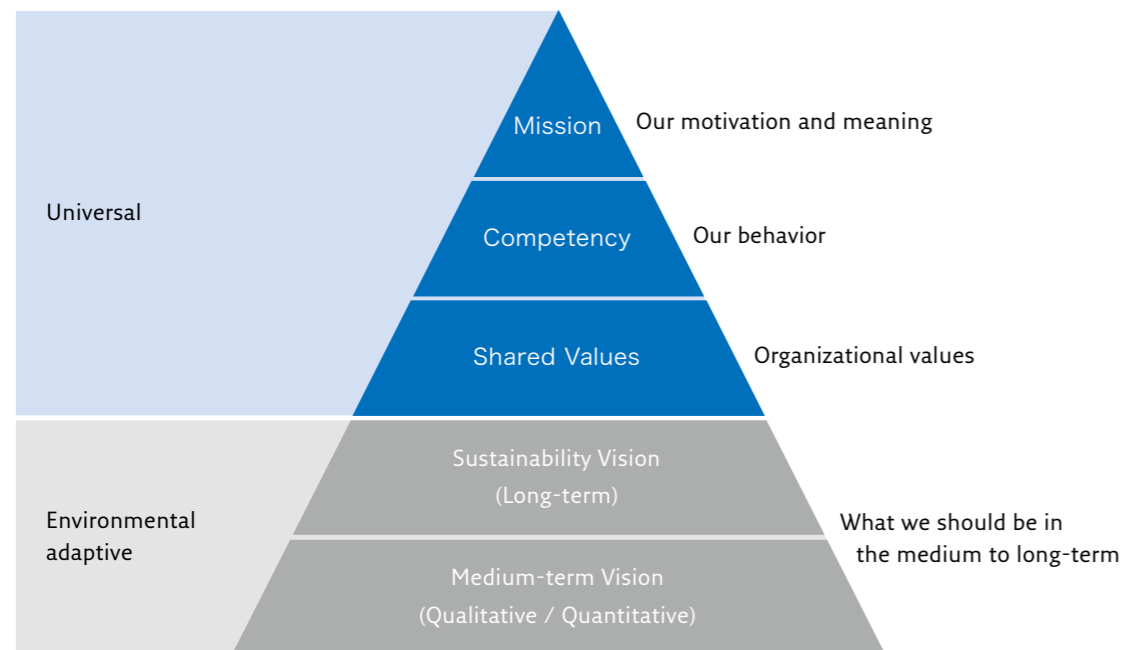
IT Devices

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.

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.



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Nissha Report 2023

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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 2023, we discuss the Group approach to value creation, which leverages unique group strengths to expand social and economic value over the long term. We also provide an easy-to-understand report on our Mission, medium- to long-term growth strategy, sustainability and materiality, technology strategy, human resources strategy, financial strategy, quality and production strategy, and corporate governance. The central focus of our report is the CEO message.

In our editing process, we referenced the *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0* of the Ministry of Economy, Trade and Industry, the *International Integrated Reporting Framework* of the IFRS Foundation, as well as other documents.

Please refer to our corporate website for more detailed information.

Sustainability

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

Information regarding our approach to sustainability and initiatives, our sustainability report, and the collection of ESG data.

Investor Relations

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

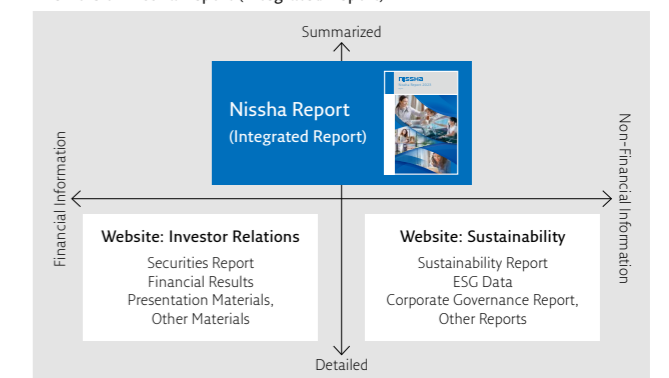
Financial information, including the latest financial results and forecasts.

Unless otherwise noted, the contents of the report are current as of June 30, 2023.

Reporting Period: January 1, 2022 - December 31, 2022
(Report includes some activities before 2021 and after January 2023)

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

Growth History

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

1929 - Founding

Aspired of high-quality photographic printing

Founder Naoki Suzuki started the printing business at his home in 1929.

He thought, "We pursue high-quality photographic printing no other can compete with, as anybody can be just a type-set printer." As such, he focused on photographic printing using photoengraving and primary color printing technologies, which were rare at the time. This desire of his led to our current global niche strategy.



2000's - Globalization

Our products and the Nissha brand penetrate the global market

Current CEO Junya Suzuki was convinced of the competitive advantage of our products in the global market and accelerated our overseas strategy. He achieved dramatic growth in the Industrial Materials and Devices businesses in particular by exactly capturing worldwide demand from IT device manufacturers. In 2007, our overseas net sales ratio surpassed 50%.

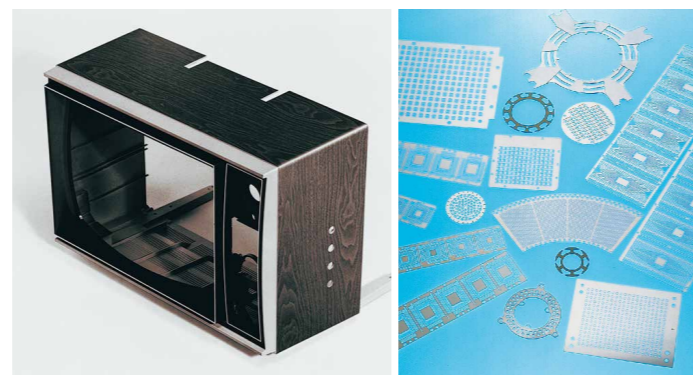


1960's - Diversification

Beginning of Industrial Materials and Devices businesses

The second CEO, Shozo Suzuki, advocated the importance of business diversification for future growth and encouraged the development of new products.

We created the first domestic wood-grain transfer foil (Industrial Materials business) in addition to electronic components, such as lead frames (Devices business). This expanded the target market to include products such as consumer devices and cosmetics. This diversification-driven business expansion was the starting point of our Change for Growth initiative.



Current - Strengthen business portfolio strategy

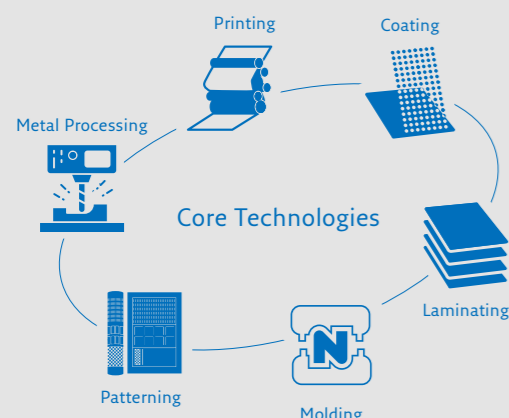
Growth through optimization of management capital

After expanding our company globally, we focused our management capital on the IT devices market and saw remarkable growth. On the other hand, this market is experiencing rapid changes in product demand and technological trends. As such, we have expanded our business domain to global markets with stable growth potential, such as the medical, mobility, and sustainable materials markets, to create a well-balanced business portfolio. We aim for continuous growth as we optimize the allocation of management capital to our business foundation, acquired through strategic M&A.



* The photo is a conceptual image.

Nissha Core Technologies



Nissha is always expanding the core technologies while integrating technical elements such as Coating, Molding, Metal Processing into the printing technology we cultivated since the foundation of the company.

The current core technologies are comprised of Printing, Coating, Laminating, Molding, Patterning and Metal Processing. At least one of these core technologies is used in every one of our products.

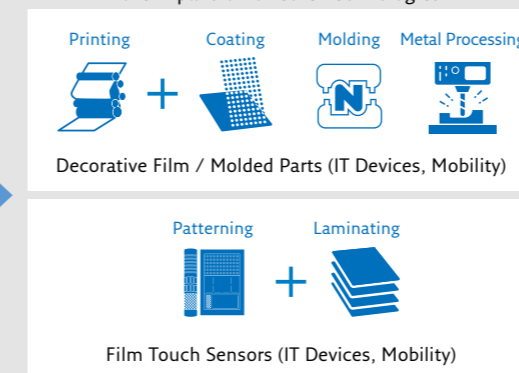
Founding

Pursuit of Printing Technology



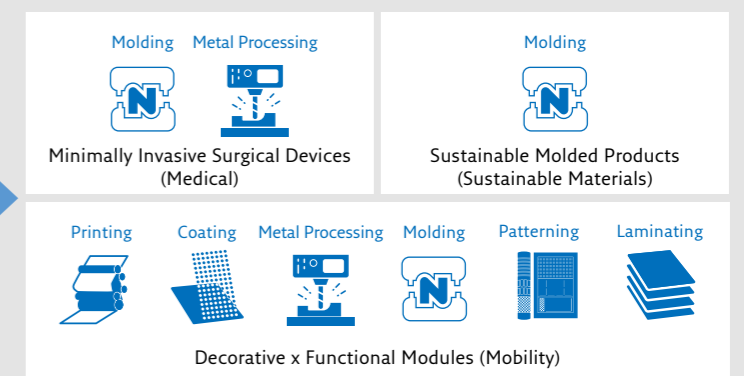
Diversification and Globalization

Diversification of Products and Target Markets Through the Expansion of Core Technologies



Strengthen Business Portfolio Strategy

Evolving and Integrating Core Technologies

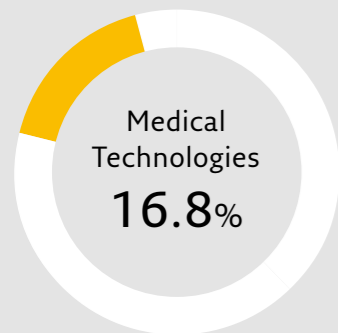
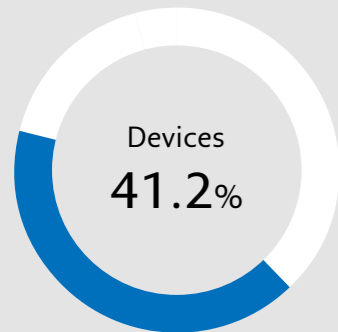


Snapshot

2022 Consolidated Net Sales
JPY **193.9** Billion

Developing Three Businesses Utilizing Core Technologies into Diverse Markets

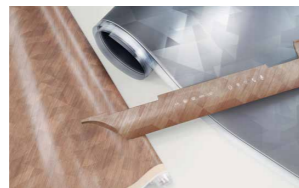
Composition of Net Sales



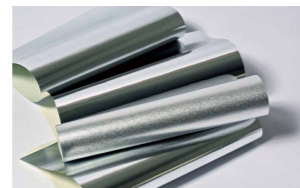
Others 4.1%

Industrial Materials

Industrial Materials business mainly offers proprietary technologies that enable it to create added value on the surfaces of various materials. We provide decorative films used in IMD, IML, IME, and other processes in addition to decorative molded products manufactured using these processes. These products are extensively adopted in mobility and home appliances in global markets. We additionally offer environmentally friendly products such as metallized paper that combine the properties of metallic luster and printability, as well as sustainable molded products made from plant-based materials.



Decorative Film / Molded Products



Metallized Paper



Sustainable Molded Products

Main Target Markets



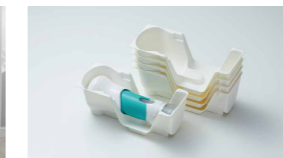
Mobility



Sustainable Materials



Home Appliances



Pharmaceutical Packaging

Core Technologies Used

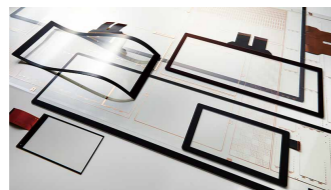
Printing	Molding
Coating	Patterning
Laminating	Metal Processing

Core Technologies

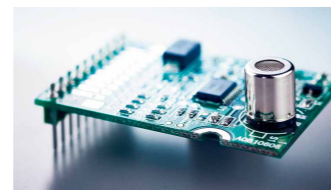
Printing Processing technology of applying designs and functions with ink	
Coating Processing technology of forming thin layers	

Devices

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



Film-based Touch Sensors



Gas Sensors



Force Sensors

Main Target Markets



IT Devices



Mobility



Portable Game Players



Industrial Equipment (Logistics Related)

Core Technologies Used

Printing	Molding
Coating	Patterning
Laminating	Metal Processing

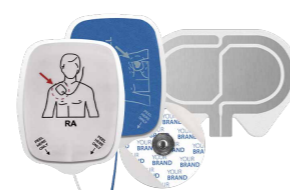
Laminating Processing technology of laminating multiple thin substrates	
Molding Processing technology of forming various shapes in three dimensions	

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 design/development and manufacturing services for major medical device manufacturers, mainly in Europe and America, with products such as minimally invasive surgical devices and wearable medical sensors used for a wide range of conditions, primarily heart disease. In addition, we manufacture and sell own brand products to medical institutions.



Minimally Invasive Surgical Devices



Wearable Medical Sensors

Main Target Markets



Medical Devices

Core Technologies Used

Printing	Molding
Coating	Patterning
Laminating	Metal Processing

Patterning Processing technology of forming functional patterns	
Metal Processing Processing technology of metal machining, cutting, and surface treatment	

We develop businesses such as Information and Communication and Pharmaceutical and Cosmetics.

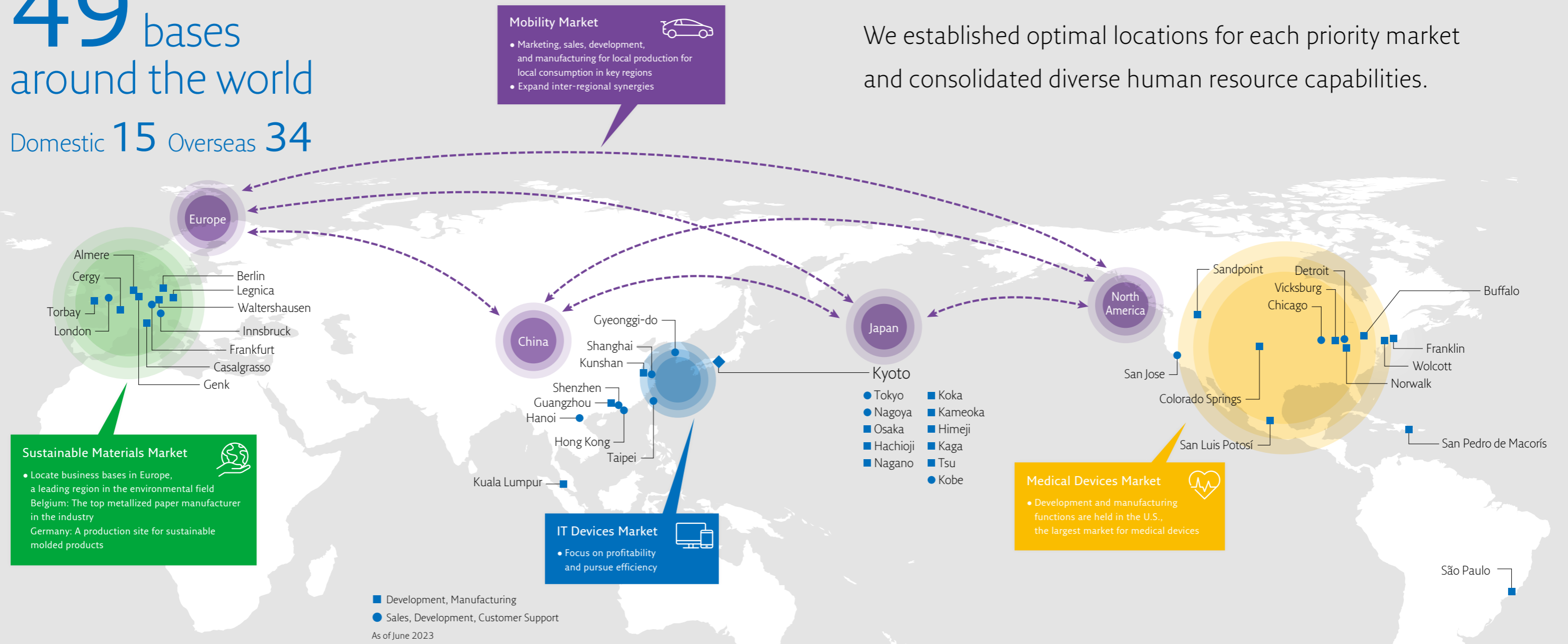
* The photo is a conceptual image.

Priority Markets: IT Devices, Medical Devices, Mobility, Sustainable Materials → P.11

Snapshot

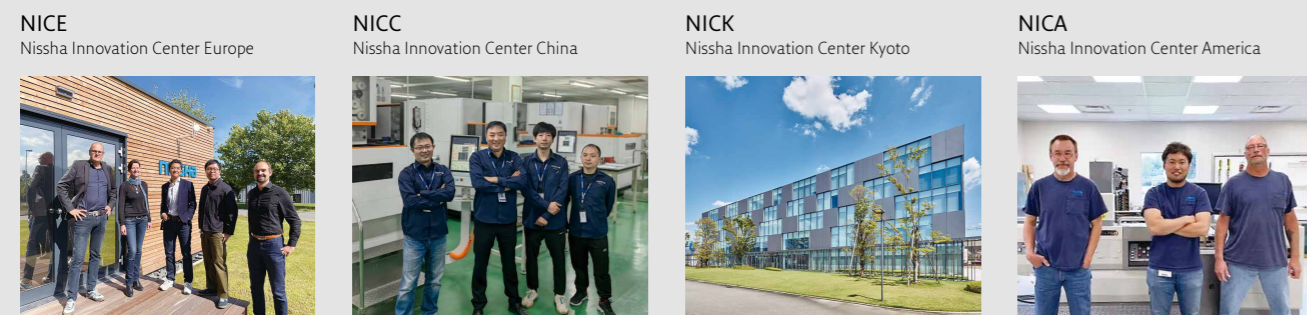
49 bases around the world

Domestic 15 Overseas 34



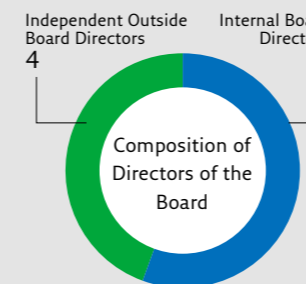
We established optimal locations for each priority market and consolidated diverse human resource capabilities.

Global Development Centers



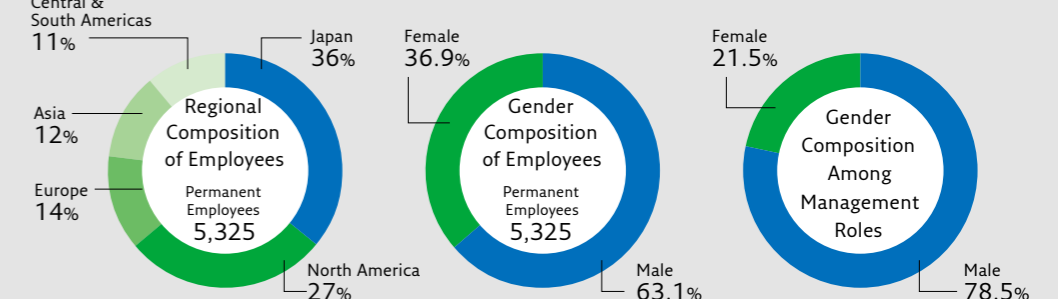
Diversity of Executives

As of the end of December 2022



Diversity of Employees

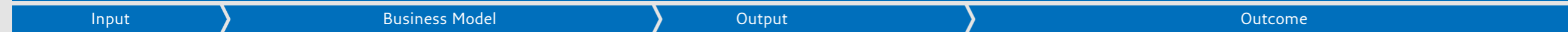
As of the end of December 2022



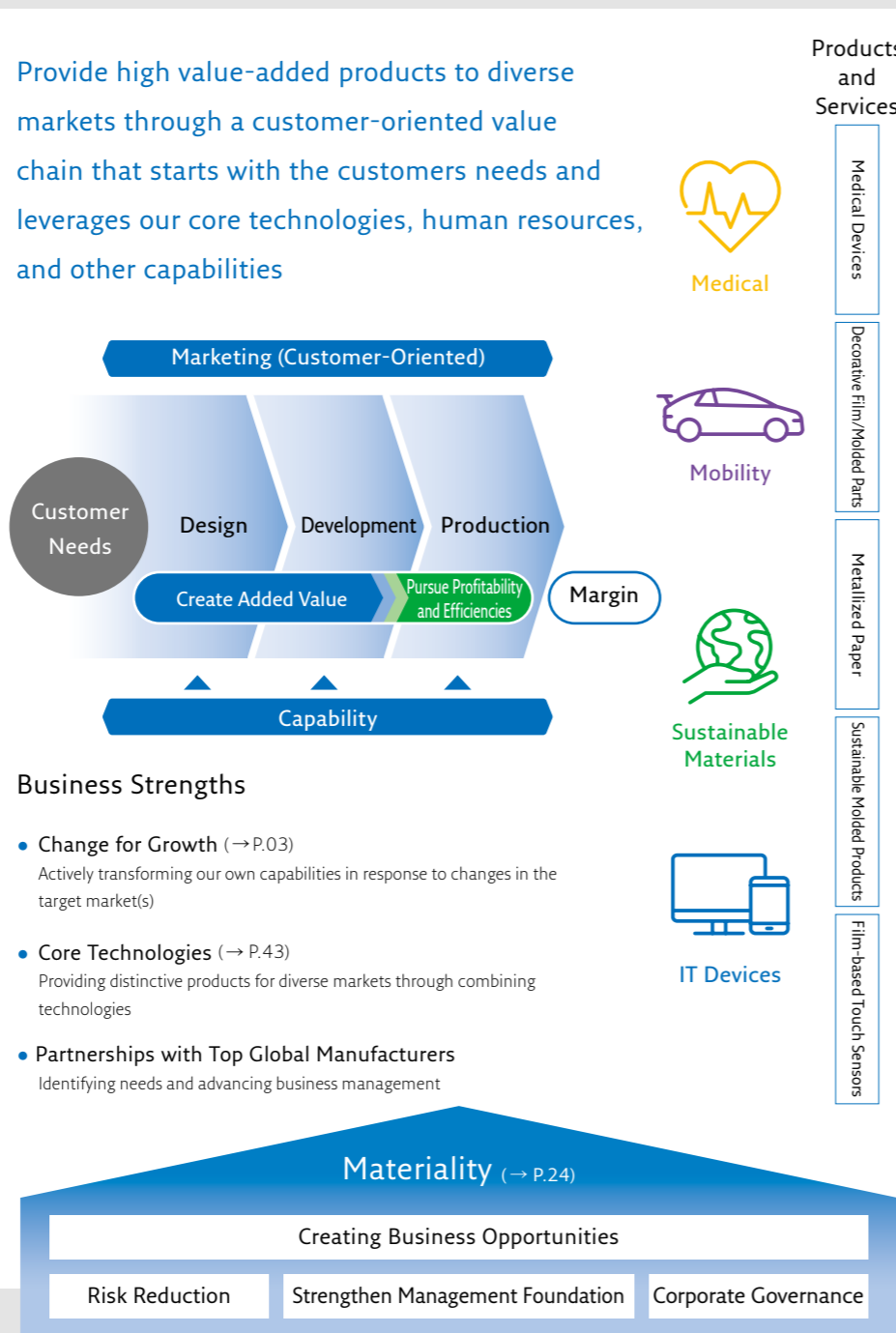
Value Creation Process

The Nissha Group aims to resolve social issues and create economic value by providing products and services, mainly in priority markets, through business activities that leverage our strengths and utilize our diverse management capital.

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.



Financial Capital	
Interest-bearing liabilities	JPY 47.6 Billion
Shareholders' equity	JPY 111.5 Billion
Credit ratings	BBB+
Manufactured Capital	
M&A investments	JPY 25.0 Billion+
<small>*Budget of the 7th Medium-term Business Plan</small>	
Capital expenditures	JPY 7.3 Billion
Production sites	14 countries 31 sites
Intellectual Capital	
R&D sites	7 sites
R&D expenses	JPY 3.9 Billion
Human Capital	
Permanent employees	5,325
Social and Relationship Capital	
Customers in priority markets	8,000+
Natural Capital	
Energy consumption	2,662 thousand GJ
Major raw material inputs	123,982 t



Products and Services



Medical Devices

Decorative Film/Molded Parts

Metallized Paper

Sustainable Molded Products

Film-based Touch Sensors

Resolution of Social Issues



Solve medical issues



Realize safe and comfortable mobility



Contribute to a circular society

Improving in Management Capital

Economic Value

Net sales of priority markets	
Medical	JPY 36.2 Billion
Mobility	JPY 23.4 Billion
Sustainable Materials	JPY 33.7 Billion
ROE	9.7 %
Operating cash flows	JPY 12.0 Billion

Efficiency and Productivity Improvement (→ P.45)

Reduction of working hours by automation and efficiency tools such as RPA **30,582** hours

Providing Responsible Products and Services (→ P.83)

Major quality accidents **0**

Sustainable Procurement (→ P.84)

Implementation rate of risk reduction measures for major components **92 %**
* As of March 31, 2023

Respect for Human Rights (→ P.79)

Incidents of child labor and forced labor **0**

Utilizing Diverse Employees, Global Human Resources, and Management Human Resources (→ P.35)

Female manager ratio	
Global consolidated	21.5 %
Nissha non-consolidated	5.9 %

Selection rate of leadership candidates **31.2 %**
Ratio of overseas employees **64 %**

Employee engagement metrics
Will to contribute to the organization **95.6 %**
Organizational commitment **87.8 %**

Reduction of Environmental Impact

Reduction rate of total CO₂ emissions (compared to 2020) **-7.7 %**

Sustainability Vision (→ P.11)

FY2022

FY2022

Sustainability Vision

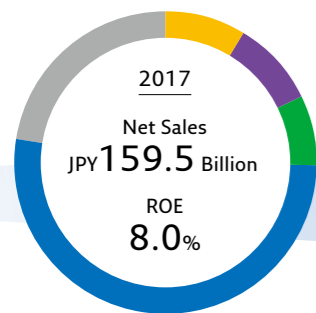
The Nissha Group regards sustainability to be initiatives that achieve the mutual growth and development of both the company and society. We believe that solving social issues, which are fundamental needs, will support social development and lead to corporate growth.

Throughout our 90-plus year history, we have grown by evolving and expanding our core technologies and reorganizing our target

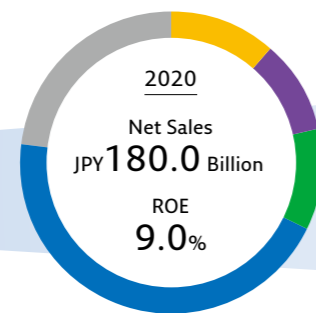
markets. Under our Mission, we have analyzed the magnitude of social issues and the sustainability of market growth for the next 10 years, and relatively evaluated the added value that can be created through our core technologies. Based on this analysis, we have positioned Medical, Mobility, and Sustainable Materials as our growth areas.

With the 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.

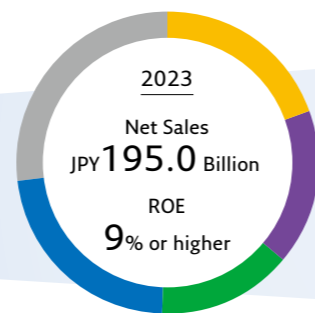
The 5th Medium-term Business Plan The 6th Medium-term Business Plan The 7th Medium-term Business Plan



Vision:
Thorough reorganization of business portfolio
Achievements:
Expansion into metallized paper (Sustainable Materials) and Medical Devices

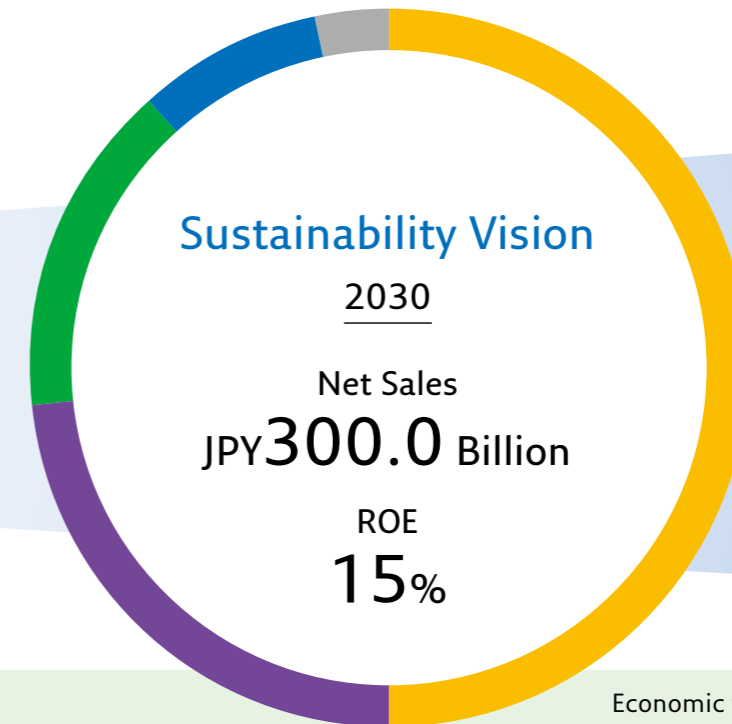


Vision:
Completion of balanced management
Achievements:
Expansion of non-IT Devices



Vision:
Accelerate global synergies
Establish a foundation for growth

■ Medical ■ Mobility ■ Sustainable Materials ■ IT Devices ■ Others



Mission

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 (compared to 2020)

Economic value

- Aim for JPY300.0 billion of net sales (including JPY150.0 billion in Medical market)
- ROE 15%

Priority Markets



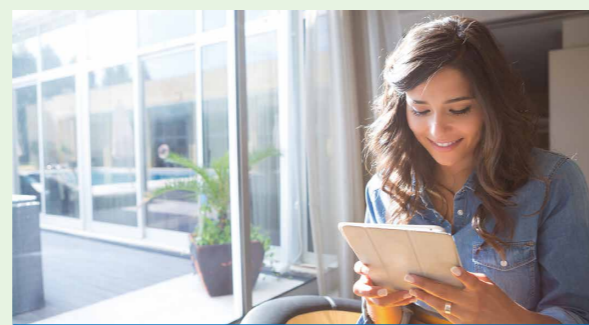
Medical



Mobility



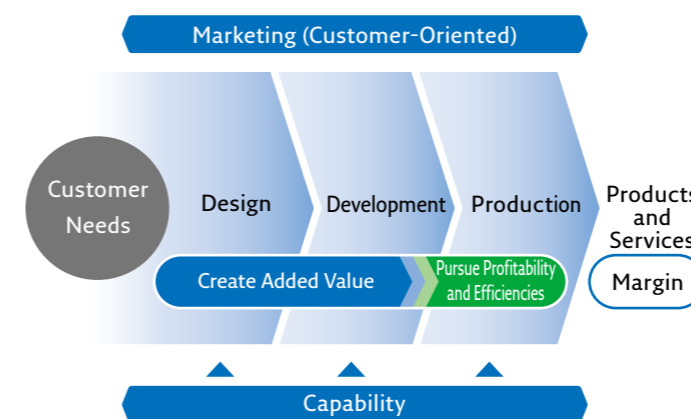
Sustainable Materials



IT Devices

Value Chain

Creating new value



Materiality

Items of particular importance to the realization of our Sustainability Vision

Creating Business Opportunities	<ul style="list-style-type: none"> • Solve medical issues • Contribute to the safety and comfort of transportation and logistics, and the reduction of environmental impact • Promotion of circular economy
Risk Reduction	<ul style="list-style-type: none"> • Respect for human rights • Responding to climate change • Providing responsible products and services • Sustainable procurement
Strengthen Management Foundation	<ul style="list-style-type: none"> • Utilizing diverse human resources and developing global and management human resources • Efficiency and productivity improvement • Creating technologies to achieve business strategies
Corporate Governance	<ul style="list-style-type: none"> • Improving the effectiveness of the Board of Directors • Advancement of global governance

Message from the CEO



Chairman of the Board, President and CEO

Sustainable Growth

I believe it is my own responsibility to ensure Nissha achieves long-term, sustainable growth and expansion. Further, it is only through the growth and development of our company will we make a significant contribution to society. Shareholders and investors tend to focus on 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 the outcomes of their business activities.

In addition to the challenge of executing business strategy focused on business portfolios reorganization, we face an increasing number of issues that cannot be solved in the short term. These issues include climate change risks, diversity in human resources, and the skills of our employees. One could say that the main focus of management is to create strategies for solving these challenges and issues from a long-term perspective. This is why we emphasize backcasting from long-term goals incorporated into current actions. We believe this approach is the essence of the work and governance of management.

Coupled with the recent awareness of sustainability, the noticeable trend since 2019 has been toward stakeholder capitalism, a long-term perspective that takes into account all stakeholders of a company. While we welcome the emergence of this trend, Japan has practiced this management philosophy since ancient times. When I assumed the position of Nissha chairman, president and CEO in 2007, we developed a foundation to underpin our ideas, including a mission statement and values.

At the same time, we developed Nissha's Circle of Trust as a concept that symbolizes our awareness of the fundamental question, *for whom do we work?* This Circle of Trust clarifies our commitment to building balanced relationships of trust with our customers, shareholders, employees, suppliers, and communities. Nissha's Circle of Trust remains one of our key principles today and will continue to be so into the future.



Nissha's Circle of Trust (Created in 2007)

Mission

A company has several options to express a basic stance and aspirational contributions. These concepts are variously called a mission, core values, or a purpose. We are aware of the different focuses, definitions, and theories of these concepts. In general, any of these concepts can help a company define its priorities.

We express the Nissha 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.

The Nissha Mission Statement, which we revised wholesale in January 2018, is a three-step process involving 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. This clear story also reflects a strong awareness of the sustainability trends surrounding corporate management in recent years.

In general, the way a mission statement is written reflects the character of a company. There is no single right answer. Nissha is a corporate group that operates multinational businesses in a variety of markets, so naturally, many individual events take place across our business domains. So when we express a basic stance, such as our mission, we use highly abstract expressions, generalized after gaining an understanding of these events. At the same time, we strive to engage in dialogue by translating the specific concepts of our mission and relevance to the work of the individual business units and locations where employees serve.

I should mention that employee resonance (positive view) with our Mission is very high, at 95.4% in Japan and 98.4% outside Japan (2023 and 2022 results, respectively). I think this support indicates the degree to which management and employees are working together to solve business issues.

Sustainability Vision (Long-Term Vision) and Materialities

With sustainability initiatives overlapping and merging with our business activities, we defined our Sustainability Vision (long-term vision), representing the Nissha sustainability efforts and materialities toward achieving this vision, as described below.

The key sectors in which we solve social issues through our business activities coincide with markets expected to offer stable growth. And we face these issues through our strengths in core technologies that include medical devices, mobility, and sustainable materials (plastic-free) that contribute to the creation of circular societies. Our vision for creating economic value is to achieve consolidated net sales of

JPY300.0 billion (including JPY150.0 billion in the Medical market, mostly for medical devices, as well as pharmaceuticals, healthcare products, etc.). We discuss the current status of these efforts below.

Materialities are a key component of our long-term vision. We do not review or revise materialities on an annual basis. However, ESG perspectives may change the focus of interest within Nissha and among our stakeholders. These perspectives we reassess as necessary. And even though we discuss long-term perspectives, in practice, we monitor progress and results through short- and medium-term cycles as well.

Sustainability Vision (Long-Term Vision)

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.

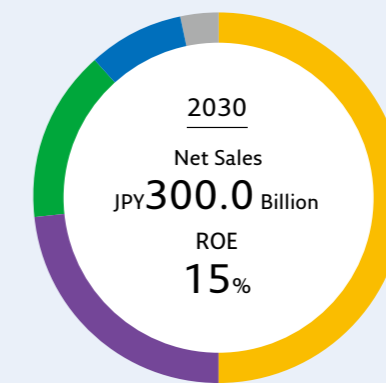
Social value

- Solve social issues through business activities
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- Reduce 30% of total CO₂ emissions, in view of carbon-neutral by 2050 (compared to 2020)

Economic value

- Aim for JPY300.0 billion of net sales (including JPY150.0 billion in Medical market)
- ROE 15%

*Our Medical Technologies, Industrial Materials, and Devices business in cooperation with our New Business Development Office (business incubation), works in concert to address market opportunities in Medical market (medical devices, pharmaceuticals, healthcare products, etc.).



■ Medical ■ Mobility ■ Sustainable Materials ■ IT Devices ■ Other

Materialities (revised in 2023)

- Creating Business Opportunities
- Risk Reduction
- Strengthen Management Foundation
- Corporate Governance

We explain the details of materiality in a separate section of this integrated report. In this section, I will address how the focus on our materialities related to the growth of our business, as well as my own

thoughts and our approach as a company.
(→ P.24 Sustainability and Materiality)

Creating Business Opportunities

Continuing to Evolve and Grow through Business Portfolio Reorganizations

Throughout our 90-year history, we have evolved and grown by delving deeper into core technologies and our selected markets. *Change for Growth* is the mainstream story behind how we create business opportunities.

When the company was founded in 1929, we defined our business domains as photoengraving and printing (mainly high-end fine art printing). These were services few other companies could perform, and this management philosophy is the origin of our global niche strategy today. During the period of growth in our printing business, we worked with customers in all industries due to the nature of our technology and production processes. This background is consistent with our practice through the present day, where we have established a growth model that avoids exclusive commitments to the supply chain of a particular industry. Rather, we transform our technologies and capabilities to provide value to a succession of promising industries in any era.

It was in the 1960s that our Industrial Materials business sprung out of our printing business. And in the 1980s, we created the Devices business. This evolution was nothing less than our ability to predict the peak of the printing market at the very early stages, searching for the next avenue of growth.

Our full-scale move toward globalization in the 2000s was driven by a sense of urgency over the slowing growth in our domestic markets, as well as our conviction that our technologies could be competitive in the global marketplace. Eventually, as our management perspective shifted toward a global orientation, we encountered opportunities not available within Japan. The product of this shift was our entrance into the markets for metallized paper and medical devices in the 2010s through corporate acquisitions.

As our exposure to global markets increases, so too do more opportunities for growth, as well as threats in the form of economic volatility and competition. As a global company operating across

multiple markets, we have been forced to refine our assessment of opportunities and risks.

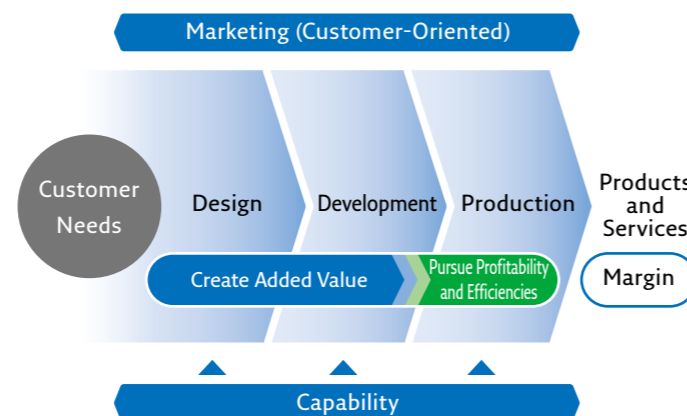
We adhere to the traditional conceptual framework of product portfolio management, evaluating the relative attractiveness (growth potential) of target markets and the competitive position of existing and new products (market share and profit margins). As we go through this process, we allocate management resources in an optimal manner, and in this way, we continue to transform.

At first glance, one may think that Nissha is entering multiple markets having different characteristics. In reality, however, we can adapt and reallocate management resources across markets in the form of core technologies, human resources capabilities, and business models. However, it is never an easy matter to translate core technologies into the specifications and methods required by a new target market. Different target markets entail different product specifications, different laws and regulations, and different mindsets and cultures. We can accelerate this process, for example, through practical training and by providing employees with reskilling training. We believe these efforts will take shape as a medium- to long-term business asset.

Opportunity Creation Pattern



Nissha Value Chain



Value Chain

In recent years, the value creation process has become a standard across integrated reporting to illustrate a company's business activities from input to output.

Since the 2010s, Nissha has been a marketing-oriented company as the basic philosophy behind our business model. This market orientation runs through our internal value chain.

The value chain begins with customer needs from markets—the starting point for technological and product development. We create products and services as concrete economic value output through combination of distinctive processing technologies in meeting the procurement strategies of our customers. The

first half of the value chain is design, development, and the establishment of production engineering. We see this as the value creation part of the chain. The second half of the value chain is delivering productivity based on a commitment to uncompromising quality.

The Nissha value chain is a value creation process shared across our businesses, beginning with our founding business of printing and extending to today under our current three main businesses. We have always practiced being the best partner to solve customer issues by understanding needs correctly.

Business and Product Metrics Vary by Stage of Growth

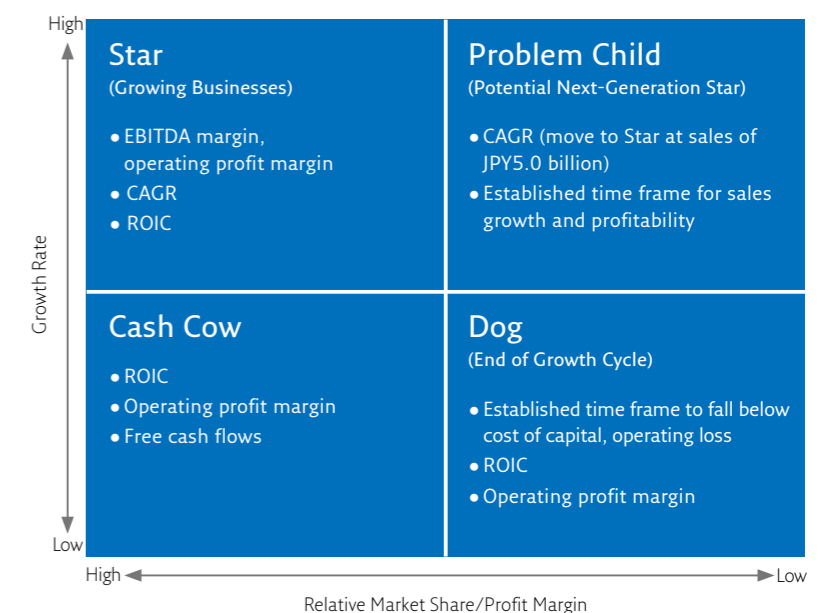
Measuring performance is most effective when using indicators appropriate for the purpose. In managing our business and product portfolio strategies, we focus on different metrics depending on the stage of growth. We refer to these metrics as Problem Child, Star, Cash Cow, or Dog.

For example, the target markets of a Star are growing markets that offer strong opportunities for capital investment to catch up to market growth. The emphasis is how to maintain a competitive position while gaining market share, so indicators that measure the correlation between the size of net sales and profit margins, such as EBITDA margin and operating profit margin, are effective.

On the other hand, a Cash Cow has reached a phase of slow growth in the target market. The emphasis here is how to increase operational productivity and working capital efficiency to squeeze out cash without the need for large-scale investments, using existing production facilities and other business assets. Appropriate indicators for the Cash Cow include return on invested capital (ROIC), which evaluates the correlation between capital invested and profitability.

As described here, we use different indicators depending on the stage of growth in our portfolio, and we plan the allocation of resources—cash and human resources—to invest in each.

Business and Product Portfolio KPIs



Basic Strategies and Practices for Priority Markets

Our current business and product portfolio strategy is to reduce the dependence of our performance on electronic components for IT devices (smartphones and tablets), which were our Star products in the 2010s. At the same time, we plan to expand our business in areas we expect to grow steadily in the future. These areas include medical devices (minimally invasive, single-use surgical devices and other contract design/development and manufacturing organization products (CDMO)), mobility (interior/exterior decorative and functional components and materials) and sustainable materials (environmentally friendly packaging materials and molded products, mainly for de-plasticization).

Although the fundamental market environment for IT devices remains unchanged, demand fluctuates wildly. The market is entering a Cash Cow phase, with no expected future capital investment and generally favorable ROIC. On the other hand, in medical devices and mobility, where existing and new products coexist, certain products have characteristics of a Cash Cow, while most are Stars entailing strong capital investment and acquisitions. Here, we are striving to establish a competitive position to ensure

profit margins increase as sales grow. We see Sustainable Materials as a relatively stable cash-generating business, as the market is not expanding rapidly, nor is the industry subject to rapid technological innovation.

Problem Child products are treated as a next Star if the product line reaches JPY5.0 billion in net sales. At the same time, we keep an eye on growth rates and the competitive environment, among other factors. A prime example of a recent product becoming a Star is the gas sensor product line in the Devices business. Gas sensors are capable of detecting and measuring the state of gases and have traditionally been used in air purifiers. More recently, sensors are in heavy demand for use in alcohol breathalyzers, useful in supporting safe driving. We also expect demand to grow for sensors used in air conditioners (refrigerant sensors), hydrogen engines, and fuel cell vehicles.

We scrutinize opportunities to divest from businesses and products based on multiple disciplined criteria, including whether profitability has declined significantly or the product has passed the peak of its life cycle. One recent example is the sale of a

product line (trade area and production facilities) in the Medical Technologies business, whose main market is the United States. This divestment resulted in increased business profitability and the

ability to redeploy personnel to other lines of business in the midst of personnel shortages.

Major Portfolio Businesses and Products, Basic Strategies

Problem Child	<ul style="list-style-type: none"> Pharma products (film formulations, etc.) 	<ul style="list-style-type: none"> Product development, open innovation Expand sales channels Acquire companies and products
Star	<ul style="list-style-type: none"> Medical devices (CDMO for minimally invasive, single-use surgical devices, etc.) Mobility (decorative and functional products, materials for interior and exterior applications) Sustainable materials (packaging materials and molded products for plastic-free packaging) Gas sensors (detect and measure gas, expand applications to alcohol breathalyzers, sensors for air conditioning (refrigerant), sensors for hydrogen vehicles) 	<ul style="list-style-type: none"> Expand product lineups Grow net sales Establish a competitive position Increase production capacity Establish firm quality systems Secure firm supply chains Acquire companies and businesses
Cash Cow	<ul style="list-style-type: none"> Touch sensors (for tablet products) Sustainable materials (metallized paper) 	<ul style="list-style-type: none"> Maintain net sales Improve productivity Withdraw from unprofitable products
Dog	<ul style="list-style-type: none"> Currently not applicable 	<ul style="list-style-type: none"> Currently not applicable

Risk Reduction

Risk Reduction- Redefining Risk From the Perspective of Materiality

We are committed to reducing risks that may impede the growth of our businesses, as described below.

Risks can be categorized into specific risks to be resolved in light of the Nissha long-term vision and routine risks that are common. With the former in particular, we identified risk reduction as one of

the four materialities mentioned above.

In this section, we will discuss our responding to climate change and sustainable procurement, two risk reduction matters which have received particular attention due to recent developments.

Defining Risk Reduction (2023)

Risk Reduction as Materialities (Specific risks to address over the long term) <small>*Overseen by the Sustainability Committee, chaired by the president</small>	Reducing Risks That Impede Business Continuity (Excerpt) <small>*Overseen by the Risk Management and Compliance Committee, chaired by a senior executive vice president</small>
<ul style="list-style-type: none"> Respect for human rights Responding to climate change Providing responsible products and services Sustainable procurement 	<ul style="list-style-type: none"> Compliance Health and productivity management Occupational health and safety Quality control Business continuity planning Protection of information assets

Progress in the Adoption of Alternative Energy Sources

How does responding to climate change contribute to maximizing corporate value?

Everyone recognizes that global warming is a problem that must be stopped. But global warming cannot be solved in the short term, and efforts to address it will have a direct impact on costs—costs not expected to yield a significant return on investment. Our motivation is based on the hypothesis that customers who also place importance on responding to climate change will choose us to remain in their supply chain. These relationships will contribute to enhanced corporate value in the very long term. Also, by taking global warming seriously, we attract talented people who have the same values.

As a response to climate change risk, 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 (announced in August 2021).

In our case, we calculate that the majority of our CO₂ emissions are related to electricity used in manufacturing divisions. Therefore, to reach these goals, we will engage in energy conservation efforts to curb electricity consumption relative to sales growth and incorporate the use of electricity from renewable sources (alternative energy). In Japan, alternative energy sources can be a factor in the actual rise of power costs (an estimated increase

of 500 million yen in 2023). Therefore, we intend to set a 10-year milestone target, making flexible changes as we monitor cost trends.

The Koka Plant (Shiga Prefecture) is the main plant of Nitec Industries, Inc., a domestic manufacturing company in the Industrial Materials business. This plant switched 100% of its electricity use to renewable electricity beginning in 2022. We are making investments in rationalization to reduce the use of city gas.

The Kaga Plant (Ishikawa Prefecture) and Himeji Plant (Hyogo Prefecture) are the main plants operated by Nitec Precision and Technologies, Inc., a domestic manufacturing company in the Devices business. These plants began a phased conversion to 100% renewable electricity in 2023.

As an example of overseas operations in which we are adding alternative energy sources, the Nissha Metallizing Solutions plant in Belgium, which manufactures and sells metallized paper in the global market, installed a wind turbine on land neighboring its premises. Plants in the United States, China, and Japan have also introduced solar power generation to cover a certain portion of electricity usage. In any event, we will pursue renewable energy based on cost versus performance considerations, without being influenced by the trends of the day.

(→P.80 Responding to Climate Change)

Responding to Climate Change: Scenario Analysis and Disclosure

It is important to disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) to ensure our stakeholders remain widely informed. More specifically, we mean analyses of the financial impact of opportunities and risks related to climate change on our businesses. Accordingly, in January 2022, we declared our endorsement of the TCFD recommendations.

Of the four disclosures recommended by the TCFD (governance, strategy, risk management, and indicators and goals), we consider disclosures related to strategy to be the most important. This is because our strategy-related disclosures have not complied with the TCFD framework format, although we have already selected and identified scenarios and analyzed the opportunities and risks associated with each scenario. The remaining three disclosures are relatively easy to reflect in the TCFD disclosures because they often overlap with activities that our company has traditionally undertaken through the Sustainability Committee and climate change-focused task forces. In addition, the Board of Directors has a history of overseeing these activities.

In 2022, we disclosed possible scenarios for our Devices business. In 2023, we used the same methodology to disclose scenarios for our Industrial Materials business.

I believe that learning the techniques for analyzing scenarios and calculating financial impacts under TCFD disclosures is a priority for us as a company.

Further, these disclosures appear to represent a framework that only calculates the impact of a given scenario based on our current business domains, which may change in the future. Therefore, we believe these disclosures will continue to require modification in the future. (→ P.81 Addressing the TCFD Recommendations)



Sustainable Procurement

COVID-19 caused supply constraints for key components, while the shortage of human resources and price hikes have resulted in pent-up demand (so-called in-home demand) in the period of recovery after the pandemic. These factors have cast a large shadow over the production activities of companies, particularly in terms of purchasing behavior. These facts, along with the Russian military invasion of Ukraine, triggered a spike in energy prices and other factors leading to dramatic fluctuations in corporate profitability over just three years.

This situation has made sustainable procurement an even more important management issue than in the past. Only with a stable supply of raw materials can we continue our production activities, which serve as the guardian deity of business performance at Nissha.

We act to secure procurement channels in the following ways:

- Build appropriate supplier networks and healthy business relationships
- Ensure stable procurement of environmentally friendly goods at

- reasonable prices, while preserving quality
- Reduce procurement risk and strengthen risk management capabilities
- Establish and maintain an appropriate procurement process
- Improve the expertise of purchasing staff and polish negotiation skills

Beginning in 2022, we have identified high-volume items we purchase from a global perspective, as well as items for which suppliers are unevenly distributed geographically. Here, we intend to upgrade our global procurement functions by purchasing from multiple suppliers, adopting common materials, diversifying geographically, and identifying secondary and tertiary suppliers.

We are accelerating actions in 2023 to achieve 100% implementation of risk reduction measures for major procurement items. These actions include purchasing from multiple suppliers, using common materials, and maintaining appropriate levels of risk inventory. (→ P.84 Sustainable Procurement)

Strengthening Management Foundation

Succession Planning

Succession planning is a topic of unanimous discussion from the perspective of strengthening and stabilizing our management foundation for the future.

I am part of the founding family of our company and also a major shareholder. These facts, as well as my long-term orientation, relative young age, and mental health, have given rise to a general impression that deliberations regarding succession planning may be premature. But the more I orient my thoughts and actions to the long term in the role demanded of a CEO, the more I believe that training successors is a long-term task.

We believe a change in top management at a turning point in the company's growth stage would be a healthy development. The successor need not be a clone of the predecessor, but should

bring to the role a combination of talents, abilities, and cultural background appropriate for the next stage. However, being a visionary (i.e., long-term oriented and capable of communicating a vision for growth) and possessing integrity are absolute requirements for the role.

I believe that succession planning is a matter of necessity to be considered from the following two perspectives. Thankfully, our Nominating and Compensation Committee holds a similar view.

- **Emergency Succession:** The need to appoint a temporary substitute in the event that the CEO is temporarily or permanently incapacitated due to illness, accident, other unforeseen circumstances, or issues related to compliance or social ethics.
- **Generational Change:** The need to replace the CEO and reorganize the management team when a new leadership structure is deemed effective in terms of competencies and cultural qualities as a company transitions to the next stage of growth.

In the case of the former, our Articles of Incorporation and the Regulations of the Board of Directors define the proper order convening party and acting chairperson of the general meeting of shareholders and meetings of the Board of Directors. As the order of specific substitutes is determined at the Board of Directors meeting immediately following the ordinary general meeting of shareholders, we do not have any issues using this system as an emergency substitute for an acting CEO. The Nominating and Compensation Committee will address the procedures for transitioning from an emergency structure to a normal structure at the 2023 Nominating and Compensation Committee meeting.

Regarding the latter, the public is largely aware that we established a program for human resources development called Nissha Academy in 2013. The academy offers two types of courses: one including standard job skills and certification training and the other for training

next-generation executives. The course to develop executives invites professors from the Kyoto University Graduate School of Management to give lectures that replicate the program of a master of business administration course. I also serve as lecturer in this course. Initially, there was some overlap between the courses taught by the university faculty and the management team. Over time, this naturally led to a natural differentiation in recent years, with the university professors teaching management theory and conceptual frameworks as a science, while our management team teaches management as an art, emphasizing management practices and skills in the field. This development resulted in a very interesting syllabus of lecture courses.

Diversity in Practice

In Japan, diversity is primarily associated with expectations for women's empowerment. However, this seems to me to be a standard of activity, based on whether the person has been appointed to an executive or managerial position. In fact, it is clear that many of our female employees contribute actively, even if they do not hold executive or managerial positions. We believe that people find their own reward in work, regardless of position.

While the drive toward women empowerment has been a noticeable trend in Japan, the Nissha Group has a noticeably lower ratio of women in executive and managerial positions compared with other countries.

There is a tendency in Japan to hire female executives and managers from outside a company for the sole purpose of improving this ratio, counting improved ratios as an achievement. But we should consider the danger of undermining the fairness of personnel affairs. We believe that companies should operate their personnel systems in such a way that they hire and promote people based on their abilities, regardless of gender. At the same time, companies must consider the advantages that women bring to an organization in terms of diverse perspectives and logic.

To change the composition of a workforce (the so-called population pyramid) as a result of women's empowerment requires an increase in the number of new graduates and other recruits in

Putting Digital Transformation into Practice

Digital transformation is a concept coming under scrutiny rapidly as a practical means of strengthening business management foundations. Digital transformation is necessary not only in terms of work efficiency, but also in terms of creating a growing base of value-added improvements.

Due to the BtoB nature of our business, particularly our dealing in intermediate parts and materials, our primary focus of digital transformation is on improving internal efficiencies. Our production, quality design, sales, and other departments have accumulated big data over our history. From this data, we can, for example, extract factors affecting production yield ratios, the main driver of marginal profit, and accelerate efforts to improve ratios beginning in areas that have the greatest impact.

$$Y \text{ (production yield ratio)} = ax1 \text{ (influence factor 1)} + bx2 \text{ (influence factor 2)} + \dots$$

- **Examples of Digital Transformation in Practice**
 - Improve productivity using multivariate analysis

The lecture I teach is the last session of the program. In addition to lecturing on the responsibilities and qualities of management, I answer questions in a Q&A format from both the scientific and artistic angles.

At the same time, Nissha Academy training alone is not enough for the Nomination and Remuneration Committee to narrow the list of candidates for new directors. The committee has been increasing its interaction with senior management, particularly at the executive officer level, to provide more opportunities to engage with and observe people in different situations.

(→ P.38 Enhancing Opportunities for Learning and Growth)

the first place. Since 2014 or so, the percentage of women among new graduate hires at Nissha (non-production roles) has remained at 50%.

Currently, the percentage of women at the level immediately under management is 15%, and 30% in the level below that. Our efforts to encourage female employees to participate in various training programs, which can be a condition for promotion, have produced steady results in the number of young to mid-level employees, as well as in the number of managers, department heads, and other senior executive roles (see separate section for details). We hope that the generally accepted career path for women extends to the level of executive officers and directors in the future. But we know it will take time for this ratio to stabilize at a certain level.

From a global perspective, diversity should mean not only a mix of gender, but also of nationality, race, expertise, skills, etc. This diversity must be commensurate with the management objectives for which employees are expected to play active roles. Given our nature as a global manufacturing company, we established a strategy to implement and assess diversity by, for example, categorizing production and non-production divisions differently, as well as by drawing distinctions among countries and regions. Please refer to the separate section of this report that address our current state of diversity. (→ P.36 Utilizing Diverse Human Resources)

- Identify factors affecting production yield ratios and prioritize improvements
- Explicate the correlation between past design data and production yield; use AI to indicate how to achieve appropriate yield ratios Strive at the production site to beat the AI projection and repeat the process.

On May 8, 2023, we concluded a comprehensive collaboration agreement with Shiga University regarding industry-university collaboration in the field of data science and the development of human resources fluent in digital transformation. Shiga University is a leader in this field, having established Japan's first school of data science. As competition for employees capable of digital transformation intensifies and salaries rise, we believe this comprehensive collaboration agreement will strengthen our existing practices further and accelerate the development of human resources. (→ P.39 Partnership with Shiga University for Human Resources Development in the DX Field)



Lectures by the President at Nissha Academy Business School

Corporate Governance

Practicing Corporate Governance at an Advanced Level

Our governance system is designed for optimal decision-making, supervising, and reporting between and among the Board of Directors, Audit and Supervisory Board members, the Nomination and Compensation Committee, and corporate officers responsible for business execution under the direction of the president. The Sustainability Committee, which oversees materialities related to our long-term vision, and the Risk Management and Compliance Committee, which is responsible for day-to-day and general risks, are also incorporated into this structure. The Investment Committee, which is responsible for regulations related to investments and post-investment monitoring, and the Regional Collaboration Committee (the Americas, Europe, and China), responsible for management functions across operating companies in global regions, are structured to work closely with the other organizations mentioned.

This system meets the requirements of Japan's Corporate Governance Code (CGC) at an advanced level. In general, people say that the main features of Japan's Corporate Governance Code lie in the soft laws of a comply-or-explain approach. Personally, it appears that the degree of corporate compliance, both primarily and in the external sense, is where investor arguments and assessments tend to focus. In addition, there seems to be a growing belief these days that compliance as a formality is in place in most companies and that the next step is to work on governance in substance, particularly in improving the quality of the Board of Directors.

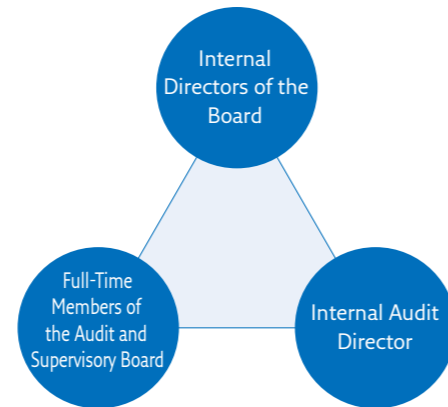
When I look at these changing trends related to the CGC, I wonder about the character and origins of companies for which CGC was conceived in the first place. In other words, management teams not interested in the opinions of others, companies with bloated balance sheets, companies with no articulated vision for future growth, etc.

The CGC is useful for companies to use as a checklist for internal problem awareness and implementation. Companies should not pursue governance reactively in response to CGC requirements, but should rather pursue governance as management evolves according to its own awareness of the issues. This approach also meets the requirements of the CGC nicely.

To verify whether our Board of Directors functions effectively from our own perspective, we conduct a board effectiveness evaluation at the end of each year.

In the 2022 evaluation, we first asked how well we resolved

Triangle QBR (started in 2022)



the issues identified in the 2021 evaluation. Namely, we asked whether management had an effective grip on our expanding global operations and the collaboration between the Board of Directors and the Audit and Supervisory Board, which are parties involved in our governance structure.

With regard to the former, we enhanced the activities of the Regional Collaboration Committee (Americas, Europe, and China), which is a horizontal functional coordinating system that has been in operation since 2021. In 2022, we began organizing internal control issues at individual group companies in order of risk, addressing the top three issues in a focused manner. In this way, the Board concluded that it is meeting its supervisory function over business execution.

With regard to the latter, we established a regular meeting in 2021 for Internal Directors and full-time members of the Audit and Supervisory Board to exchange information. In 2022, we added the participation of the Internal Audit Office to this meeting, and established a Triangle QBR for the three to meet to share issues and results related to audit matters on a quarterly basis. In addition, we now ask members of the Audit and Supervisory Board to submit agenda items for reporting their activities at Board of Directors meetings. This practice helps the Board understand the perspectives from which auditors assess the effectiveness of governance, and we feel that this will help the Board of Directors in its future operations. (→ P.59 Corporate Governance)

The Ideal Relationship between Internal and Outside Directors

I stated in previous integrated reports that Outside Directors have been extremely supportive of corporate management. For example, in corporate acquisition deals, especially deals involving bids, the Board must report and make decisions in a flexible manner from being outmaneuvered by rivals as circumstances change from moment to moment. When facing urgent situations, we call for extraordinary meetings of the Board of Directors on any day of the week and at any time. Outside Directors cooperate in scheduling and prioritizing company matters.

In order to make our Board of Directors an even more powerful

institution, we spent a lot of time in 2022 talking about deepening the dialogue and collaboration between Internal and Outside Directors. In other words, how to create an ideal relationship.

As mentioned, with the formality of the Board of Directors under the CGC becoming common in the public domain, the growing focus is now on the substance of board functions. Nissha is focused internally on the issue. I asked to have discussions with our Outside Directors about the role we want them to play in our company.

Initially, the Outside Directors asked us why I wanted to discuss the issue now, and we began by fostering a mutual understanding.

We conveyed the dilemma that Internal Directors feel, for example, when Outside Directors are positioned as advisors and supervisors under the CGC. This positioning creates a psychological distance, as if directors are not equals, but rather hierarchical. We also conveyed how Outside Directors can provide effective advice and supervision to Nissha, even when there is asymmetry in experience and access to information with management on the front lines.

Outside Directors responded with surprise that Internal Directors felt this hierarchical relationship, as they always considered themselves equals. With respect to the expert knowledge that Outside Directors are expected to contribute under the CGC, it is the Internal Directors who have the overwhelming majority of expertise within Nissha. Comments also indicated that internal and external directors demonstrate expertise in a balanced manner depending on the nature of the issues in question.

We formed a basis for understanding that equality among Directors of the Board is the division of responsibilities between those Directors who are directly responsible for business execution and those who are not. The terms “advising” and “supervising” connote the idea of discouraging failure to do what must be done* and encouraging appropriate risk-taking* for the sake of growth. We concluded, however, that advising and supervising is a process accomplished through heart-to-heart dialogue, or in other words, collaboration. Some suggested that for advising and supervising to function requires an active, more spiritually unified relationship for dialogue and collaboration.

After many hours of discussion, we arrived at the following verbalization of the nature of our relationship. We are very pleased with the dialogue and collaboration we have nurtured. (→ P.67 Initiatives to Further Enhance Governance)



Desirable Relationship between Internal Directors and Independent Outside Directors

- The Internal Directors and Independent Outside Directors shall contribute to the enhancement of the company's corporate value through dialogue and collaboration based on an equal relationship.
- Through dialogue with Internal Directors from a multifaceted and high-level multiple perspective, Independent Outside Directors shall gain a deep understanding of the essence and practices of the company's management and practices, enabling swift and proactive management decisions.
- Internal Directors and Independent Outside Directors shall collaborate to develop and deepen the discussions of the Board of Directors through comments and suggestions that are based on their expertise and experience and are the result of comprehensive and thorough consideration.

(*) How to Evaluate the Effectiveness of Outside Directors: The Paradigm of 'Dialogue' and 'Collaboration', Yusaku Kurahashi (2022), Shojihomu No. 2325, Shojihomu Co., Ltd.

Individual Discussions on What the President Expects from Independent Outside Directors

In connection with the 2022 evaluation of the effectiveness of the Board of Directors mentioned above, as well as the aforementioned desirable relationship between Internal and Outside Directors, I took the opportunity to meet individually and provide feedback on my (the company's) expectations of our outside directors. Several Outside Directors reacted warily to being the subject of an evaluation. But, I helped them understand that the purpose was to communicate expectations, rather than conduct evaluations, in order to enhance the effectiveness of the Board of Directors.

I won't go into detail here about individual discussions. In general, I discussed specifics about how each director's expertise

and experience can best fit into the management of our company.

In the process of discussing agenda items at Board meetings, I asked that Independent Outside Directors provide the background and reasons for their questions and opinions in the future when asking Internal Directors and executives questions regarding their presentations. In this way, we will avoid situations in which Inside Directors or executives respond to inquiries reflexively and gain greater thoughtfulness. I believe this practice will not only increase the precision of our dialogue, but also improve misstatements or responses based on insufficient information or misunderstandings.

Chairman of the Board of Directors

Just as it is natural for different companies to have different business domains and organizational cultures, we recognize that there is an optimal form for how a Board of Directors operates in a given company. As noted above, Nissha meets the requirements of the CGC to an advanced degree, and all directors are satisfied with

the independence and oversight function of the Board of Directors.

Often there are differing opinions on whether the Board of Directors should be chaired by a representative director (chairman, president, or CEO) or by the lead Outside Director. Reasons supporting an Outside Director as chair seem to be some variation

of performing his or her duties without being tied to any internal interests. But to be honest, if the board is structured in a way that any internal interests brought into the boardroom impact objective decision-making, then the discipline of the company has already failed. In this case, it would be quite inefficient and unreasonable for an Outside Director to preside if they are not familiar with the minute details of business execution.

As president of the company and chairman of the board, I bring focus and a clear understanding of the essence (balance of opportunities and risk) of our agenda items. In addition to encouraging all directors to speak to the agenda, I ask questions and offer opinions to add depth to the speaker's remarks (particularly if the speaker is speaking in English). In this way, I

provide an opening for Outside Directors to raise questions. After a thorough discussion, if I decide that a final push is needed, I will sometimes make a general point about the significance of the matter from the standpoint of the president and encourage a decision to be made. Needless to say, not all agenda items are passed smoothly, leading to a remand or dropping of the matter.

I am pleased to inform you that our annual evaluation of board effectiveness indicated a clear distinction drawn between the positions of president and chairperson. Some responses even said that a bit too much care might be used in keeping a clear distinction. I believe this is an endorsement of my commitment to transparent and civil proceedings in board meetings.

Director Boot Camp

In 2020, we established a program for Internal and Outside Directors to gather in a camp format, away from the institutional meetings of the Board of Directors. We do not necessarily seek to draw conclusions during these camps, but rather focus on training and stimulating the intellectual curiosity of directors through outside-the-box discussions on a variety of topics.

We held the third camp in 2022. Being aware that we had new Outside Directors, I gave a presentation explaining the evolution of our business and technology platform in terms of marketing strategy at a level of detail I would not normally go into at a board meeting. Discussions of marketing strategies generally assume BtoC businesses, but by learning our unique BtoB marketing approach, particularly in the context of intermediate materials and parts, participants gained a deeper understanding of the characteristics of our business.

Further, four Independent Outside Directors gave presentations related to their areas of expertise, followed by discussions of related topics. Finally, the Vice President in charge of human resources explained the company's human capital management practices based on the results of an employee awareness survey (engagement



survey), and opened the rest of their time to discuss future issues.

Through these unusual discussions, we come to know more about how each other thinks and enhance our sense of working as One Team. (→ P.65 Activities and Measures to Support Independent Outside Directors and Outside Audit and Supervisory Board Members)

are developing and marketing products aggressively to maintain and expand our competitive position in the market.

Building up human resources who will generate future growth is not only a matter of reorganizing our HR system, but also a matter of cultivating an organizational culture that produces a favorable cycle of employee growth through work, improved company performance, and positive contributions to society. In these complex times, corporate management consists of aspects that emphasize rationale and science (market analyses and evaluation of investments), as well as aspects that require sensitivity and artistry (having a sense of the times and creativity). As the head of a corporation, I see these aspects as an extremely exciting and stimulating challenge. Rest assured that Nissha will do our utmost to contribute as a member of society.

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

In Closing

The spread of COVID-19, the Russian military invasion of Ukraine, and other unforeseen events have transformed the business environment. A complex combination of supply constraints in raw materials, competition for and acquisition of human resources, rising labor costs, supply chain disruptions due to lockdowns, inflation, higher long-term interest rates, and foreign exchange fluctuations have had both positive and negative impacts on corporate earnings.

We experienced a boost in performance due to pent-up demand (in-home consumption demand) throughout the COVID-19 pandemic. In 2021, Nissha posted record profits thanks to high productivity turnover pushed by strong demand. Once these circumstances subsided, we began to see large-scale inventory adjustments among our customers. In 2023, our revenues and profits continued to decline significantly from the beginning of the year (at least as of this writing in June 2023). We assume that these inventory adjustments will end eventually. And even now, we



Sustainability and Materiality

Basic Approach



The Nissha Group regards sustainability to be initiatives that achieve the growth and development of both the company and society. Based on this belief, we view social issues as business opportunities and leverage our strengths to continue to provide products and services that help solve these issues. We also strive to strengthen our management foundation supporting our business activities, reduce risks that impede corporate sustainability, and promote governance to appropriately advance these activities. Through these activities, we will achieve our Mission of enriching lives by creating economic and social value.

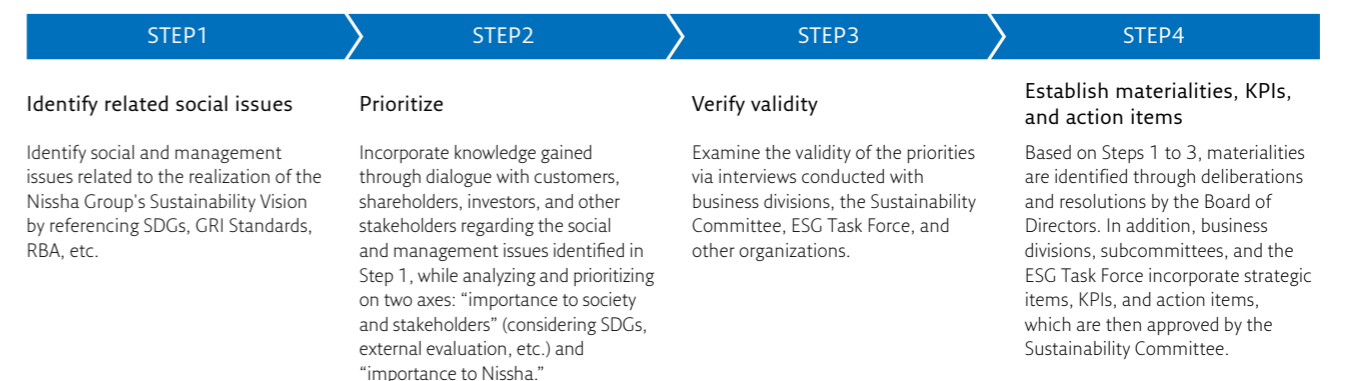
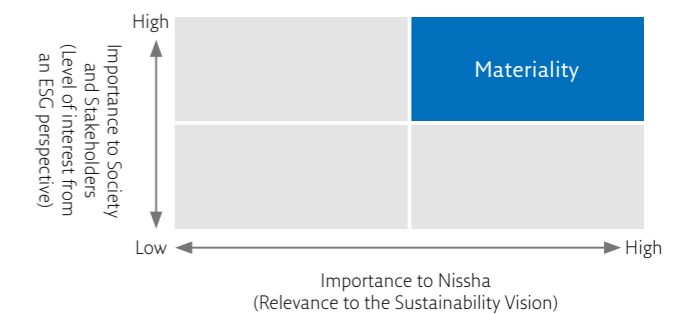
The Nissha Group has defined Sustainability Vision that communicates where we want to be as a corporate group by the year 2030. We aim to create social value by providing products and services that contribute to solving social issues in the priority markets of Medical, Mobility, and Sustainable Materials, and to achieve a 30% reduction in total CO₂ emissions by 2030 (compared to 2020) with the goal of becoming carbon neutral by 2050.

We have also identified items of particular importance for the realization of our Sustainability Vision as materialities. We are working on specific strategies and KPIs setting by reflecting backwards from our Sustainability Vision for 2030.

Materiality Identification and Process Review

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

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.



Materialities of Nissha Group

Even after materialities are identified, the Board of Directors of the Nissha Group still conducts an annual verification. This is done using two axes: “importance to society and stakeholders” and “importance to Nissha.” On the basis of the Board’s verification, the Sustainability Committee reviews strategic items, KPIs, and action items. In January 2023, the main materialities reviewed were the following:

- “Providing responsible medical products and services” was revised to “providing responsible products and services.” This has a broader meaning and is in line with our business strategy, which is not limited to medical products.
- “Utilizing diverse human resources and improving human resource capabilities” was revised to “utilizing diverse human resources and developing global and management human resources” to reflect the addition of developing global thinking among Japanese employees and training for overseas employees.

	Materiality	Strategic Items (scenarios for achieving materiality)	KPIs and Action Items (2023)	Related SDGs	Reference Page
Creating Business Opportunities	Solve medical issues (Medical devices)	Expansion of business for Medical Devices / Healthcare market	Net sales of Medical Technologies business		P.55
	Contribute to the safety and comfort of transportation and logistics, and the reduction of environmental impact (Mobility)	Expansion of business for Mobility market	Net sales of Mobility segment	 	P.49
	Promotion of circular economy (Sustainable Materials)	Expansion of business for Sustainable Materials market	Net sales of Sustainable Materials segment	 	P.51
Risk Reduction	Respect for human rights	Reduction of labor and human rights risks	Number of child labor and forced labor cases at primary suppliers in areas* with high labor and human rights risks: 0		P.79
	Responding to climate change	Realization of Sustainability Vision (Reduction of CO ₂ emissions)	Reduction of total CO ₂ emissions -9% (compared to 2020)		P.80
	Providing responsible products and services	<ul style="list-style-type: none"> • Maintain and expand quality management systems in accordance with business strategy • Improvement of quality assurance levels by incorporating quality-oriented designing • Fostering and improving a quality mindset 	Number of serious quality incidents: 0		P.83
	Sustainable procurement	Establishment and operationalization of stable procurement	100% implementation rate of risk reduction measures for major components	 	P.84
Strengthen Management Foundation	Utilizing diverse human resources and developing global and management human resources	Promote activities for female employee	Female manager ratio Global consolidated: 21% Nissha non-consolidated: 8%	 	P.35
		Enhancement of trainings for management / strategic human resources, and rotation	Selection rate of leader candidates Nissha Non-consolidated: 36%		
	Efficiency and productivity improvement	Improve efficiency and productivity by digitization of value creation process	Reduction of working hours by automation and efficiency tools such as RPA (compared to 2020) by 100,000 hours / year Conduct training to improve AI/DX education and IT literacy: 20 training subjects/year		P.45
	Creating technologies to achieve business strategies	Creation of product platforms aimed at increasing development efficiency in priority markets	Build product platforms 3 platforms/year		P.43
Corporate Governance	Improving the effectiveness of the Board of Directors	Upgrade systems related to corporate governance and group governance	Improve the evaluation of the effectiveness of the Board of Directors (compared to previous year)	—	P.59
	Advancement of global governance		Percentage of actions on the internal control checklist that were implemented 100%		

*Risk areas as defined by the International Labour Organization: Central and South America, Southeast Asia, and China

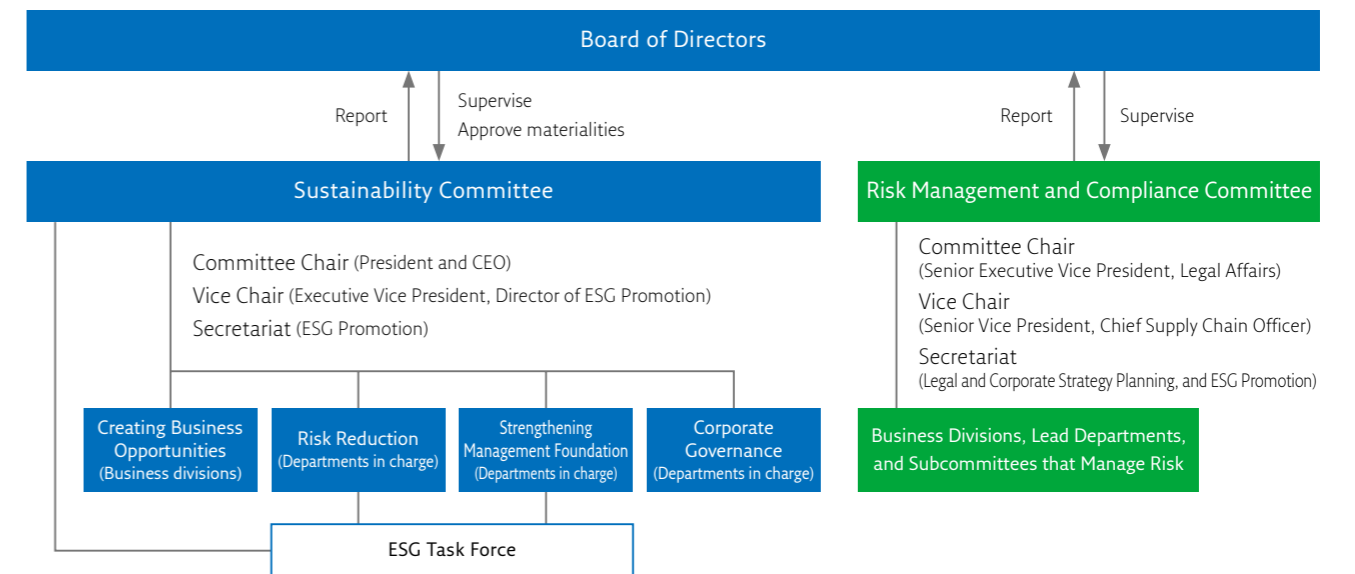
Promotion Framework

We have established the Sustainability Committee and the Risk Management and Compliance Committee as promotion frameworks to ensure our sustainable growth and business continuity. Both committees review the progress of KPIs on a quarterly basis and report their activities to the Board of Directors once a year.

The Sustainability Committee is chaired by the President and CEO and vice-chaired by Executive Vice President (Director of ESG Promotion). It consists of the ESG Task Force, a business organization and cross-functional organization related to materiality from the perspectives of Creating Business

Opportunities, Risk Reduction, Strengthening Management Foundation, and Corporate Governance. The Sustainability Committee approves and manages the progress of KPIs set by each organization under the committee for the materialities.

The Risk Management and Compliance Committee is chaired by Senior Executive Vice President in charge of legal affairs. It works with the subcommittees and divisions with risk jurisdiction from a company-wide perspective to prioritize and appropriately control risks that may impede the continuity of business activities.



Risk Management and Compliance Committee Initiatives

Under the Risk Management Policy, the Nissha Group centrally manages risks that may impede business operations. The Risk Management and Compliance Committee works with the subcommittees and departments which have jurisdiction over risk. The committee identifies, analyzes, and evaluates risks from a company-wide perspective, selects and reviews important risks, and monitors work to avoid or reduce risks. For details on these initiatives, please refer to the Nissha Sustainability Report (published annually), which compiles non-financial information on the environment, society, and governance.

<https://www.nissha.com/english/sustainability/pdfdownload.html>

Managed Risks

Company-wide risks	<ul style="list-style-type: none"> • Fair business activities • Labor and human rights • Securing human resources • Ensuring the quality and safety of products and services • Ensuring quality and safety of medical products and services • Intellectual property rights • Supply chain management 	<ul style="list-style-type: none"> • Environmental conservation • Trade management • Information systems (confidential information, personal information, information security) • Asset management • Business continuity
Business risks	<ul style="list-style-type: none"> • Business strategies • Business development 	<ul style="list-style-type: none"> • Production activities
Financial risks	<ul style="list-style-type: none"> • Financial risks 	

Business Portfolio Strategy



director of the board
executive vice president
chief strategy officer
director of corporate strategy planning
director of ESG promotion
senior director of new business development office

Wataru Watanabe

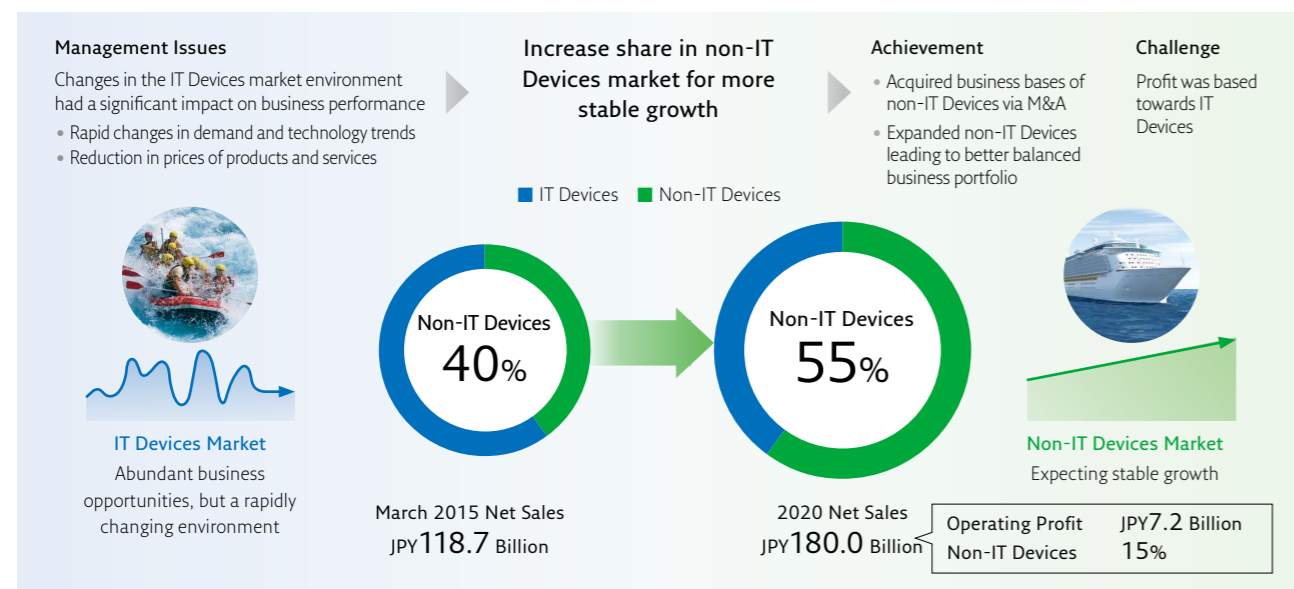
Medium-term Business Plan Successes and Issues to Date

Since the 2008 global financial crisis, we have positioned the IT devices market as a key driver of our business performance. Combining six core technologies, we have been recognized by global leading companies by offering technologically superior products that include film-based touch sensors and IMDs. However, smartphones and other IT devices are entering a phase of product maturity. During the period of the 6th Medium-term Business Plan, from 2018 to 2020, the business environment weakened due to the impact of IT device commoditization. In June 2020, we implemented *Measures to Strengthen Profitability*. Our intention was to reorganize our business portfolio, exercise management discipline to quickly achieve our long-term vision, and secure resources for growth. We accelerated our portfolio reorganization strategy by selling the Tokyo-area business territory of our Information and Communication business (in 2019), which

had been in existence since our foundation. In terms of M&A, we invested funds mainly for medical devices and sustainable materials. Under the 6th Medium-term Business Plan, we responded immediately to declining demand for IT devices, implemented measures to strengthen profitability, and steadily reorganized our business portfolio through a growth strategy that made full use of M&A opportunities. In terms of sales, we are on track to shift from the IT devices market to the non-IT devices market. In terms of operating profit, however, the non-IT devices market still accounts for only a small percentage of profits. We are actively investing in this field through M&A and business alliances, pursuing the high sales growth rate and abundant business opportunities of the sector. We will continue to refine the process of creating new value by incorporating outside capabilities into our own company.

Review of Past Medium-term Business Plans

The 5th (2015-2017) and 6th (2018-2020) Medium-term Business Plan: Vision of optimizing our business portfolio



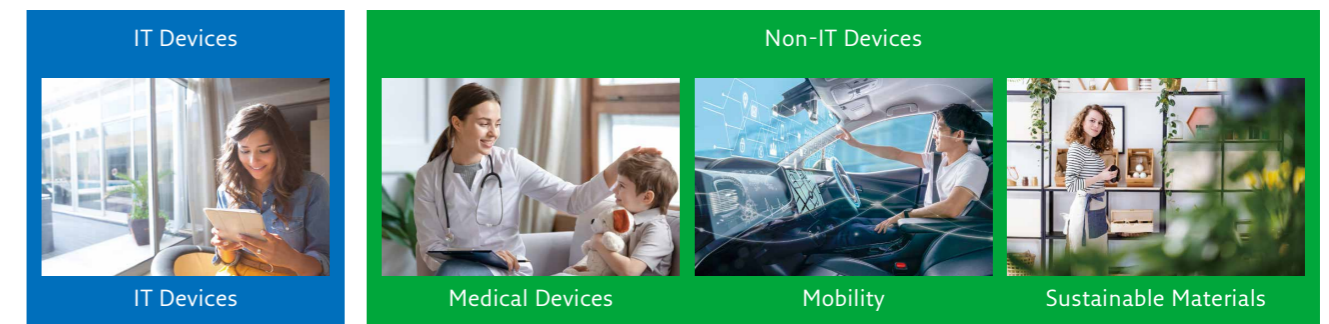
The 7th Medium-term Business Plan

Based on this review, we believe the main task of the 7th Medium-term Business Plan is to establish synergies in our prioritized non-IT devices field to solidify a foundation for growth. Our top priority is to reap the rewards by fully utilizing business assets acquired to date under our medium-term business plan. The specific scenario we imagine is to understand fully the characteristics and needs of newly entered markets through M&A and other means, and to incorporate our six core technologies into our products. The strategic assets we acquire include not only plants and facilities, but also customer relationships, technology, expertise, and human

resource capabilities. To incorporate these capabilities and chart a strategy for further growth, it is essential that we engage in dialogue and share our goals across countries and regions with the businesses and employees that have become part of our group through M&A. We have seen a certain degree of synergies in terms of costs, including a reduction in administrative and logistic costs, in the wake of acquisitions. The 7th Medium-term Business Plan examines net sales synergies, which will allow us to create new products by creating a growth strategy toward a united vision.

The 7th Medium-term Business Plan Medium-term Vision

From IT Devices to Non-IT Devices Comprehensive Business Portfolio Reorganization Strategy



- Emphasize profitability over scale
- Expand CDMO (contract design, development, and manufacturing organization) services within Medical Devices
- Pursue growth in Mobility and Sustainable Materials
- Execute M&A in priority markets

Progress in the 7th Medium-term Business Plan

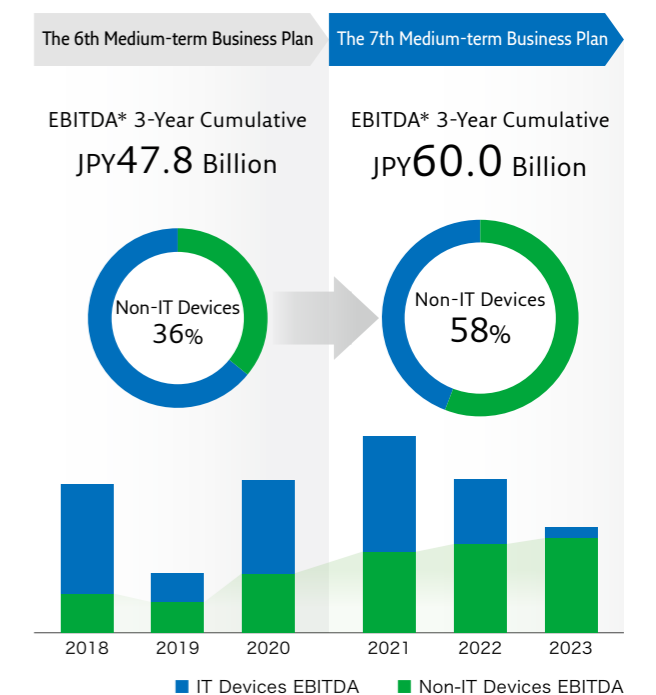
Launched under an awareness of these issues, the 7th Medium-term Business Plan has already begun to show concrete results. Most notably, the leading role in generating cash shifted from IT devices to non-IT devices. Pent-up demand triggered by COVID-19 has boosted our ability to generate cash in priority markets such as mobility and sustainable materials. In addition, net sales in medical market (Medical Technologies business meaning the medical devices business) recovered to pre-COVID-19 levels as the turmoil in medical institutions subsided and the number of surgeries recovered in North America and other regions. As a result of these factors, we expect to generate more cash over the three-year cumulative period compared to the three years of the 6th Medium-term Business Plan, which gives us confidence in our sustainable growth strategy of focusing on the non-IT devices market in the future.

Business Portfolio

We have drawn up a blueprint for reorganizing our business portfolios. As a result, we expect dynamic changes in the allocation of resources among business units. Cash generated from the Devices business will be allocated to the Medical Technologies business and the Industrial Materials business (mobility and sustainable materials).

We also increased M&A budget allocations, especially for the Medical Technologies business. Another important management issue is the allocation of human resources, i.e., the transfer of employees and the development of skills needed at the new location. To change capabilities dynamically in response to the

Cash Generation from IT Devices to Non-IT Devices



* Calculated under J-GAAP until 2019 and IFRS from 2020, excluding company-wide adjustments

business environment, it is essential to provide reskilling training and to hire career personnel who are familiar with the medical device market. Reflecting this intention, we revised our personnel system in fiscal 2020. This new system evaluates employees based solely on the degree to which they demonstrate their abilities and the size of the job or responsibility they fulfill.

Since our founding, we have had a history of transformation, evolving through changes in our core business. Looking back to the 2000s, IT devices were just a sideline, and most of our sales consisted of domestic market clients. Today, we have up-dated our businesses and organization to earn the trust of major global clients. Between 2020 and 2030, we will apply the capabilities developed in IT devices to the medical devices field.

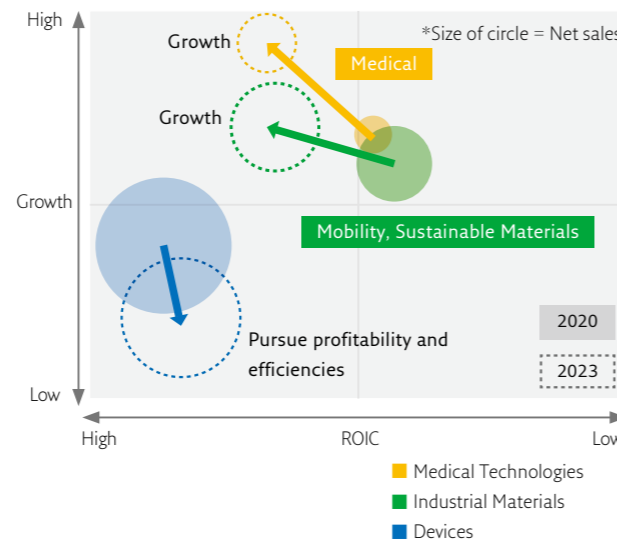
COVID-19 provided an opportunity for companies to rediscover their purpose in doing business. The reason behind our announcement of the Sustainability Vision toward 2030 and backcasting our 7th Medium-term Business Plan from this vision is largely due to our sense of crisis brought about by the pandemic. In the face of the crisis, we discussed the significance of long-term business activities and integrated efforts to put the Nissha Philosophy into practice. In the process, we faced a dilemma in that we could not define a growth strategy adequately within the constraints of the three-year time frame of a medium-term business plan. We made a new entry into the Medical Devices business by acquiring a company in North America in 2016. COVID-19 made us keenly aware of the social responsibility this business fulfills and the significance of solving social issues. We will share our vision

Outlook for 2025 (Mid-Point of Our Long-Term Vision) Toward the Year 2030

In February 2021, we announced the Sustainability Vision, our long-term management vision toward 2030. This vision involves a major portfolio reshuffling, with a focus on increasing medical market products from 11% of sales as of 2020 to 50% of sales. We target sales growth rates of 14% and 9% (average between 2020 and 2030) in the priority markets of mobility and sustainable materials, respectively. We aim to achieve these targets by capturing the abundant market opportunities present. Having seen positive progress in our strategy of reorienting from IT devices to non-IT devices, we established the Sustainability Vision as a guideline to pursue this strategy with determination. Here, we discuss the details of our current growth strategy with a view to 2025, the intermediate point of our vision.

The medical market offers abundant opportunities for medical device CDMOs (contract design, development, and manufacturing organization business model), particularly for minimally invasive surgical devices. Experts project a high market growth rate of 11% for medical device CDMOs. This projection reflects a trend among major medical device manufacturers, particularly in the U.S., to invest larger budgets in marketing and R&D. Medical device manufacturing has been stretched thin in this market environment, due to a focus on basic research and development. We have also seen a shift toward the use of electronic components in medical devices over recent years. These developments have made medical device manufacturing an increasingly sophisticated business. Traditional medical device manufacturers have adopted a strategy of responding to increasingly complex medical needs with a full lineup

Reallocate cash and resources generated by Devices to drive growth in Medical Technologies and Industrial Materials (Mobility and Sustainable Materials)



from a medium- to long-term perspective and achieve this vision by gathering the capabilities of the entire company, transcending business units and regions.

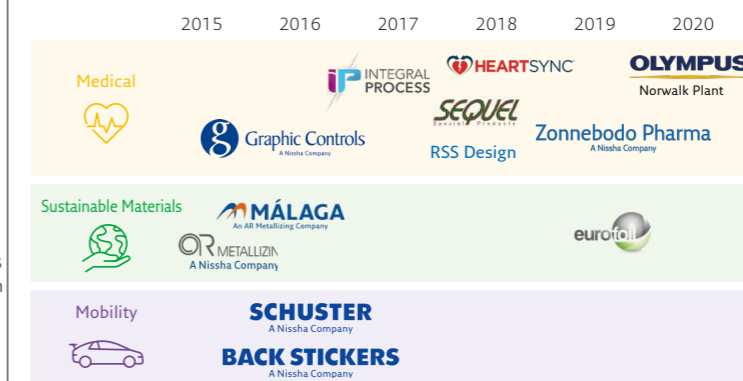
of products, outsourcing manufacturing to companies with expertise in their respective fields. Nissha sees growth opportunities in the field of minimally invasive surgical devices, including smart devices, treatment devices, and surgical robots involving smaller sizes and space savings that reduce the burden on the patient during surgery. We plan to invest in growth in this area through M&A and capital expenditures.

The mobility market is rich with opportunities rooted in recent trends toward CASE (connected, autonomous, shared, electric). The mobility market is said to be undergoing a once-in-a-century transformation. Here, we are seeing various attempts at new technologies and models nearing a stage where they will be adopted for use in society. Our business has been traditionally in decorative films for automotive interiors. In response to trends in CASE, we have received numerous requests from customers for products that combine decoration and functionality. Many requests go beyond the traditional business domain of automotive suppliers. These requests include input functions to be made into touch panels for seamless interiors and designs that integrate organically with touch panels. Decorative exterior films having low environmental impact are attracting attention as a substitute for paint. We also see a growing need to mount sensors and heater circuits on decorative films, combining decoration and functionality. Nissha possesses the organizational capabilities of the Industrial Materials business, which makes decorative films and other decorative products, and the Devices business, which makes IT devices, touch sensors, and other functional products. We are capable of responding quickly

M&A Capabilities

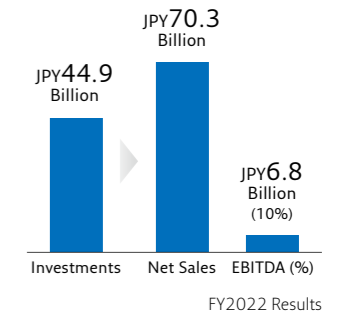
- Pursue an ROIC of 8% or higher
- Avoid investments involving bids
- Exercise negotiation skills to avoid overpricing
- Seek affinity with our core technologies
- Understand the ability of the target company's management to remain and run the company independently
- Engage in successful PMI

Results Since 2015



Investments of JPY44.9 Billion; ROIC* of 11%.

* Cash-based ROIC = EBITDA x (1 - 30% tax rate) ÷ Investment



to technological innovations. In the mass production phase, our strength is our global production sites capable of supplying new products in large quantities with stable quality.

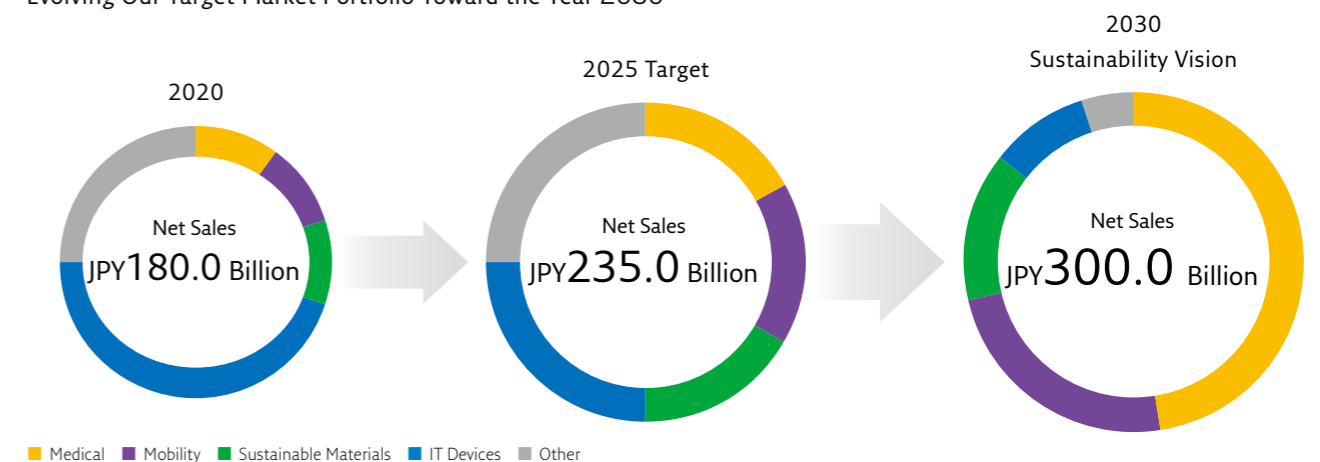
The market for sustainable materials consists of environmentally friendly materials, especially packaging materials rooted in the need for a shift away from plastics, which is growing in Europe and globally. Our mainstay product is metallized paper, where we hold the No. 1 market share with business centers in Europe, North America, Brazil, and other countries. As part of future product development, we have added new sustainable molded parts made from plant-derived materials for pharmaceuticals, medical devices, and health foods. Regulations on plastics for packaging materials are being tightened mainly in developed countries, triggered by the problem of marine plastics, and the market for sustainable packaging (metallized paper, etc.) and sustainable molded parts is expected to grow at an average annual rate of 9% or more. We plan to invest aggressively in this market to seize the opportunity.

Working from our vision for the year 2030, we backcast and formulate actions to allocate resources actively in priority markets. We increased M&A budget allocations, particularly for our Medical

Technologies business. Capital investment is mainly used to expand production facilities and R&D sites at global locations for the mobility market.

We see M&A and business alliances as effective strategic actions to transform a company's portfolio through discontinuous growth strategies, and we continue to advance our own capabilities in the execution of this approach to growth. With a dedicated in-house team and input from outside experts, we plan carefully and make disciplined decisions on acquisition price calculations considering the cost of capital, risk assessments, and post-merger integration plans. We have executed 11 acquisitions since 2015, each of which is an important part of our growth strategy in our priority markets. In particular, the North American medical device manufacturer we acquired in 2016 has grown to become a fundamental part of our growth strategy. We use financial indicators to confirm the results of our investments. And we continue to maintain the discipline of executing only those projects that are consistent with our vision and growth strategy toward 2030. In this way, we gain greater discernment of the target markets in which we invest and the competitive position of the companies in which we invest.

Evolving Our Target Market Portfolio Toward the Year 2030



Financial Strategy



Senior Vice President
Chief Financial Officer

Hitoshi Koya

2022 Business Results and 2023 Forecast

Net sales in 2022 were JPY193,963 million (up 2.5% from the previous year) as a result of increased sales in the decoration field of the Industrial Materials business, implementation of price increases for the sustainable materials, and strong product demand for contract design/development and manufacturing organization in the Medical Technologies business, while product demand for smartphones in the Devices business shrank from the previous fiscal year as expected.

Operating profit was JPY9,520 million (down 45.2% from the previous year). The main reasons for the decrease in profit were a decline in demand for products for smartphones and the temporary expense of an impairment loss on goodwill mainly due to an increase in the discount rate following an interest rate hike at a European subsidiary. That subsidiary is responsible for the production and sale of sustainable materials in the Industrial

Materials business. In response to increases in energy and labor costs due to inflation, we endeavored to secure profit by passing those costs on to sales prices and improving productivity.

We made some progress reorganizing our business portfolio thanks to the strategic downsizing of our smartphone business and the growth of our businesses in medical devices, mobility, and sustainable materials.

For 2023, we expect a decrease in both sales and profits compared to the previous fiscal year. Net sales for IT devices are expected to decline due to the economic slowdown, while sales for medical devices, mobility, and sustainable materials, which are key non-IT devices markets, are expected to remain strong.

Given these expectations, we forecast net sales of JPY174,500 million, operating profit of JPY2,500 million, and profit attributable to owners of parent of JPY1,000 million for 2023.

2022 Results and 2023 Forecast

	2021 Results	2022 Results	2023 Forecast
(Millions of JPY)			
Net sales	189,285	193,963	174,500
Industrial Materials	60,581	73,558	70,500
Devices	96,955	79,951	60,500
Medical Technologies	24,176	32,457	35,200
Others	7,571	7,995	8,300
Operating profit	17,363	*9,520	2,500
Operating profit margin	9.2%	4.9%	1.4%
Industrial Materials	5,155	*3,390	3,400
Devices	14,328	8,389	100
Medical Technologies	776	490	2,100
Others	-2,898	-2,749	-3,100
Profit before tax	19,499	12,373	2,000
Profit attributable to owners of parent	15,859	10,140	1,000

* Including JPY -1.8 billion temporary expenses such as impairment loss

Efforts to Improve Capital Efficiency

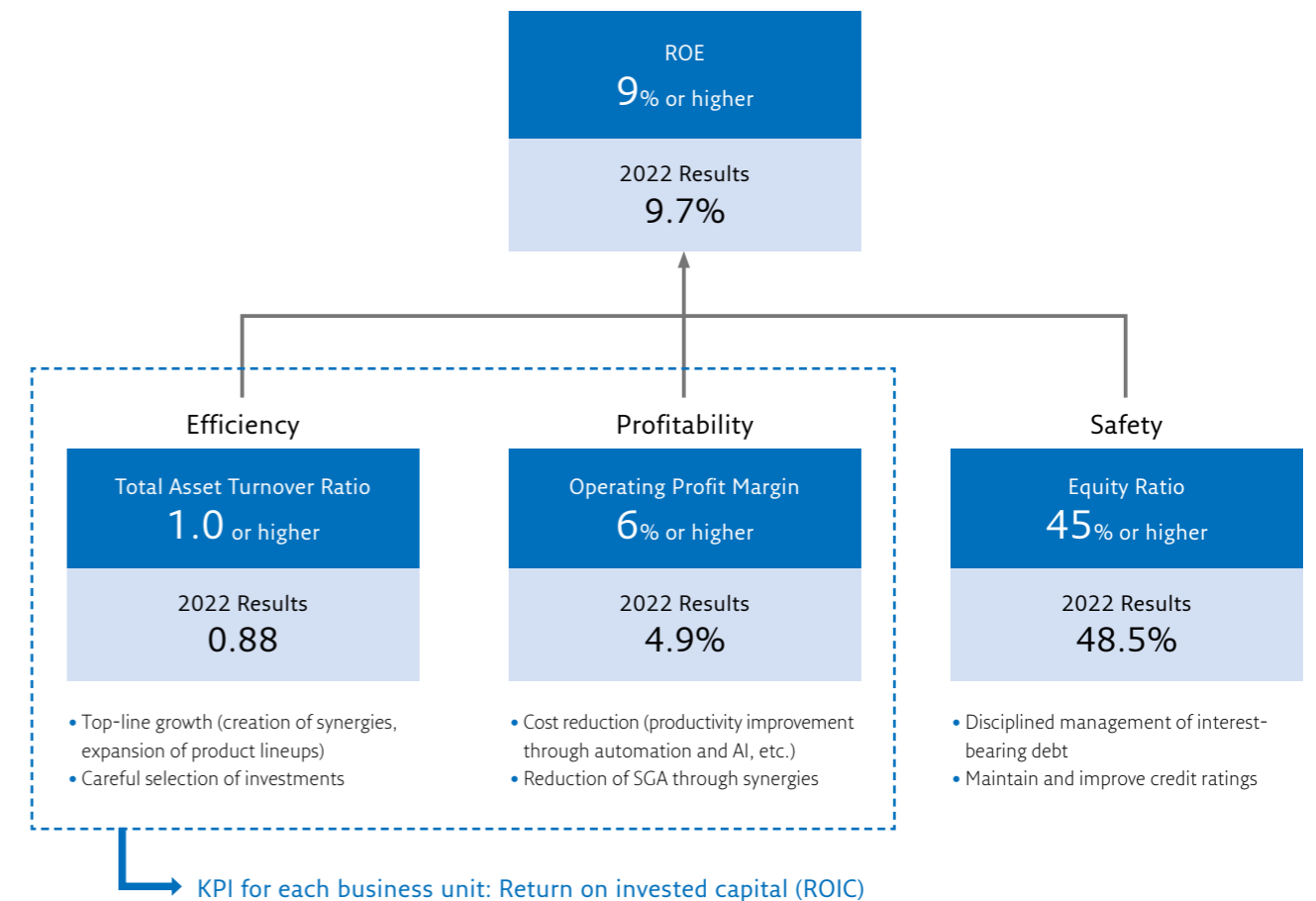
To enhance medium- to long-term corporate value through sustainable growth, the Nissha Group pursues capital efficiency that surpasses the cost of capital while maintaining financial soundness. To that end, we believe in the importance of improving profitability through growth investments and maintaining an appropriate level of shareholders' equity. The 7th Medium-term Business Plan sets a goal of 9% or higher in return on equity attributable to owners of parent (ROE). To achieve this goal, we will strive to raise our total asset turnover ratio to 1.0 times or higher through top-line growth and carefully selected investments. We will also strive to maintain an operating profit margin of 6% or higher by reducing costs and cutting SGA expenses through synergies, while working to achieve an equity ratio of 45% or higher, in part through the disciplined management of the level of interest-bearing debt.

Each business unit monitors its own balance sheet, using return on invested capital (ROIC) as a KPI. By focusing on indicators such as the cash conversion cycle, they monitor whether business assets

are being used effectively and whether there are any problems with capital efficiency, thereby improving the capital efficiency of the entire company.

In 2022, the profit attributable to owners of parent of about JPY10,140 million made a contribution and the equity ratio of 48.5% exceeded our target, although the total asset turnover ratio of 0.88 times fell short of our target of 1.0 times or higher and the operating profit of 4.9% was less than our target of 6.0% or higher.

For 2023, we expect a year-on-year decline in revenues and profits, and we expect to miss our targets for total asset turnover and operating profit margin. This is due to the expected top-line underperformance, mainly resulting from lower demand for products in existing businesses and insufficient M&A and other growth investments. Going forward, we will accelerate growth in non-IT devices to achieve top-line growth, improve and stabilize profitability, and achieve capital efficiency that surpasses the cost of capital, while aiming for sustainable growth.



Cash Allocation

While giving consideration to financial safety, the group uses cash flows generated by operating activities, etc., mainly for growth investments, including M&A, capital investment, and research and development, which will contribute to the improvement of corporate value over the medium- to long-term. Under the 7th Medium-term Business Plan, in the markets of medical devices, mobility, and sustainable materials, which are priority markets for Nissha, we are stepping up the pace of investments to expand product lineups and services that will help solve social issues.

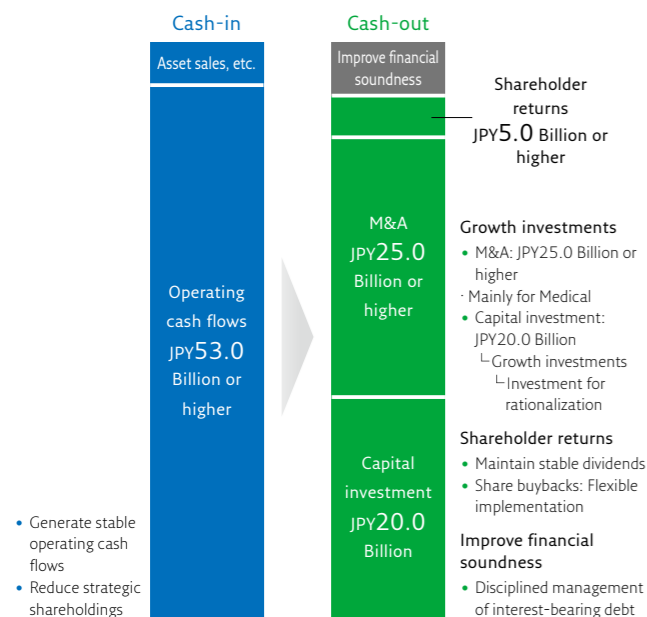
Our investments are made in a disciplined manner, getting the approval of the Investment Committee, an internal committee. When considering individual investments, the Investment Committee deliberates on their strategic significance to the company as well as risks and countermeasures and verifies future cash flow forecasts and whether investment yields will be greater than capital costs, carefully selecting investments in consideration of the soundness of our balance sheet. Additionally, after each investment is made, we monitor the return on that investment based on evaluation indicators suited to the position of the investment in our business portfolio, and we promptly respond to issues identified as a result of these evaluations.

In accordance with the Corporate Governance Policy, we verify the significance and rationality of strategic shareholdings from

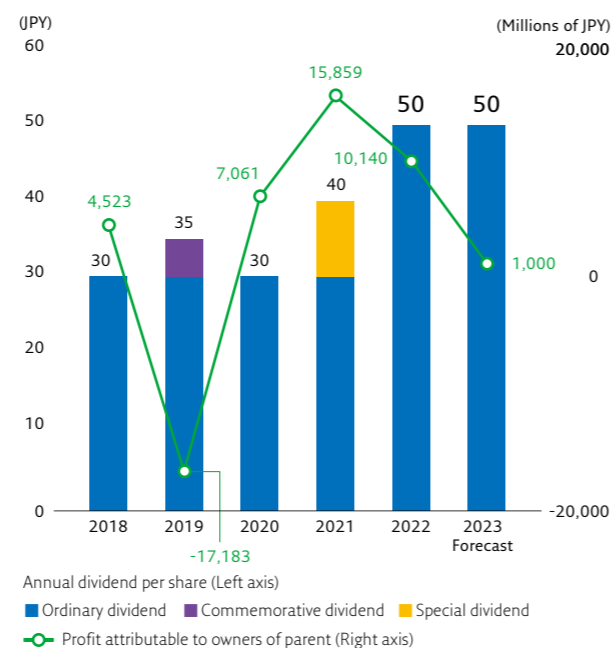
a medium- to long-term perspective, with a report made once a year at a meeting of the Board of Directors. For 2022, the ratio of strategic shareholdings to total capital decreased from 15.2% as of December 31, 2021 to 10.1% as of December 31, 2022 as a result of efforts to reduce these shareholdings. We will continue to reduce these shareholdings while giving due consideration to the impact on the market and other factors.

Our basic policy is to provide stable ongoing dividends to our shareholders. In determining distributions of profits to shareholders, we implement consistent dividends by taking into account a full range of factors including its business results, dividend payout ratios, financial soundness, and other factors. We will properly consider special dividends that take into account the business results and stock buybacks as a way of improving capital efficiency. For 2022, we have increased the ordinary dividend by JPY20 to an annual dividend of JPY50 per share, taking into consideration the positive results from reorganization of our business portfolio, our current demand for funds, and our financial situation. In addition, we repurchased 1.1 million shares of our stock from November 11, 2022 to March 13, 2023, for a total of about JPY2.0 billion, in order to improve shareholder returns and capital efficiency. We will continue to pay stable dividends in line with our basic policy and consider share buybacks as appropriate.

Cash Allocation
(Cumulative total for the three years of the 7th Medium-term Business Plan)



Plan to continue annual dividend of JPY50 per share due to progress in portfolio reorganization
Dividends and Profit Attributable to Owners of Parent



Financial Management

During the period of the 7th Medium-term Business Plan, we have been financing investment in growth based on our Sustainability Vision. In this process, we also strive to maintain a stable financial position.

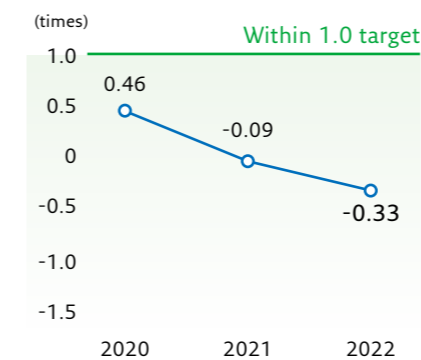
With regard to financing methods, in addition to conventional short-term bank borrowings, we issued straight bonds in April 2021 and also made multiple long-term bank borrowings. As a result, we diversified our borrowing methods and achieved an appropriate balance between long and short loan terms. Looking ahead, we will utilize operating cash flow as our main source of income along with a variety of financing methods to flexibly secure funds necessary for growth investments and to increase our liquidity on hand.

With regard to financial indicators, in addition to the aforementioned ROE and its component indicators, we place importance on the net interest-bearing debt/EBITDA ratio, the net debt-to-equity ratio, the liquidity ratio ((cash and deposits + short-term marketable securities)/monthly sales), and other indicators to ensure sufficient financing capacity. Of these, the net interest-bearing debt/EBITDA ratio (target: 1.0 or less, result for 2022: -0.33) and net debt-to-equity ratio (target: 0.5 or less, result for 2022: -0.06) remain at healthy levels from the previous period.

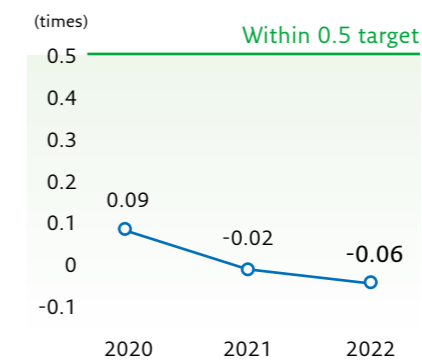
Year to year, we also improved the liquidity ratio (target: 3.0 months or higher, result for 2022: 3.36 months) to ensure a stable cash position. As a result, Nissha is in a financial position to make flexible investments in the event that M&A or capital investment becomes necessary in the future.

From a financial risk hedging perspective, we are also working to strengthen our foreign exchange risk management, credit management, and tax strategies. We have established an internal management system for foreign exchange risk management and strive to reduce foreign exchange risk by means of forward exchange contracts and the like. As for credit management, we are working to reduce the risk of debt collection through the use of trade insurance and collection guarantee services. In addition, to improve credit management throughout the company, we provide guidance on credit management to business units and group companies, including those overseas. As a tax strategy, we believe it is necessary to establish a balanced management system at the company-wide level, and we are working to introduce a group totalization system to replace our current consolidated tax payment system. Through these efforts, we will continue to build and maintain a stable financial base.

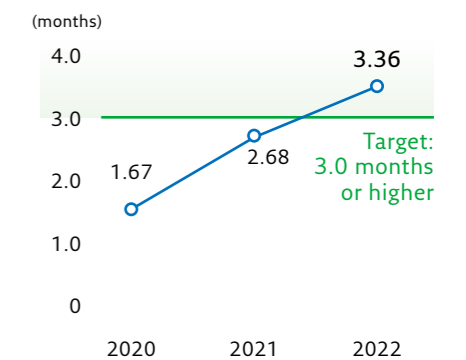
Net interest-bearing liabilities/EBITDA ratio



Net D/E ratio



Liquidity ratio



Finance Department Initiatives to Realize Global Synergy

The Nissha Group does business worldwide, with 34 overseas locations mainly in the Americas, Europe, and Asia. Net sales overseas account for approximately 90% of the group's total net sales. In light of this situation, our Finance Department is building systems enabling it to communicate smoothly with overseas locations and solve issues from a global perspective. To that end, we hold regular exchanges between Global Headquarters and overseas offices and are also working to strengthen the English communication skills of finance department staff at Global Headquarters.

In 2022, we actively engaged in exchanges with overseas offices to strengthen cooperation, share knowledge, and develop human resources on a global basis in the finance department. As part of this effort, the finance members from overseas offices gathered at Global Headquarters for the Global Finance Conference, where they shared issues facing and exchanged opinions on how to address them. In addition to this, short-term training was also conducted at Global Headquarters to improve the skills of finance department personnel at overseas locations.

Through these efforts, we are enhancing our sense of organizational unity as the group's finance department while promoting better governance and enhancing the skills of our Finance Department personnel.

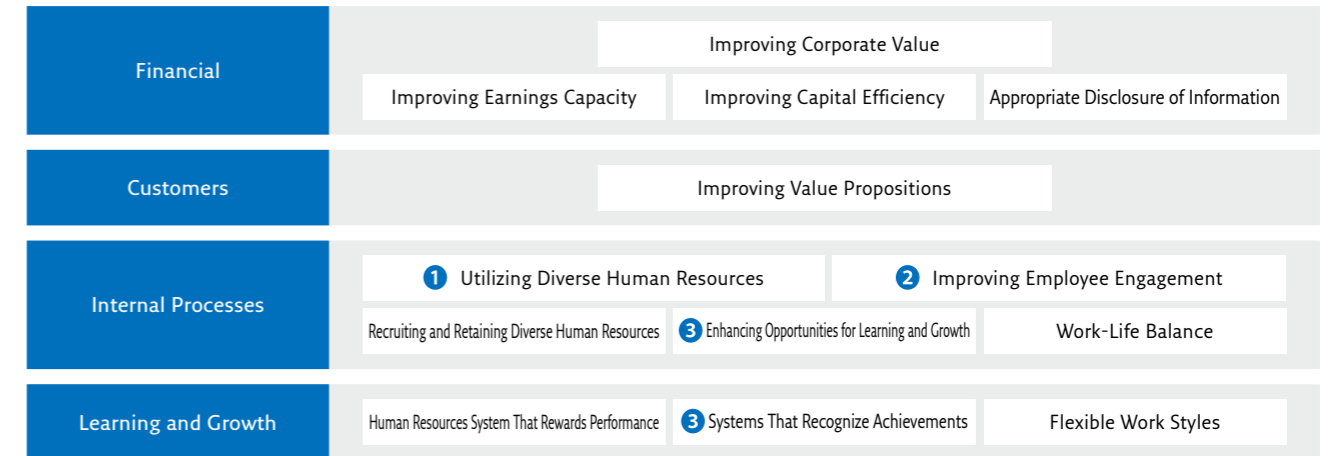


Human Resources Strategy



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

Overall Human Resources Strategy (Strategy Map)



HR Strategies That Contribute to Value Creation at NISSHA

The Human Resources Policy upon which we base our human resources strategy is taken directly from our Mission, which reflects growth both for the company and employees through diverse capabilities and passion. Nissha continues to grow by seeing changes in the market environment as business opportunities and by improving our value proposition to customers, driven by

the diversification of our human resource capabilities and core technologies. Since growth through such change is at the core of the Nissha management strategy, our Human Resources Policy states clearly that management strategy and human resource strategy should be in lock-step.

Human Resources Policy

Nissha Group aims for growth both for the company and employees through diverse capabilities and passion, seeing changes in the business environment as opportunities for growth.

1. We shall develop employees who embody Nissha Philosophy and contribute to society through our business activities.
2. We shall respect diversity of employees and utilize their individuality and strengths.
3. We shall emphasize global teamwork to achieve results.
4. We shall encourage proactive actions and unconventional innovation.
5. We shall provide rich training programs and challenging growth opportunities.
6. We shall create a workplace full of energy where employees feel safe to work.

The goal of our human resources strategy is to develop human resource capabilities that improve our value propositions to customers, as shown in the strategy map accompanying this section. Nissha's customers come from a wide range of industries, including mobility, medical devices, IT devices, and home appliances. Many of our customers are global companies and leaders in their industries for whom we customize important components. Servicing these customers requires human resources and teamwork to identify customer issues accurately, to combine our processing technologies, to maintain stable product quality, to make proposals, and to offer problem-solving skills that result in value to the customer. Our work is made possible by the collaboration of the Nissha group companies across countries and regions, with the cooperation of our diverse human resource capabilities.

To improve the value propositions we offer customers, we must bring together a diverse group of people with different specialties and fields of expertise to work as a team. At the same time, it is important that each individual maintains a high level of motivation. Accordingly, our human resources strategy begins with three factors: (1) improving the value propositions we offer; (2) utilizing diverse human resources; and (3) improving employee engagement. We then break down achieving these measures into factors of how to evolve our internal processes, how to change our human resources systems, how to foster an organizational culture, and other cause-and-effect relationships. Each of these measures involves KPIs and specific actions to visualize progress. We will look at three specific examples below.

1 Utilizing Diverse Human Resources

KPI	Target		Results		Forecast
	2023	2030	2021	2022	2023
Female manager ratio (consolidated global)	21%	25%	20.0%	21.5%	21% to 22%

Breakdown by Region

	(Reference) Female employee ratio	Results		Forecast
	2022	2021	2022	2023
Consolidated global	36.9%	20.0%	21.5%	21.0% to 22.0%
Japan (Nissha non-consolidated)	27.7%	5.4%	5.9%	7.0% to 8.0%
North America	43.7%	29.9%	32.0%	31.5% to 32.5%
Central & South America	64.4%	50.0%	44.2%	44.0% to 45.0%
Europe	30.6%	18.0%	19.4%	19.0% to 20.0%
China, Taiwan, Korea	48.8%	37.8%	40.2%	40.0% to 41.0%
Southeast Asia	50.5%	36.4%	36.4%	36.0% to 37.0%

*We revised the criteria for counting employees beginning this fiscal year to conform to our annual securities report.

The Nissha Group encourages all employees to express their talents fully, regardless of nationality, gender, or age. One of our Shared Values, which are principles for employee behavior, is Diversity and Inclusion. This declaration is our belief that human resources with diverse talents interact on an equal footing to enhance our organization's ability to perform.

The Nissha Group identifies the ratio of female managers as one of our KPIs and a symbol of diversity. We pursue a number of initiatives to bring this ratio closer to the ratio of overall female employees in our workforce. Although the ratio of female managers in Japan remains at a relatively low level compared to overseas group companies, the percentage of female employees at the two levels immediately prior to promotion to management positions is increasing steadily. We strive to retain and develop diverse human resources through systems that encourage diverse work styles,

creating comfortable workplaces and providing extensive training opportunities and practical experiences.



2 Improving Employee Engagement

KPI	Target	Results (2022)
Response rate (consolidated global)	80% or higher	83.0%

For employees to work passionately and for the company and employees to grow together, we believe it is important to improve employee engagement by putting in place a system that encourages this and fostering an organizational culture that is easy to work in. As one measure, we conducted a first-ever engagement survey for a total of approximately 3,000 employees, including all regular employees working for the Nissha Group in Japan, in the

first half of 2022. We conducted a survey of Nissha employees, excluding workers at overseas plants, etc., in the second half of the year. The purpose of these surveys was to identify issues and improve the diverse capabilities and passions of Nissha employees, the true source of our growth. Our objective here is to move toward an ideal situation, and we intend to conduct this survey on an annual basis.

Engagement Survey Results (Japan, Overseas Total)

Response rate **83.0%**

Percentage of Positive Responses



The positive response rate for willingness to contribute to the organization and organizational commitment was high. This may be related to the fact that we communicate our Mission widely and our Mission resonates with employees. On the other hand, when limited to their own work, the respondents found it somewhat more

difficult to feel a sense of fulfillment and contribution to society. Based on these results, we analyze the factors at the company, business, and workplace levels, linking them to specific actions. We will continue to implement initiatives to foster a corporate culture in which all employees work with passion.

Examples of Specific Actions

- Install large displays in offices and factories to communicate the latest information about the company and examples of how products are used by customers
- Incorporate employee feedback in upgrading workplace facilities and equipment to accommodate diversified work styles
- Increase efforts to improve morning meetings and provide more opportunities for communication



Nissha Uniform Designs Reflecting Employee Input

In September 2022, we launched a project to redesign the uniforms worn by Nissha employees in Japan for the first time in 15 years.

Project members from locations across Japan worked together to formulate specifications and design concepts, picking up feedback from employees in their respective workplaces. In February 2023, we exhibited samples of the five finalist designs. Employees voted at all domestic locations, and a new uniform design was determined by a vote of over 1,600 employees. Employees played the role of models for the voting campaign, which we publicized through posters and an internal portal site. This type of photography and visual design for posters was easy for a company like Nissha to perform in-house.

The new uniforms chosen by the employees will debut in January 2024.



3 Enhancing Opportunities for Learning and Growth

KPI	Target		Results		Forecast
	2023	2030	2021	2022	2023
Selection rate of leader candidates (Nissha non-consolidated)	36%	50%	32.6%	31.2%	41% to 42%

We identified developing global employees and management human resources as one of our materialities to strengthen our management foundation. Here, we continue to improve education and training, as well as provide practical opportunities for trainees. Nissha Academy, the Nissha Group in-house university, offers an extensive training program. The Business School is a selective training program within the in-house university. This is an original Nissha program that focuses on providing knowledge and skills in the proposal and execution of management strategies, with three courses available: beginner (workplace leaders), intermediate (preparation for management), and advanced (senior management). In particular, we provide opportunities for graduates of our beginner and intermediate courses to put what they have learned into practice. These opportunities include participation in important projects and the formulation of medium-term business plans.

We defined the selection rate of leader candidates as a KPI to measure these efforts. Our aim is to have half of the general employees of Nissha (non-consolidated) participate in Business School (beginner and intermediate level) by the year 2030 (selection rate of 50%). The only Business School course held in 2022 was the advanced level for senior management. Therefore, our selection rate KPI (general employees) was slightly lower than the previous year. In 2023, we plan to conduct the beginner-level course in two sessions, one in the first half of the year and the other in the second half. Therefore, we expect the selection rate in 2023 to exceed our target of 36%. In addition, we are expanding the Nissha Academy to overseas group companies. Nissha entities in Europe and the United States are considering their own programs. During the first half of 2023, three employees from Nissha Korea attended the beginning level of the Business School held at the Global Headquarters in Kyoto.



Nissha Academy Program

Eligible Employees	Selective		Common to all companies			
	Management and strategic human resource development	Global human resource development	Rank-specific	Function-based	Optional	All employees
Officers		Executive MBA				
Directors			Upper managerial staff training			Corporate ethics and compliance training, etc.
Senior Managers	Business School Advanced	MBA for working adults	New manager training	Priority market skills training * Standard education for engineers (Core technologies, intellectual property, design, cost) * Purchasing, sales, trade * Quality, production, statistics, DX, AI	Self-development (correspondence courses, etc.)	Career design training
Grade 4	Business School Intermediate		Manager candidate training			
Grade 3	Business School Beginner	Overseas trainee	Grade 4 promotion training			
Grade 2			Grade 3 promotion training			
Grade 1			New employee training			

The Nissha Group has various award programs for employees who have made the most of their learning, leading to the achievement of concrete results. In addition to companywide awards such as the President's Award, which recognizes outstanding contributions to consolidated performance, we also give out the Group Company Representative Award, which honors employees who have demonstrated outstanding performance at the group companies. The global tagline,

Performance Champion, honors employees who have achieved notable results, and all awards within the group use this line and iconography. We encourage employee growth, labeling employees who receive education and training through the Nissha Academy as Performance Champions who put their learning into practice in the workplace and achieve outstanding results. In this way, we enjoy watching the company and employees grow together.



Partnership with Shiga University for Human Resources Development in the DX Field

In addition to developing global employees and managers, in recent years, we have focused on digital transformation (DX) to improve efficiencies and productivity. We see to develop DX human resources capable of taking on this role. As part of these efforts, we concluded a comprehensive collaboration agreement with Shiga University in May 2023 regarding industry-university collaboration in the field of data science and the development of DX human resources. Through this agreement, Nissha will continue conducting joint research with Shiga University regarding productivity improvement across a wide range of operations, including the automation of production processes using big data, administrative tasks, and design work. We intend to roll out the knowledge gained through this research to our sites worldwide. We engage in human resources exchange with Shiga University in the area of human resources development by dispatching employees to and accepting interns from Shiga University.



Left: Nissha President Junya Suzuki, Right: Shiga University President Akimichi Takemura

Nissha Medical Technologies (NMT) Human Resources Strategy in the Dominican Republic

Our human resources strategy is based on three principles: (1) improving the value propositions we offer; (2) utilizing diverse human resources; and (3) improving employee engagement. We implement this strategy not only in Japan, but also in Nissha group companies around the world. The following is a case study of a Nissha Medical Technologies manufacturing facility in the Dominican Republic (NMT DR), a core company in our Medical Technologies business.



Roberto Rodriguez
General manager
Nissha Medical Technologies
(Dominican Republic)

What products does NMT DR produce? And what do you think of the strengths of NMT DR?

— We have vast experience in complex subassemblies and finished devices in minimally invasive surgical devices and wearable medical sensors. Manufacturing at the NMT Dominican Republic facility offers a diverse set of capabilities with a focus on creating synergies across all NMT sites. We have proven expertise in adopting specialty processes, access to highly skilled labor with an extremely low turnover rate, capacity to manage large production transfers, and dedicated program management.



* The photo is a conceptual image.

One of NMT DR's strengths is the competence and engagement of your employees. What initiatives are you taking to improve in these areas?

— We provide training on key operational and work safety issues, as well as programs to help employees improve their knowledge and skills. We maintain a healthy relationship with our employees that involves honesty, trust, respect, and open communication that makes them feel valuable, as their opinions and suggestions are taken into consideration. We promote internally, and most of our technicians (quality and maintenance) were promoted from within our workforce, recently two professional ladies were promoted and transferred into higher positions at other locations outside of NMT DR.



What are some of the reasons why so many women work in manufacturing in NMT DR?

— The current ratio of female staff is about 70%. This ratio is due to professional and intellectual development achieved in women and female empowerment. In addition, manufacturing job functions suit women better. In contrast to other cultures where women work in many different types of work (such as construction and other heavy work), our women tend to work in more delicate job types such as our operations.



What are your thoughts on further initiatives in NMT DR human resources, one of your strengths?

— At NMT DR, we believe that our people are our greatest assets, and taking care of our people is very important to us. To strengthen our human resources in the Dominican Republic further, we will continue to provide training and development opportunities using Nissha Academy DR, our development program, which will allow us to improve our internal recruitment, promotions, and succession planning. At the same time, one of our strategic objectives is to improve our recruitment process continually, while also continuing to improve our recognition program to foster a quality culture, improve efficiency, and encourage shared values. One of NMT DR's greatest strengths is the ownership mindset and the passion of our people.





Nissha Wellness

Aiming for Healthy Lifestyles and Comfortable Workplaces



The Nissha Group believes in the importance of creating environments in which every employee is healthy in mind and body, working with enthusiasm and finding a sense of fulfillment. We named our health management initiatives *Nissha Wellness*, pursuing health management based on the following two pillars.

The first pillar is to support the physical and mental health of every employee. We accomplish this goal through the early detection and treatment of disease, as well as the health promotion efforts, conducted through Health Care Management for many years. In July 2021, we began holding a monthly Wellness Day for domestic Group companies, encouraging healthy lifestyles. We suggest small steps to improve lifestyle habits that include diet, exercise, and sleep.

The second pillar is to create more comfortable workplaces (teams). In addition to workloads and interpersonal relations, a number of factors influence comfort in the workplace, including an awareness and agreement with the Mission and strategies and psychological safety supporting free expression. We conduct annual stress checkups for employees as one measure to encourage an awareness of mental and physical condition.

Nissha Wellness Initiatives: Walking Challenge

We built a walking trail (course of approximately 1,000 steps/600 meters/10 minutes) at our Kyoto Global Headquarters to make walking—the most basic form of exercise—a health habit. We introduced the Walking Challenge, a six-month program with rankings based on the number of monthly laps of the walking trail, in September 2022. Through these efforts and others, we continue to create opportunities for employees to think about their health.

Nissha Wellness and Kyoto Hannaryz

We partnered with the Kyoto Hannaryz of the Japan B.League (professional basketball) to establish exercise habits and provide new opportunities for employee interaction, utilizing the expertise of a professional sports team.

Kyoto Hannaryz players and the team's mascot, *Hanyarin*, visited Nissha and communicated the joy of physical exercise through the players' shooting performance and an employee shooting challenge. Called the *20,000-Shot Challenge*, this program challenged employees to achieve the goal of making 20,000 shots using basketball hoops installed in locations in Japan.



Post Pandemic Journey

In November 2021, when COVID-19 was still raging around the world, President Suzuki began a tireless campaign of visiting our offices in Japan and overseas. By March 2023, President Suzuki had visited 24 different locations.

The pandemic accelerated the use of online communication technology, facilitating immediate business reports and progress checks on daily operations with top management at each business location around the world. However, visiting and communicating with employees in person provides a better understanding of how employees feel about their work and how they view the Nissha Group. For this reason, even before the pandemic subsided, President Suzuki committed to visit our global network of offices. He held town meetings at each location with production site leaders and members of management.

Recorded movie images of the visits are available for employees to review. These events served as valuable opportunities for employees having fewer physical interactions due to the pandemic to see how their colleagues in the Nissha Group work and in what kind of environment.

Employee Feedback /

Jessica Rubí Reyes Rojas

Program Manager
Nissha PMX Technologies, S.A. de C.V.



I remember that Mr Junya Suzuki visited us back on 2022, this was not the first time I met him, and on both times my perception has been the same: Mr Junya Suzuki is a person committed to listen and understand employee's needs. He was charm and respectful with all the teams at the Plant. It is great to be part of his team, a team that works to improve processes and to ensure quality products for our customers.

Yuji Hara

Nitec Precision and Technologies, Inc.
Chief Supervisor, Promotion of
Productivity Improvement, Production Management



At the beginning of the town meeting, the president created a video, acting as a movie director in shooting one-minute scenes of participant interviews. I felt that the president was very conscious of how he wanted other sites around the world to know what was going elsewhere. With fewer opportunities for physical interaction brought about by the pandemic, it's easy to forget that it is the collective abilities of individuals that give form to the whole organization. This even helped us understand at a deeper level that our work today is connected to the world of tomorrow.



Technology Strategy



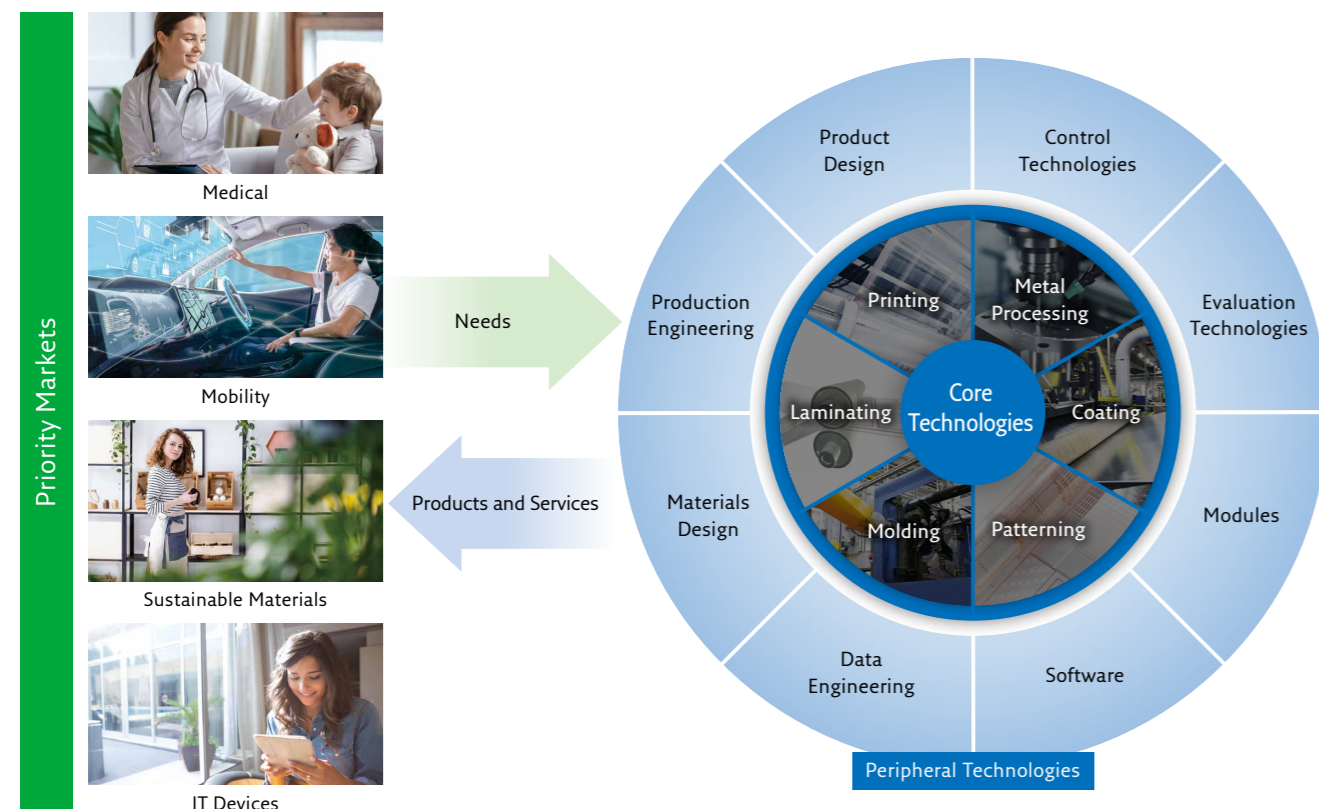
Senior Vice President
Chief Technology Officer
Deputy Senior Director of New Business Development Office
Ryomei Omote

6 Core Technologies and Peripheral Technologies Creating Distinctive Products

Since our founding, we have seized market changes as opportunities, developing applications integrating our core technologies with peripheral technologies and insights to create distinctive products and services inimitable for competitors, thereby contributing to solving the social issues of each era.

We appointed four priority markets that are expanding and making changes on a global scale. These markets include the medical, mobility, sustainable materials, and IT devices markets. Based on changes in these markets and in clients'

business strategies, we will continue to accurately identify future needs, acquire new core technologies through external technology sourcing, exploit existing technologies, and develop applications through integrating various peripheral technologies and knowledge. In doing so, we aim to continuously create competitive new products, services, and businesses, and achieve our Sustainability Vision by contributing to the resolution of various global social issues.



Building a Product Platform for Ongoing Technology Creation

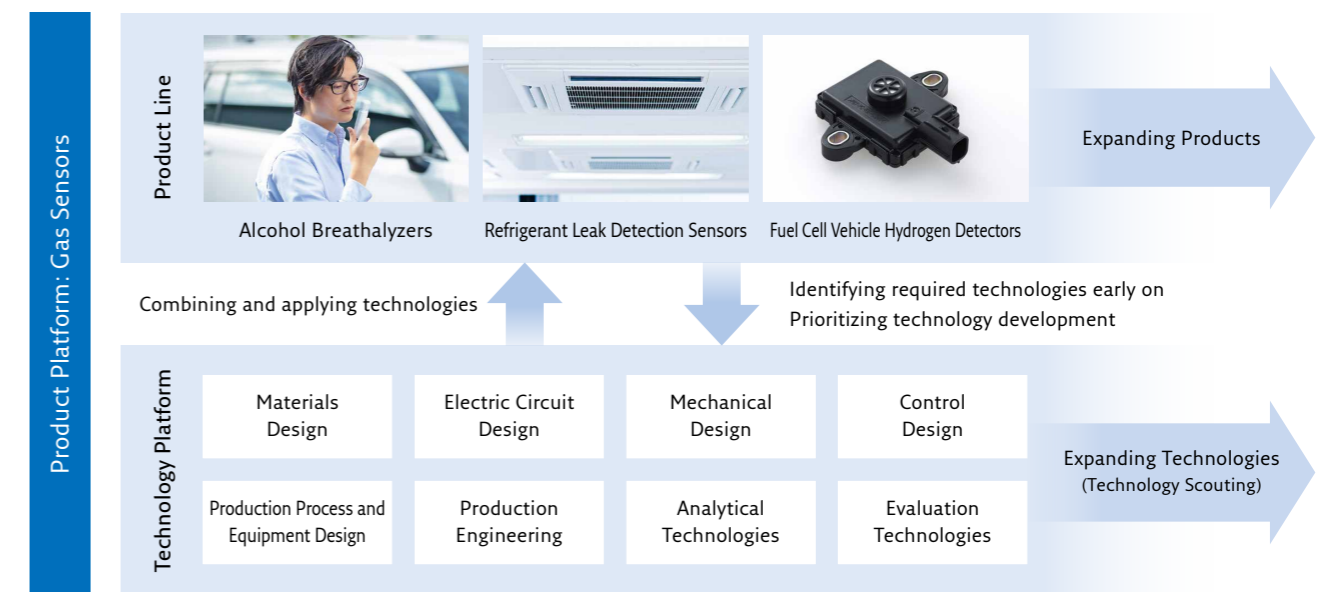
While there are many business opportunities in the ever-changing and expanding growth market, technological trends and needs are constantly changing. As such, speedy and efficient product development is essential.

In response, Nissha began building a product platform. Our product platform is a development platform that brings together commonly required aspects for each of our major product lines. These aspects include technology, intellectual property, expertise, and procurement abilities. Systematically building and organizing these aspects allows Nissha to develop products in a timely manner

and meet the diverse needs of the market and our customers.

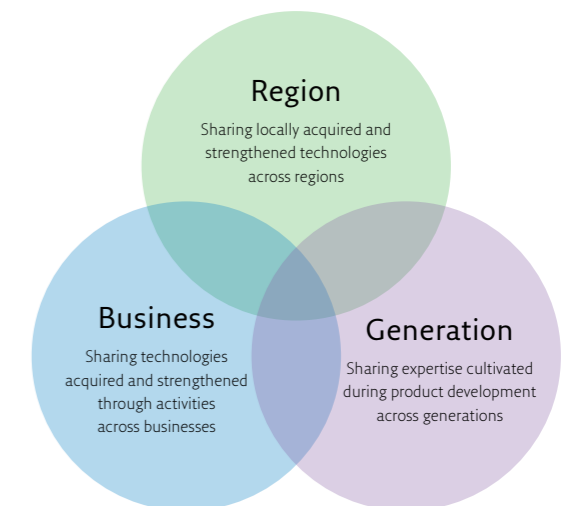
For example, our gas sensors are used in a variety of applications to solve social issues. Gas sensors are used in products such as breathalyzers as well as refrigerant leak detection sensors in air conditioning equipment. Whereas each product requires different aspects, they also share various common ones. We are able to efficiently develop applications by building them as a product platform and individually combining necessary aspects individually according to market needs.

Product Platform



Maximizing Technological Synergies and Ongoing Technology Creation

As previously mentioned, we have evolved since the founding of the company as we expand our business domain through the acquisition and integration of technologies. Going forward, we will create a continuous source of competitive advantage for ourselves in the global market through maximizing technology synergies from three perspectives: business, region, and generation. In doing so, we will maximize our corporate value by providing products and services that help resolve social issues.



Quality and Production Strategy

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
 Senior Director of Devices Business Unit, Quality, Engineering, and Production
 Representative Director, Nitec Precision and Technologies, Inc.

Yutaka Nishimoto



Concepts and Approaches to the Evolution of Quality and Production

Our approach and strategy to evolve quality and production is embodied in our actions based on the four perspectives of the balanced scorecard (BSC).

In our approaches from corporate value and customer perspectives, we set key performance indicators (KPIs) for quality, cost, and delivery time (QCD). We then formulate plans and implement the PDCA cycle to achieve these indicators, which unify management with employees in the field. We aim to continuously earn the trust and satisfaction of our customers by achieving better quality, lower costs, and shorter lead times. We recommend that these indicators are drilled down to individual target indicators to allow all employees to participate. Our slogan for quality is "I am responsible for quality." Behind this slogan, each employee takes a leading role in implementing the Basic Quality Policy to ensure quality from the perspective of our customers. As for production, we aim to visualize and eliminate all kinds of wastefulness. The

Quality and Production initiatives are implemented throughout the company, our businesses, and all over the globe.

From the perspective of internal processes, we follow a structured work approach. We believe that structured work should work globally, as such we establish and operate a management system based on international standards appropriate for the target markets. Our company encourages improvements in productivity and efficiency based on this structure as well as safety and 5S activities. We additionally foster a corporate culture of never-ending improvement through ongoing small-group activities and operations of our improvement proposal system. In recent years, we began analyzing accumulated big data with statistical tools and digital technology and are using it in our QCD improvement efforts. For example, we work to improve both the quantity and quality of the quality assurance accuracy of automatic visual inspection systems by processing image data through AI.

Quality and Production Strategy Map (Balanced Scorecard)

Financial	Number of serious quality incidents: 0		Financial		Non-financial
	Quality cost to sales ratio: 3% (2023) Cost to sales ratio: 70%		Profitability	Efficiency	CO ₂ reduction
Customers	Improving customer satisfaction and solving social issues		Quality	Cost	Procurement and supply system
Internal Processes	Structuring work and improving productivity	Structured Work		Productivity Improvement	
		Response to priority markets and new standards	Management system		Encouraging factory automation
		Surveillance of serious accident and quality deception	Encouraging digital transformation		Encouraging process improvement
		Machine safety	Correspondence with overseas bases		Encouraging small group management
Learning and Growth	Global human resource development	Fostering a culture of quality, improvement, and safety	Knowledge training for quality, improvement, and safety	Growth through improvement projects	Sharing best practices

Finally, in terms of our approaches from a learning and growth perspective, we encourage employees to both learn and apply their learnings to help improve productivity and efficiency. Nissha encourages employee participation through synchronizing company growth with personal growth and awarding their achievements

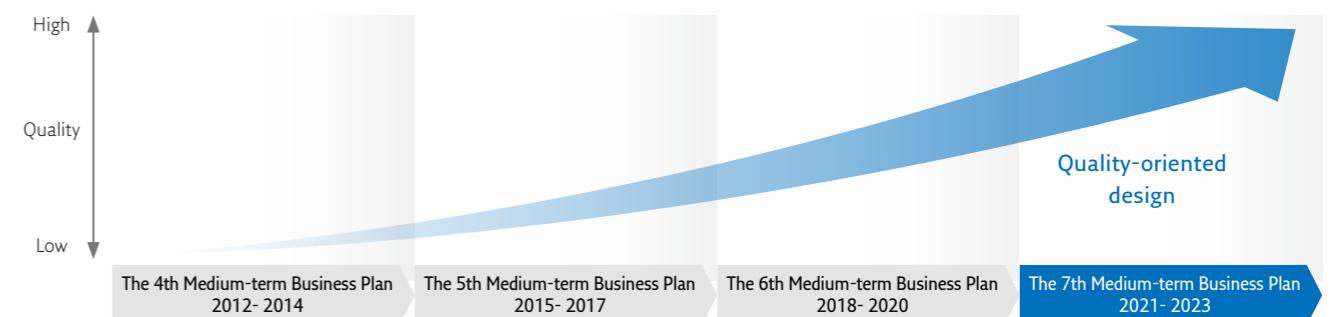
in those activities. In anticipation of the synergistic effects of these activities, Nissha actively distributes videos and company newsletters about these initiatives to reach out to all of our global locations.

Specific Initiatives That Contribute to Improved Productivity

Historically, Nissha has engaged in various activities to continuously evolve our quality and production. The 4th Medium-term Business Plan (2012-2014) focused on measures to prevent outflow of defects to outside of the company, by sorting out defects made, and emphasized quantity over quality. However, participating in various activities and making steady efforts over the years led us to create the current 7th Medium-term Business Plan. This current plan aims to shift from accident management to preventive measures, focusing on robust design initiatives that incorporate design to prevent defects in the design phase. We are working to speed up

these improvements through the use of digital technologies. These efforts are based on our concept of the own-process completion (no defects and no passing on to the next process). For example, this allows for the automatic trend management of quality data of each process, and equipment operation to be stopped, and for us to take action before abnormalities occur. Going forward, we plan to enhance the accuracy of quality assurance by automatically monitoring the direct process conditions that affect quality, rather than relying on inspection.

Evolution of Quality and Production Engineering from Accident Handling to Preventive Measures



The 4th Medium-term Business Plan 2012-2014	The 5th Medium-term Business Plan 2015-2017	The 6th Medium-term Business Plan 2018-2020	The 7th Medium-term Business Plan 2021-2023
Prioritization of quantity over quality, prevention of defective products leaks <ul style="list-style-type: none"> Focus on prevention through shipping inspections Restart small group management Restart ISO 9000 	NTQM (Total Quality Assurance System) <ul style="list-style-type: none"> Component quality management Process control management 	Process Management <ul style="list-style-type: none"> Smart QC (AI/IoT) 5S Quality slogan 	Robust Designing <ul style="list-style-type: none"> Quality-oriented design Encourage digital transformation

Nissha focuses on human resource development in our quality and design departments to continuously improve productivity and efficiency. The training curriculum for these departments includes curriculum to enhance management skills (such as production master certification and quality control certification) as well as materials to increase expertise (such as for quality auditors, safety assessors, and AI/machine learning). In 2022, a total of 736 employees participated in this curriculum. We expect these employees to put their studies into practice and produce results in internal activities aimed at improving productivity and efficiency. We encourage employee participation by awarding them in accordance with their achievements in small group management and improvement proposal systems.

In addition to traditional improvement activities, we began training DX human resources to promote digitalization. In 2023, Nissha entered into a joint research and collaboration agreement with Shiga University to develop DX human resources, which are in short supply, through internal training and internalizing such expertise. We will continue to accelerate our activities.




Business Strategy

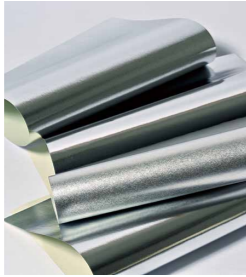
Business Main Products and Target Markets Highlights Financial Highlights and Medium-term Outlook ROIC

Industrial Materials


Decorative Film/Molded Parts




Metallized Paper




Sustainable Molded Products







Target Markets




Mobility



Home Appliances



Labels for Beverages and Foods



Pharmaceutical Packaging

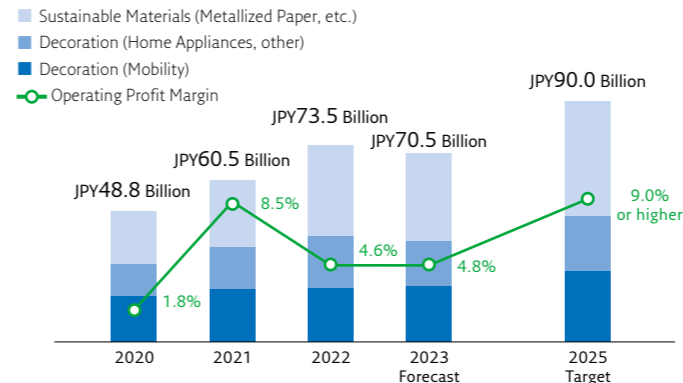
Decorative Molded Parts Global Network

Mobility New Products Drive Growth

Metallized Paper Market Global Share No. 1

Sustainable Molded Products Accelerated Growth Investments

Financial Highlights and Medium-term Outlook



Year	Revenue (JPY Billion)	Operating Profit Margin (%)
2020	48.8	1.8%
2021	60.5	8.5%
2022	73.5	4.6%
2023 Forecast	70.5	4.8%
2025 Target	90.0	9.0% or higher

- New products related to CASE and decarbonization driving growth in the mobility market
- Sustainable molded products (packaging) for pharmaceuticals growing as the need for plastic-free expands

ROIC

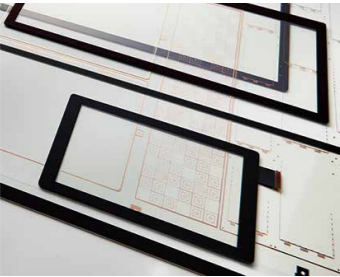
2022: 5.0% → 2025: 10.0%

Initiatives to Improve ROIC

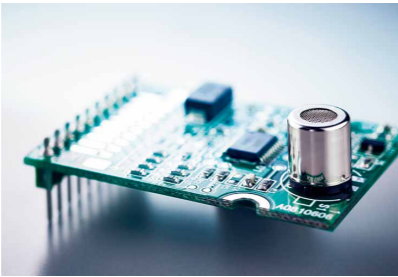
- Expand sales and profitability through new high-value-added products
- Maximize utilization of global assets


Devices

Film-based Touch Sensors




Gas Sensors







Target Markets




Tablets and Smartphones




Mobility



Portable Game Players



Industrial Equipment



Gas Sensors

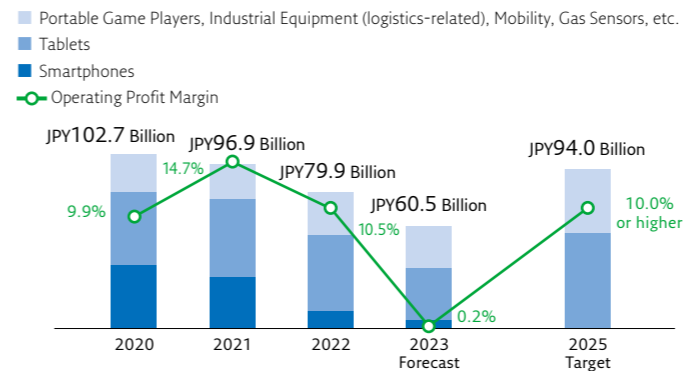
Tablets Product Upgrades

Gas Sensors Production Capacity Expansion

Productivity Improvements Automation and Digital Transformation

Alcohol Breathalyzers Rapid Expansion

Financial Highlights and Medium-term Outlook



Year	Revenue (JPY Billion)	Operating Profit Margin (%)
2020	102.7	9.9%
2021	96.9	14.7%
2022	79.9	10.5%
2023 Forecast	60.5	0.2%
2025 Target	94.0	10.0% or higher

- Demand for tablets to grow in 2024 onwards, with sales growth stemming from product upgrades
- Expanding orders in the mobility market
- Expanding demand for refrigerant leak detection sensors for air conditioners in addition to alcohol breathalyzers in the gas sensor market

ROIC


2022: 30.1% → 2025: 30.0%

Initiatives to Improve ROIC

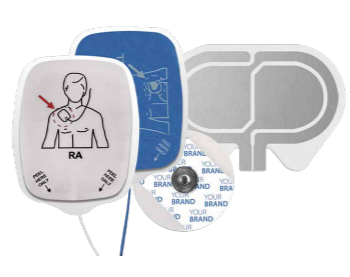
- Improve efficiency of existing businesses further, particularly related to tablets
- Return to growth through an expanding gas sensor business


Medical Technologies

Minimally Invasive Surgical Devices

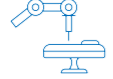


Wearable Medical Sensors





Target Markets



Medical Devices

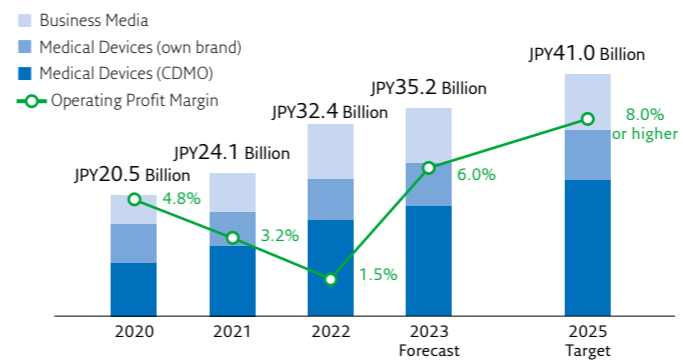
Operating Profit Recovery and Expansion

CDMO Expanding Order Pipelines

Stronger Design and Development Capabilities Value-Added

M&A Budget JPY20.0 Billion

Financial Highlights and Medium-term Outlook



Year	Revenue (JPY Billion)	Operating Profit Margin (%)
2020	20.5	4.8%
2021	24.1	3.2%
2022	32.4	1.5%
2023 Forecast	35.2	6.0%
2025 Target	41.0	8.0% or higher

- Sales growth for medical device CDMO to exceed market growth rate (2020 ⇒ 2025 CAGR 15%)
- Smartification will bring business opportunities in minimally invasive surgical devices
- Aggressive M&A to expand capabilities

ROIC

2022: 0.8% → 2025: 6.0%

Initiatives to Improve ROIC

- Aggressive growth investments focusing on M&A
- Improved profitability and efficiency

Business Strategy

Industrial Materials



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



Highlights of Our Medium- to Long-Term Strategy (Decoration): Expanding Business Opportunities in Mobility

As the shift to electric vehicles (EVs) continues, interior component design increasingly favors advanced expressions that include lighting in tandem. Autonomous driving will transform car interiors into a space for content consumption, requiring designs offering appropriate texture and harmonization with surroundings. Our capabilities to combine design and function allows us to continue to offer high value-added products now and in the future. Further, we expect business opportunities to expand as our technology becomes more widely adopted in exterior components, including the front grille and headlamp areas —the “face” of the automobile.

with EV vehicles, since the drive motor does not generate sufficient heat. Therefore, a heating function for the front grille and other components become necessary for heating, which is where our technology comes into play. Our decorative film solution uses less energy in production than conventional painting methods. So we believe the use of our decorative film on the front grill and other parts of the vehicle not only contributes to improved design, but also reduces the environmental burden.

Examples of these applications include the following. In general, heat generated by the engine is used to melt snow stuck to the headlamps and front grille. This application is not possible, however,

With an eye toward such business opportunities, we decided to invest approximately JPY3.0 billion in exterior component production facilities in Germany. As with interior components, we will establish a system that globally facilitates local production for local consumption.

Decoration

Industrial Materials is a global business segment leveraging proprietary technologies to add design, function, and other value to the surfaces of various materials. The segment consists of two areas: Decoration and Sustainable Materials.

In Decoration, we feature IMD and IML technologies that add designs to plastics during the molding process. We also offer modular products incorporating functions including heating and lighting that are widely used in the global market for mobility (automobiles) and home appliances.

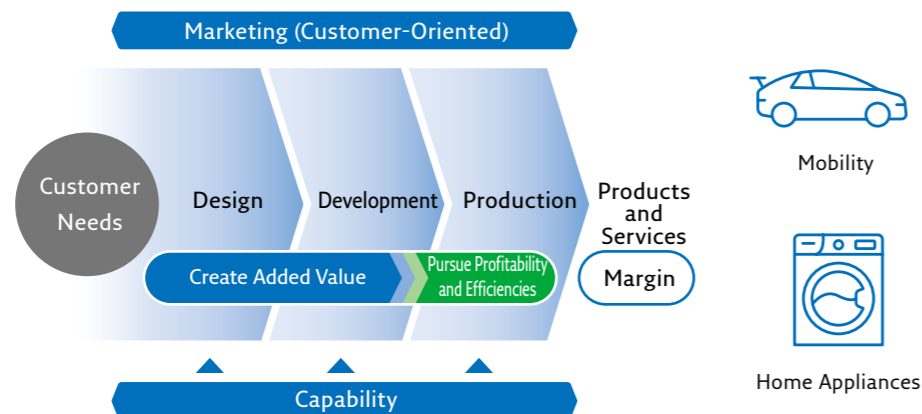
The strength of Industrial Materials is our comprehensive range of proposals that encompass not only color, design, material,

and finish (CMF), but also form and function. This business provides a stable supply of products and services of consistently high quality on a global basis. To achieve this level of service, we operate locations for design, development, production, and sales not only in Japan, but also in the United States, Germany, and China. This structure allows us to quickly identify the needs of our customers and supply products in each region.

As a result, we enjoy direct partnerships with finished goods manufacturers and component manufacturers, even while employing a BtoB model that delivers intermediate goods.

Strengths of Industrial Materials (Decoration)

	Marketing	Partnerships with top global manufacturers (Mobility, Home Appliances, etc.)
	Design and Development	Design (CMF*); combined proposals for form and function *Color, Material, Finish
	Production	Products supply that meet local needs (local production for local consumption) Constant supply and stable quality of products and services for the global market



Functional Modules for Mobility Interiors and Exteriors Drive Growth

A Changing Market

Major Changes in Mobility Market

Shift to EVs	Autonomous driving
Connectivity	Responding to climate change

Areas Where We Contribute Through Our Capabilities

Comfort	Improved interior comfort
Convenience and Safety	Improved communication between humans and cars
Sustainability	Reduced environmental impact

}

Decoration x Functional Modules (Interiors and Exteriors)

Decoration

- Diverse design expressions (light transparency, etc.)
- Reduced environmental impact

×

Features

- Lighting
- Heating
- Touch UI

Strategy Highlights

- Capture business opportunities through partnerships with top global manufacturers
- Modularize diverse decorations and variety of functions
- Engage in local production for local consumption (design, development, production)

Capital Investment in Germany: New Products for Mobility

Nissha Schuster Kunststofftechnik GmbH, a group company in Germany, is investing in facilities for new products that respond to the market shift to EVs.

The new plant will be completed in 2024 for the production of exterior parts around the front grille and headlamps. We plan to begin mass production in 2025. In parallel, we plan to invest in a development center next to the new plant to pursue localized development.

49

50



Sustainable Materials

In Sustainable Materials, we conduct global development under the *Nissha ecosense* brand. We develop our current mainstay metallized paper and sustainable molded products, which provide business

opportunities, to meet growing needs for reduced environmental impact.

Metallized Paper

Strengths

Combining metallic luster and printability, metallized paper is mainly used for beverage and food product labels and packaging. Our strength lies in our capabilities to provide a stable supply of products to customers around the world **from our global business centers** in Europe (Italy, Belgium, Germany), North America, and Brazil. At the same time, we have stable access to procure raw materials from suppliers in various regions.

Nissha is the first choice among customers for our stable business operations and high quality. It goes without saying that we own the **top share of the global metallized paper market**.

Highlights of Our Medium- to Long-Term Strategy

We expect demand for our products to continue to increase, driven by heightened global environmental awareness. Improving production efficiency, or in other words, increasing the total asset turnover ratio, will be an important initiative. We have named an individual in charge of a total of five production plants located around the world globally, aiming to improve profitability through common KPIs. As a medium-term strategy, we develop new products incorporating water resistance and other functions, seeking to expand applications in food and other areas where the adoption of sustainable materials will continue to grow globally.

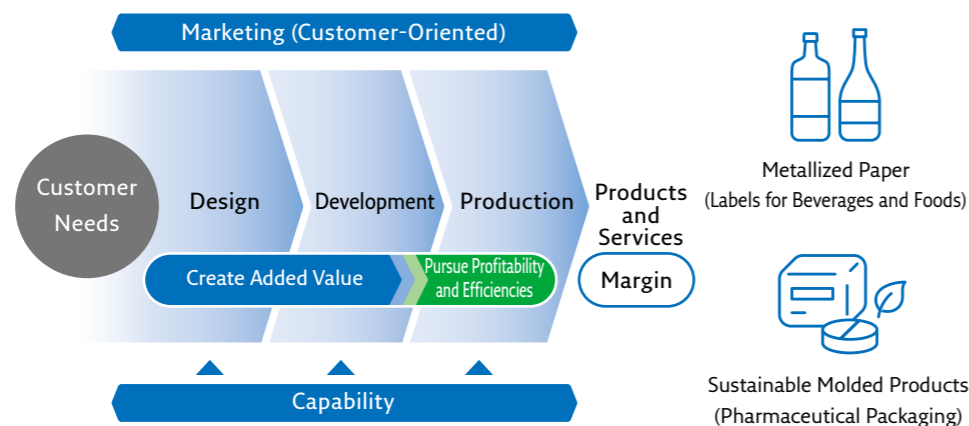
Strengths of Industrial Materials (Sustainable Materials)

Metallized Paper

	Marketing	• Top global share of the metallized paper market (55%)
	Production	• Global business foundation (local production for local consumption)

Sustainable Molded Products

	Marketing	• Business infrastructure (Europe, Japan) to meet needs for environmental impact reduction
	Design and Development	• Plant-based materials • Diverse materials and processes tailored to specific applications



Sustainable Molded Products

Strengths

The pharmaceutical and dietary supplement markets are beginning to adopt Nissha sustainable molded products made from **plant-based materials**. We utilize assets that include molding technology cultivated in the decorative field, as well as global production sites. Our strength is our capabilities to meet the diverse needs of various markets through extensive product lineups of **sustainable molded products that combine materials and processing technologies**.

In response to growing needs to reduce environmental impact, applications for these materials are growing to include precision components for telecommunications, hair care and other beauty care products, cosmetics, and daily necessities. And we are expanding our production facilities to meet demand.

Highlights of Our Medium- to Long-Term Strategy Highlights

Nissha Schuster began operations of a new plant in April 2023. We invested approximately JPY700 million in this plant to increase the supply capacity for sustainable molded products for pharmaceuticals. We plan to expand our facilities over the next few years in response to the movement toward de-plasticization and recycling, expecting strong growth.

In addition, we are receiving numerous requests from the pharmaceuticals and various other markets for sustainable molded products. We continue to conduct research and development actively to meet the needs of each market. Our plans to expand capabilities through in-house development, M&A, and partnerships. The new products developed will be supplied from our global production sites, and as with metallized paper, we aim to create businesses boasting world-class market shares.

Emerging Needs for De-Plasticization, Accelerating Growth Investments in Sustainable Molded Products

Metallized Paper

- Maintaining top market share
- Improving productivity and efficiency
- Expansion of applications

Sustainable Molded Products

Plant-Based Features Strength Complex Shapes

Sustainable Molded Products Net Sales Target JPY 10.0 Billion (2030)

Same as Plastics

Highlights of Our Medium- to Long-Term Strategy

- Strengthening Product Lineups
- Expansion of Applications
- Increase Production Capacity at Global Sites

Expanding Applications

PaperFoam®
Packaging towards a sustainable future

Investments in PaperFoam: Strengthening Our Product Lineups

In April 2023, we entered into a capital and business alliance with European packaging manufacturer PaperFoam Holding B.V. (Netherlands). PaperFoam is engaged in the production of foam molded products made from plant-based materials. The company's products feature shock-absorbing properties tailored well to packaging applications for fragile items and precision equipment. In the future, we plan to install production lines for foam molding products and to develop product in collaboration with PaperFoam. This capital and business alliance will strengthen our sustainable molded product lineup to meet the diverse needs of various markets.

Business Strategy

Devices



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

Devices produces components and modules that offer precision and functionality. Our current mainstay products in the business are film-based touch sensors, which are thin, light, flexible, have excellent transparency, offer high resolution, and provide durability, taking advantage of the characteristics of film. Our products are **used by top global manufacturers across a wide range of markets** including tablets, smartphones, industrial equipment (logistics-related), portable game players, and mobility. We also boast **world-class production capacity** to supply products to these markets in a consistent and stable manner. Apart from film-based touch sensors, we manufacture gas sensors that detect minute amounts of gas. Demand is growing for applications that include gas leak alarms, alcohol breathalyzers, refrigerant leak detection sensors for air conditioners, and hydrogen detectors for fuel cell vehicles. We supply these products to customers **not only as sensor components but also as modules or finished**

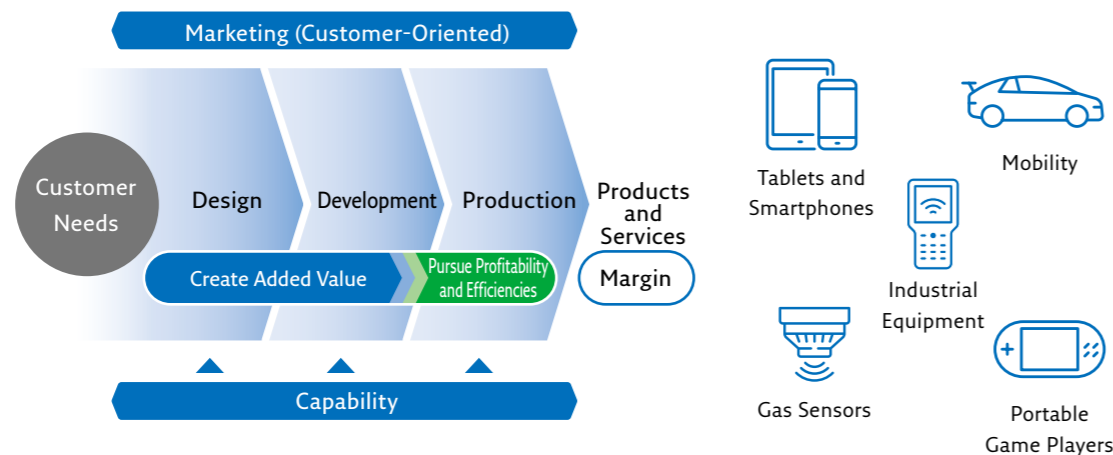
products according to need.

Our strength lies in our processing function, which achieves **high resolution, high quality, and stable supply**. By selecting materials that meet customer needs and combining these materials with proprietary processing processes, we provide components and modules for a variety of customer products in addition to touch sensors. One example is a sensor that measures the magnitude of pressure or strain applied to a product.

We are also leveraging our business model to offer added value by designing product housings, electronic circuits, and software in-house. In the area of gas sensors, for example, we provide one-stop production capabilities from material design to finished products according to customer need. We also supply original design manufacturing (ODM) under customer brands while selling certain products under our own brands.

Strengths of Devices

Marketing	<ul style="list-style-type: none"> Partnerships with top global manufacturers (IT Devices, Mobility, Industrial Equipment, etc.) Offering modules and finished products in addition to sensor components
Design and Development	<ul style="list-style-type: none"> Process functions that achieve high resolution, high quality, and stable supply
Production	<ul style="list-style-type: none"> World-class production capacity to supply large volumes at stable quality



Highlights of our Medium- to Long-Term Strategy

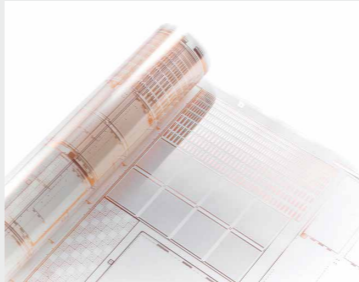

The IT devices market is the main target market for touch sensors. This market is in a mature stage, and we do not expect it to grow rapidly in the future. To achieve stable profitability in this business environment, we intend to leverage AI and digital transformation to make comprehensive production efficiency improvements. We also aim to expand sales by upgrading our products in 2024.

Demand for gas sensors, which we expect to be one of our next-generation mainstay products, is growing in various fields due

to trends toward stricter legal regulations, driven by heightened concern for safety and the environment. For example, the demand for alcohol breathalyzers is increasing in Japan to combat driving under the influence of alcohol. In the future, demand for refrigerant leak detection sensors for air conditioners and hydrogen detectors for fuel cell vehicles should grow globally to address the risk of climate change. We are developing products and increasing production capacity for these applications.

Stable Growth in Touch Sensors; Gas Sensors Driving Growth


Touch Sensors


- Tablets: Sales growth through product upgrades (2024 -)
- Pursue profitability and efficiencies
- Pursue digital transformation, including the use of AI

Existing Businesses


Growth by Expanding Applications



Alcohol Breathalyzers



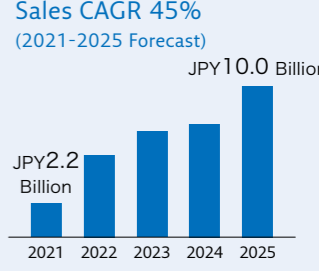
Refrigerant Leak Detection Sensor (for Air Conditioners)



Hydrogen Detector (for Fuel Cell Vehicles)

Gas Sensor Sales

Sales CAGR 45%
(2021-2025 Forecast)





Rapid Growth in Gas Sensors

As mentioned above, we expect demand for gas sensors to grow significantly in the future. To meet customer needs and ensure a stable supply of products, we are looking to construct additional production lines for gas sensors at group company Nitec Precision and Technologies, Inc., making investments for this purpose. Nitec Precision and Technologies is a group company responsible for the production of touch sensors. We aim to achieve further business growth by utilizing our expertise in stable mass production and productivity improvement, cultivated through the production of touch sensors, to mass produce gas sensors as well.

Business Strategy

Medical Technologies



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

Sam Heleba



Highlights of Our Medium- to Long-Term Strategy

The medical devices CDMO market is the mainstay market for the Medical Technologies business. We expect this market to grow at an even higher rate than the medical devices market. We have secured a pipeline with medical device OEMs and expect sales and profits to increase over the medium- to long-term. To ensure growth, we intend to expand capabilities further and accelerate joint development with the Nissha head office in Japan. In addition to existing areas (minimally invasive surgical

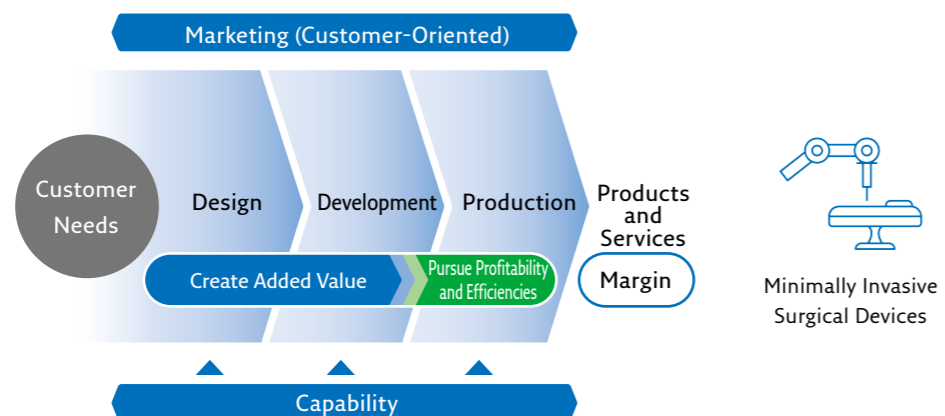
devices, etc.), we are looking to take advantage of new business opportunities for the digitization of medical devices, including surgical robots and smart devices. We plan to invest a total of JPY24.0 billion (JPY20.0 billion in M&A and JPY4.0 billion in capital investment) in these abundant business opportunities by 2025. We intend to create businesses that drive sales and profit growth as we pursue our Sustainability Vision.

Medical Technologies is a global provider of high-quality, value-added products in medical devices and related markets, led by the Nissha Medical Technologies Group, which is headquartered in the U.S. Our mainstay medical devices CDMO business model provides **integrated contract manufacturing, from design and development through production, for major medical device OEMs**. We also manufacture and sell products under our own brand, including single-use medical electrodes. In addition, we are involved in the production and sale of industrial chart paper, tickets, and other business media, enjoying a major share of the market in

the United States. The strength of the Medical Technologies business lies in our **strong base of business in North America, the largest market for medical devices**, as well as **solid partnerships with global medical device OEMs** through our medical devices CDMO business model. Through aggressive M&A, we have acquired necessary capabilities in design, development, and production, **providing high added value through superior design and development capabilities**. We also achieve **low-cost operations by leveraging our global manufacturing bases**.

Strengths of Medical Technologies

Marketing	<ul style="list-style-type: none"> Solid business foundation in North America, the largest market for Medical Devices Developing business models for integrated contract services, from design and development to manufacturing (CDMO) Partnerships with top global manufacturers (Medical Devices)
Design and Development	<ul style="list-style-type: none"> Providing value-added products (improved product functionality and usability) through superior design and development capabilities Improved productivity and efficiencies through product and process design
Production	<ul style="list-style-type: none"> Manufacturing capacity to handle small lots of various products and large lots



Expanding CDMO and Accelerating Investments in Growth for Design and Development

The Medical Devices CDMO Market is a Growth Market

Market	2019	2023 Forecast	CAGR
Global Medical Devices Market (US\$ Billion)	4,390	5,750	7%
U.S. Medical Devices CDMO Market (US\$ Billion)	179	263	10%
Medical Technologies Business Medical Devices CDMO (JPY 100 Million)	118	188	12%

Source: Our research based on 2023 U.S. MedTech Contract Manufacturing Report and 2021 MedTech Contract Manufacturing Report, Arila Health

Highlights of Our Medium- to Long-Term Strategy

Existing	Future
<ul style="list-style-type: none"> Secured and expanding pipelines 	<ul style="list-style-type: none"> Respond to innovations in medical devices

Pursuing Medical Devices Innovation Through OEM and CDMO

Medical Devices OEM <ul style="list-style-type: none"> Focus on marketing and endeavor to develop innovative products 	Medical Devices CDMO <ul style="list-style-type: none"> Vertical integration of technologies and capabilities to create and manufacture highly functional medical devices
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Medical device OEMs trending toward outsourced design, development, and manufacturing using medical device CDMOs

Aggressive Investments (through 2025)

M&A JPY20.0 Billion	Capital Investment JPY4.0 Billion
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* The photo is a conceptual image.

Profitability Improvement

The shortage of human resources in North America due to COVID-19 and other factors, supply chain disruptions, and supply constraints, and inflationary cost increases have all had a tremendous impact on business performance. In response to this situation, we implemented measures to improve efficiencies through production process automation and other labor-saving and improvement activities. We believe we have built production systems that embody lean operations. Today, profitability has improved, while demand for medical devices has increased following the subsidence of COVID-19.



New Business Development Office



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

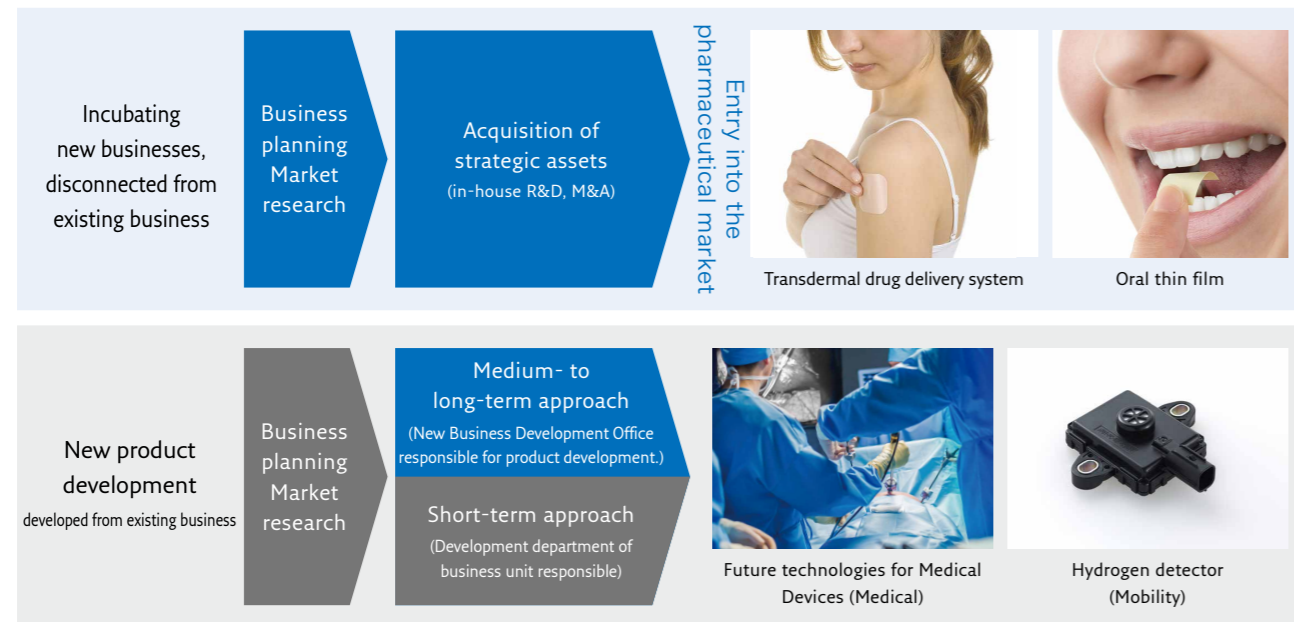
Wataru Watanabe

The Nissha Group has designated the four priority markets in which our business units engage: medical, mobility, sustainable materials, and IT devices. The New Business Development Office has three major roles in achieving our Sustainability Vision. The first is to develop new products that generate new business in our designated priority markets. The pharmaceutical business is a typical example. By deploying our core technologies in the pharmaceutical business, we are contributing to growth in the medical market, which is stated in our Sustainability Vision. The second is to be responsible for medium- to long-term product development in accordance with requests from our business units. For example, we are involved in the development of technologies and products related to the smart medical devices that will emerge in the future, and we are developing hydrogen detectors for fuel cell vehicles. We also support our business units in their marketing activities. The third is to promote the research and development of advanced technology

that will lead to new products and new business. We will enhance the value proposition of our products by expanding and aligning our core and peripheral technologies.

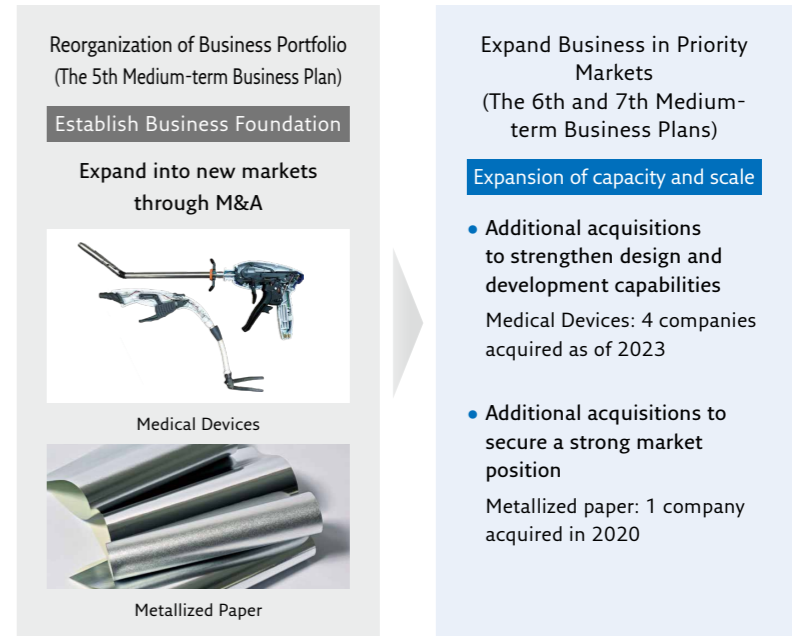
The role of the New Business Development Office will be to strengthen cooperation with business units both domestic and overseas offices, and accelerate the development of new business and products by marketing that comes from a prospective that is both strategic and technological. In addition, in a world where demands and technology are changing rapidly, rather than restricting ourselves to in-house development of our own technology, we must actively utilize ideas and technologies obtained from outside our company through corporate acquisitions, business alliances, and other means. In order to make the best use of our technology, the New Business Development Office will constantly seek out the points of contact between technology and the market.

Role of New Business Development Office Nurturing the Problem Child



Leverage Global Alliances

In line with our strategy of reorganizing our business portfolio, we entered the medical and sustainable materials markets via M&A during our 5th Medium-term Business Plan. During the subsequent 6th Medium-term Business Plan and the current 7th Medium-term Business Plan, in order to further enhance the solid business foundation we have already built, we are pursuing M&A with the aim of expanding our capabilities and increasing the scale of our business operations, and at the same time we are realizing synergies with companies that we have acquired in our push to maximize corporate value. We will move closer toward achieving our Sustainability Vision with greater speed by proactively utilizing outside capabilities rather than just limiting ourselves to what we can do in-house.

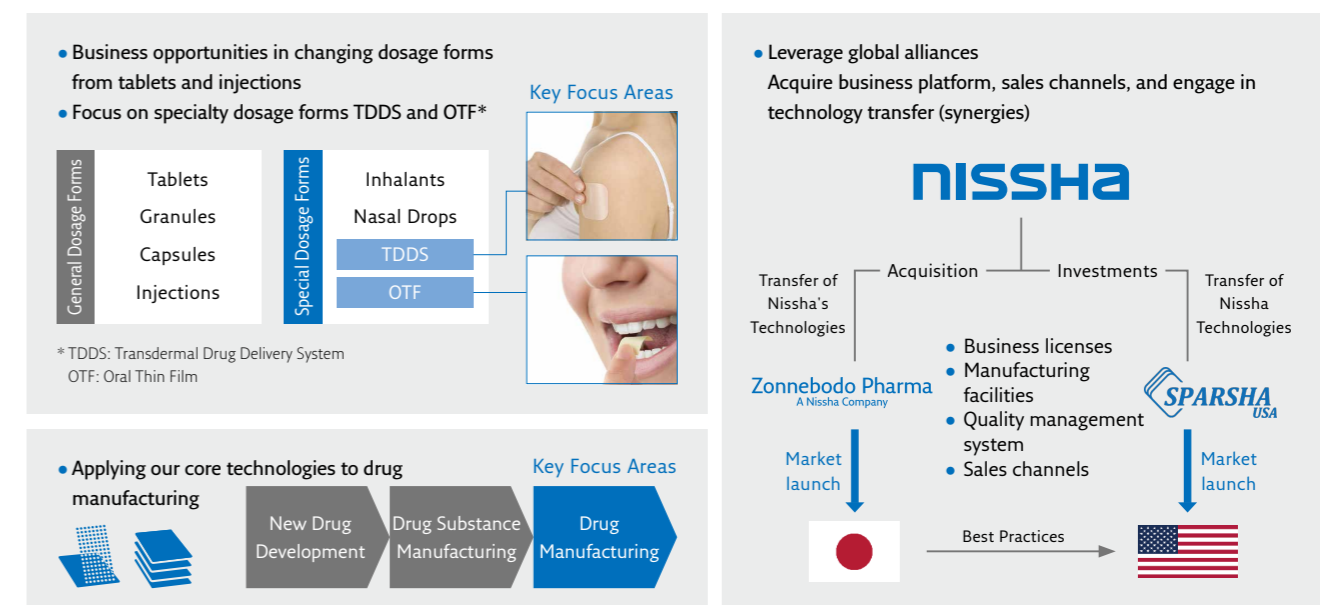


* The photo is a conceptual image.

Pharmaceutical Business Strategy

In the medical market, a priority market for us, we have focused on Drug Delivery Systems (DDS) and have been developing film products (oral thin films, transdermal drug delivery systems). These products fully utilize our core technologies. In 2019, we entered the domestic Japanese pharmaceutical business in a significant way with the acquisition of Zonnebodo Pharmaceutical Co., Ltd. (Hachioji, Tokyo). In addition to existing prescription drugs, synergies have already materialized in the development and launch

of quasi-drugs and other new products. We have also acquired a stake in Sparsha Pharma USA, Inc., a U.S.-based company with high growth potential in DDS. We plan to transfer our oral thin film technology to Sparsha in the future. Our Sustainability Vision includes a target of JPY20.0 billion in sales in 2030 in the pharmaceutical business. We will expand our business in the U.S. market, the world's largest, and also in the Japanese market.



Corporate Governance

Nissha Corporate Governance System

Since our founding, Nissha has implemented strategies under the strong leadership of our management to correctly address changes in the business environment. We believe that a combination of strong corporate governance and this type of leadership encourages swift, bold decision-making that ensures transparency and fairness

in management. Our company views corporate governance as a top management priority. Guided by this awareness, we endeavor to ensure sustainable growth and improve corporate value over the medium- to long-term by maintaining and improving our corporate governance structure.

Evolution of Governance

2007

- Reduced the term of office of Director of the Board from 2 years to 1 year and clarified management responsibilities for each fiscal year
- Appointed 1 Independent Outside Director
- Abolished the executive retirement benefits system

2008

- Adopted Corporate Officer System, separating the functions of strategy formulation and management oversight performed by the Board of Directors and business execution functions of the Corporate Officer
- Reduced the number of Director of the Board from 14 to 9 and increased the number of Independent Outside Directors from 1 to 2

2014

- Increased the number of Outside Directors from 2 to 3, and appointed a female Director of the Board (Independent Outside)

2015

- Corporate Governance Policy was released
- Established the Nomination and Compensation Committee, Independent Outside Directors account for the majority of the committee members and serve as the chairman, and started operation
- Appointed 1 foreign Corporate Officer

2016

- Started analysis and evaluation of the effectiveness of the Board of Directors
- Increased the number of Independent Outside Directors from 3 to 4
- Increased the number of foreign Corporate Officers from 1 to 2
- Started operation of performance-linked stock compensation plan for Directors of the Board (excluding Independent Outside Directors) and Corporate Officers

2019

- Appointed a foreign Director of the Board (Independent Outside)
- Developed a skills matrix

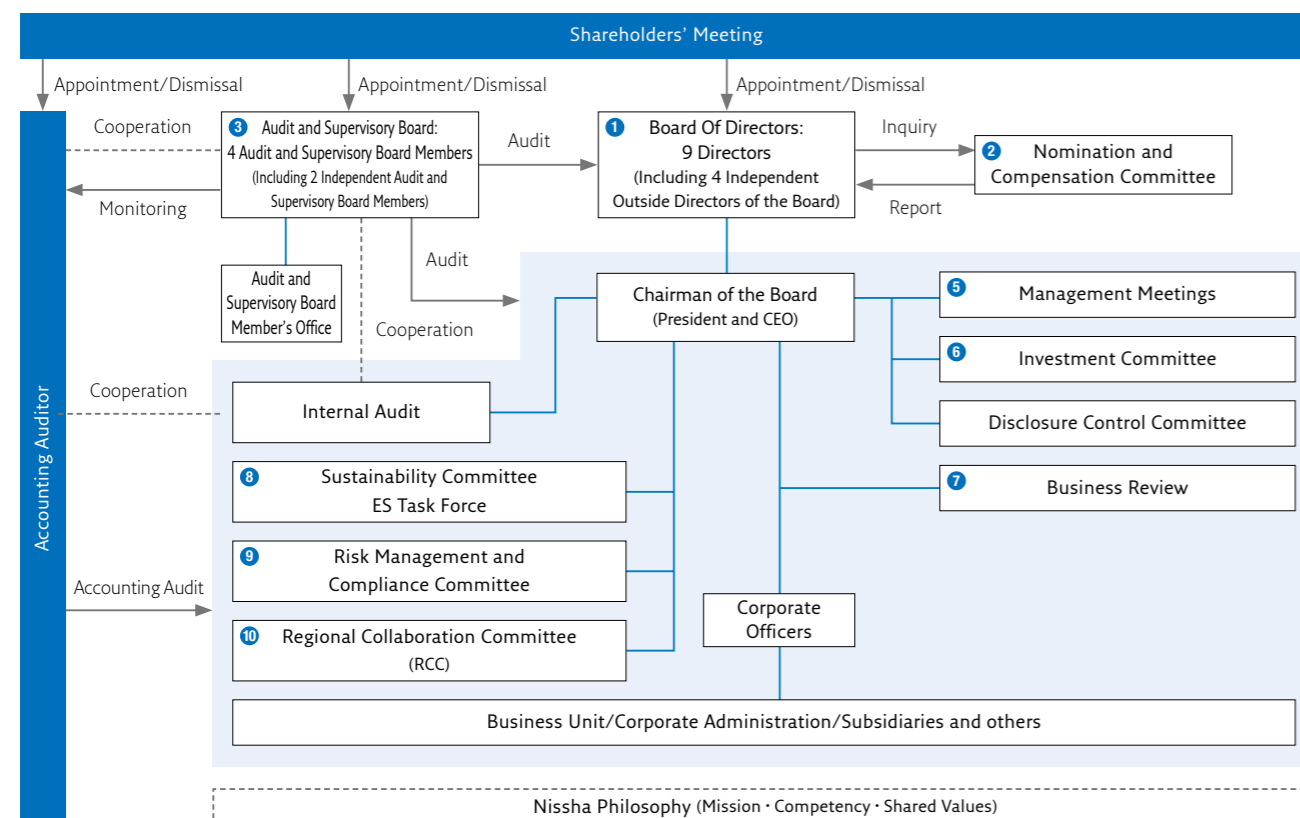
2020

- IFRS voluntary adoption
- Revised the criteria for tabling items at meetings of the Board of Directors and reviewed the operations of the Investment Committee

2021

- Discussed the skills needed for our Board of Directors to realize our Sustainability Vision and revised the skills matrix

Corporate Governance Structure



1 Board of Directors (→ P.61)

2 Nomination and Compensation Committee (→ P.66)

3 Audit and Supervisory Board Members and Audit and Supervisory Board

In accordance with laws, regulations, the Articles of Incorporation, and various rules, our Audit and Supervisory Board Members and the Audit and Supervisory Board make appropriate judgments from an independent and objective standpoint with regard to the decision-making process of Directors, auditing of management conditions, appointment and dismissal of the accounting auditor, and exercise of authority concerning audit fees. Full-time Audit and Supervisory Board Members conduct audits from the perspective of their extensive business experience at the company. Independent Audit and Supervisory Board Members conduct audits from the perspective of their advanced expertise as lawyers and certified public accountants. In this way, they both contribute to the maintenance and improvement of our corporate governance system. In addition to making resolutions on statutory matters, the Audit and Supervisory Board also enhances information sharing through explanations of important matters and reports on the status of audit activities by each Audit and Supervisory Board Member.

4 Triangle QBR (Quarterly Business Review)

A quarterly meeting to exchange information among Internal Directors, full-time members of the Audit and Supervisory Board, and the Internal Audit Office. Full-time members of the Audit and Supervisory Board share information and awareness of issues gained in the course of their own duties and audits, as well as information and awareness of issues gained in the course of audits by the Internal Audit Office as the third line of defense. Through information sharing and enhanced communication among the three parties, we are strengthening the auditing and supervisory functions of Directors and members of the Audit and Supervisory Board, respectively. In addition, a summary of the discussions in this Triangle QBR is reported to the Board of Directors twice a year.

5 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.

6 Investment Committee

For highly important investments, we ensure the integrity of our investment decisions by discussing the strategic rationale for the investment and the appropriateness of the investment reclamation strategy plan before submitting them to the Board of Directors, and conducting regular monitoring of executed investments on a quarterly basis.

7 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 (Corporate Officers) from each business. Held on a monthly and quarterly basis, it reviews business strategies based on KPIs and discusses actions to be taken in the short term. Its purpose is to monitor the execution of business by Corporate Officers and to respond promptly to changes in the business environment. In addition, the company appoints managers from important group companies as executive vice presidents and senior vice presidents within the head office. These officers 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.

8 Sustainability Committee: (→ P.26 Sustainability and Materiality)

9 Risk Management and Compliance Committee

(→ P.26 Sustainability and Materiality)

10 Regional Collaboration Committee (RCC)

Established in the Americas, Europe and China, the Regional Collaboration Committee is an organization that aims to equalize and homogenize the capabilities of group companies located in the same region in matters related to the Nissha Group strategy and administration through cooperation and the exercise of their respective capabilities. Based on our globally applicable basic guidelines, activities are planned and implemented by function-specific councils whose members are selected from the executives and employees of overseas group companies, in order to take into account the specific characteristics of each region. We also aim to share good practices within the region and create synergies. The activities of the RCC are reported to the President and CEO on a regular basis, as well as to the Board of Directors once a year, along with the activity policy for the following year.

Meetings

	2022	January	February	March	April	May	June	July	August	September	October	November	December
1 Board of Directors		1	2	2	1	2	1	1	2	1	1	2	1
2 Nomination and Compensation Committee		1		1							1	1	1
3 Audit and Supervisory Board Members and Audit and Supervisory Board		1	2	1	1	1	1	1	1	1	1	1	1
4 Triangle QBR (Quarterly Business Review)*1						1			1				1
5 Management Meetings		1	1	1	1	1	1	1	1	1	1	1	1
6 Investment Committee		1			1			1			1		
8 Sustainability Committee		1			1			1				1	
9 Risk Management and Compliance Committee		1			1			1				1	
10 Regional Collaboration Committee (RCC)*2		1	2	2	0	2	2	2	1	1	1	2	1

*1 Triangle QBR began operation in June 2022.

*2 Only regular reporting meetings to the President and CEO are shown.

Directors and Board of Directors

Policies and Procedures for Appointment/Dismissal of Directors of the Board

The Board of Directors consists of an appropriate number of up to 12 members. When appointing directors, we consider the balance of skills and diversity required for our Board of Directors. At least one-third of the Board of Directors must be Outside Directors, who meet not only the requirements for Independent Outside Directors as stipulated in the Companies Act, but also meets the Standards for Independence of Independent Officers* 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 the Board of Directors are selected based on the above policy and after deliberation by the Nomination and Compensation Committee. The Nomination and Compensation Committee then reports to the Board of Directors, which makes a decision based on the report.

* Reference/ Corporate Governance/ Standards for Independence of Independent Officers <https://www.nissha.com/english/company/governance/index.html>

Skills Needed for the Board of Directors

The company considers the optimal and balanced distribution of experience, knowledge, and skills among the Board of Directors in those fields that are necessary based on our management strategy to be key for the Board to make important management decisions and exercise high levels of effectiveness in supervising the execution of the company's business. In addition, those fields will change as the business environment changes.

Sustainability Vision (long-term vision for 2030). In addition, we have established a medium-term strategy reflecting our Sustainability Vision for 2030, and formulated strategies to take us there in the form of medium-term business plans of three years. For us to achieve them, we consider the experience, knowledge, and skills in the following fields of particular importance for the company's Board of Directors.

Where we want to be by 2030 is presented in the form of our

Our views on the required fields and the skills matrix are as follows.

Our Views on the Required Fields

<ul style="list-style-type: none"> • Internationality 	We are a company with a global reach, and our Directors of the Board must have experience of management and business overseas, an awareness of the global business environment, and expertise in them
<ul style="list-style-type: none"> • Corporate management, Management strategy • Business development, Business strategies, M&A • Sales, Marketing • Production, Quality, Technology, Research and development 	To effectively debate growth strategies at the Board of Directors meetings, it is necessary to have practical experience and knowledge of the fields to the left
<ul style="list-style-type: none"> • Experience and knowledge in priority markets 	To effectively debate growth strategies at the Board of Directors meetings, it is necessary to have practical experience and knowledge of priority markets (Medical Devices, Mobility, Sustainable Materials, IT Devices) stipulated in the 7th Medium-term Business Plan
<ul style="list-style-type: none"> • Finance • HR Strategies • Legal, Risk Management 	The Board of Directors must have members with practical experience and knowledge in each of the fields to the left that form the basis for all judgments, in order to make important management decisions and exercise high levels of effectiveness in supervising the execution of the company's business

Skills Matrix

	Term	Generation	Gender	Independence *Outside Directors	Career at other companies *Inside Directors	Areas of particular specialty								
						Internationality	Corporate management, Management strategy	Business development, Business strategies, M&A	Sales, Marketing	Production, Quality, Technology, Research and development	Experience and knowledge in priority markets	Finance	HR Strategies	Legal, Risk Management
Junya Suzuki	23 years 9 months	50s	Male	—	●	●	●	●	●	●	●	●	●	●
Daisuke Inoue	5 years	50s	Male	—	●	●	●	●	●	●	●	●	●	●
Wataru Watanabe	5 years	50s	Male	—	●	●	●	●	●	●	●	●	●	●
Yutaka Nishimoto	2 years	50s	Male	—	●	●	●	●	●	●	●	●	●	●
Hisashi Iso	2 years	50s	Male	—	●	●	●	●	●	●	●	●	●	●
Kazuhito Osugi	6 years 9 months	60s	Male	●	—	●	●	●	●	●	●	●	●	●
Asli M. Colpan	4 years	40s	Female	●	—	●	●	●	●	●	●	●	●	●
Kazumichi Matsuki	4 years	70s	Male	●	—	●	●	●	●	●	●	●	●	●
Juichi Takeuchi	1 year	60s	Male	●	—	●	●	●	●	●	●	●	●	●

* Term and generation are at the conclusion of the general meeting of shareholders in March 2023

* The above fields are those where Directors can particularly exercise their specializations based on the experiences, etc., of each member of the Board. It does not show all the experiences, knowledge, or skills possessed by each director.

Role of the Board of Directors and Initiatives to Enhance the Content of Discussions

Our Board of Directors convenes for regular meetings once a month and for extraordinary meetings as needed. The meetings are chaired by the President.

The Board of Directors makes decisions on matters requiring resolutions of the Board of Directors pursuant to laws, regulations, and the Articles of Incorporation, as well as important management matters, in accordance with the Board of Directors Regulations. The Board of Directors also supervises the execution of duties by Directors and Corporate Officers.

Our Board of Directors engages in active and substantive discussions. Independent Outside Directors provide accurate suggestions and opinions based on their respective deep insights. The appointment of Independent Outside Directors improves management transparency and strengthens the supervisory function of the Board of Directors.

In order to improve the quality of discussions, the company sends agenda items and related materials for Board of Directors meetings in advance. In addition, the company provides Independent Outside Directors and Independent Audit and Supervisory Board Members

with advance briefings, focusing on important agenda items. In order to ensure thorough discussions, important agenda items, such as medium-term business plans and corporate acquisitions above a certain size, are discussed as reportable items before being brought up for resolution. Meanwhile, the company aims to operate in a balanced manner by allocating time for explanations and deliberations according to the importance of each agenda item.

To further improve the monitoring function of the Board of Directors, the company has established and operates a rule to regularly report to the Board of Directors on corporate acquisitions, the establishment of subsidiaries and joint ventures, and capital investments, depending on their significance. The Board of Directors receives and reviews such reports.

To secure attendance by Directors of the Board and Audit and Supervisory Board Members, the secretariat of the Board of Directors creates an annual schedule of board meetings and notifies members in advance.

Major Deliberations in 2022

Topic	Agenda
Management strategy	<ul style="list-style-type: none"> • Review of the 7th Medium-term Business Plan and formulation of the 2023 Rolling Plan
Corporate policies	<ul style="list-style-type: none"> • Personnel changes involving Directors and Audit and Supervisory Board Members/Personnel changes involving Corporate Officers • Executive compensation • Consideration of shareholder return policy • Financing (including bond issuance, borrowing, etc.) • Verification of reasonableness of strategic shareholdings • Report on the activities of the Sustainability Committee and ESG Task Force
Investment projects and monitoring	<ul style="list-style-type: none"> • Preliminary deliberations on M&A deals • Management reports from CEOs of important overseas group companies
Other	<ul style="list-style-type: none"> • General meeting of shareholders • Evaluation of the effectiveness of the Board of Directors • IR and SR reports • Presentation by Corporate Officers (business report)

Strategic Shareholdings

We believe that building relationships of trust with a wide range of customers, suppliers, financial institutions, local communities and others is essential, and we hold shares of stock of the enterprises determined necessary for the purpose of increasing sustainable corporate value.

A careful examination is conducted on the profitability of each holding based on the company's capital costs to validate the significance and

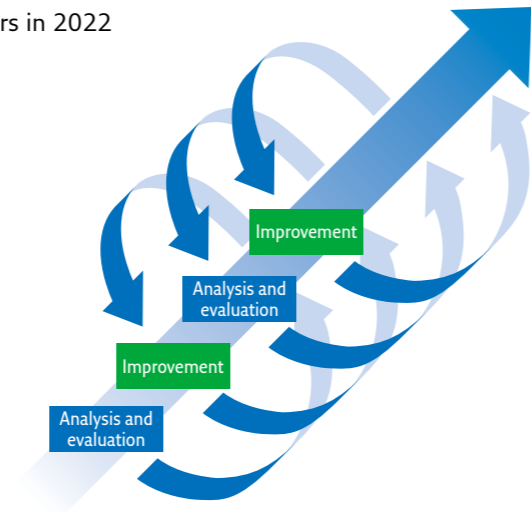
rational of each holding from a medium- to long term perspective, and a report on the significance and rational of its holdings is provided to the Board of Directors annually. As a result of deliberations by the Board of Directors, the shares of stock with diluted significance and rationale is gradually reduced while taking into consideration the effect on the share prices, the market and other factors. (→ P.88 Non-Financial Highlights)



Efforts to Improve the Effectiveness of the Board of Directors

Analysis and Evaluation of the Effectiveness of the Board of Directors in 2022

November-December 2022	A questionnaire survey of all Directors the Board and of the Audit and Supervisory Board Members
2022 December	All Independent Outside Directors were interviewed individually by external advisors
2023 January	Analysis of questionnaire responses and individual interviews
2023 February	Evaluation of effectiveness after reporting at Board of Directors meetings Discussion on improvement measures for identified issues



Evaluation of Questionnaire Responses and Individual Interviews

Questionnaire

All directors and auditors
Total of 46 questions (multiple choice and short answer)

Individual Interviews

All Independent Outside Directors

Use of external advisors for questionnaire design, individual interviews, and analysis of responses

Questionnaire evaluation items

- (1) Progress on last year's (2021) tasks
- (2) Composition, role, and operation of the Board of Directors
- (3) Information sharing and the support system for Independent Outside Directors and Independent Audit and Supervisory Board Members
- (4) Desirable Relationship between Internal Directors and Independent Outside Directors
 - Role of Independent Outside Directors
 - Role of Meetings Exclusively for Independent Outside Directors
- (5) Dialogue with shareholders and investors

Issues Identified in 2022 and Initiatives Set for 2023

Evaluation and challenges identified in 2021	<ul style="list-style-type: none"> • Affirm that Board of Directors is functioning appropriately and effectively • However, we identified the following issues: <ol style="list-style-type: none"> (1) Cooperation between the Board of Directors and the Audit and Supervisory Board as well as the utilization of the internal audit department (2) Further improvement of global governance
Initiatives for 2022	<ul style="list-style-type: none"> • Directors of the Board, Audit and Supervisory Board, and the Internal Audit Office shall establish a cooperative communication structure and regularly report to the Board of Directors on the information and issues identified through the course of their respective audits. • To further promote the utilization of internal controls, we have implemented Internal Control Checklists, which are used to assess and prioritize global risks and report to the Board of Directors on the operational status of the internal control system.

Assessment of efforts and challenges for 2022	<ul style="list-style-type: none"> • Confirm that the Board of Directors is functioning appropriately and effectively • The evaluations for each item were as follows: <ol style="list-style-type: none"> (1) Progress in issues identified in the past year (2021) <ul style="list-style-type: none"> • The issues identified last year are being taken seriously and linked to actions for the next fiscal year • Progress is being reported to the Board of Directors in a timely manner, demonstrating the tangible results of our improvement efforts (2) Composition, role, and operation of the Board of Directors, and others <ul style="list-style-type: none"> • In response to changes in the business environment, the Board of Directors reviews the composition of the Board of Directors from the perspective of knowledge, experience, and expertise, and the Board of Directors skill matrix is consistent with the direction of company-wide strategies. Furthermore, it is composed of personnel from diverse backgrounds and the ratio of internal to external members is appropriately balanced • The Board of Directors made changes to its decision-making criteria in 2020, delegating more authority to the executive side, which has resulted in a more streamlined operation. Additionally, there has been an increase in discussions regarding medium-term strategies. The Board also allocates sufficient time for discussions regarding the medium-term business plans and their rolling plans. In these discussions, the Board addresses management issues and confirms the direction of the plans, while reflecting ESG and sustainability issues in those strategies • The operational aspect of the Board of Directors, characterized by an informal, open, and collaborative environment that encourages frank and productive discussions, is the company's greatest strength • The chairman encourages a free and unrestricted exchange of opinions, actively asking questions of presenters and Internal Directors, even about seemingly obvious matters, in order to clarify points, etc. The Chairman effectively gives the impression of overseeing the Board of Directors from a higher perspective, gaining a comprehensive view of the proceedings. With our current Board of Directors, we do not see the need to separate the roles of the Chairman of the Board and the head of the executive • The Chair 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. The opinions of shareholders and investors obtained in this process are appropriately reported to the Board of Directors, and necessary matters are reflected in management (3) Desirable relationship between Internal Directors and Independent Outside Directors <ul style="list-style-type: none"> • The discussion on the desirable relationship between Internal Directors and Independent Outside Directors confirmed the ideal of dialogue and collaboration within the Board of Directors, according to which all directors share their opinions on an equal footing and improve the quality of discussions, which will lead to the enhancement and evolution of the Board of Directors in the future • The fact that we were able to reaffirm the ideal of Meetings Exclusively for Independent Outside Directors during the discussion will also prove effective in further improving the quality of discussions at the Board of Directors meetings in the future • The following issues were identified: <p>These challenges have shifted from a focus on the efforts of executive side of the Board to a focus on enhancing the quality of the Board of Directors through continuous evaluation and improvement initiatives</p> <ol style="list-style-type: none"> (1) Further enhancement of discussions on medium- to long-term strategies and management issues <ul style="list-style-type: none"> • In determining whether the company's strategies and related activities contribute to the long-term improvement of corporate value medium- to long-term, it is important that the Board of Directors does not focus on details but rather on the major direction of the company's strategy. It must also utilize opportunities such as off-site meetings for directors, such as Director Boot Camp, in order to create platforms for these discussions • Directors of the Board should strive to preserve desirable relationship between Internal Directors and Independent Outside Directors in board discussions, and Independent Outside Directors should utilize Meetings Exclusively for Independent Outside Directors to provide a base for further discussions at board meetings • In order to dedicate time to more fully discussing medium- to long-term strategies and management issues, it will be necessary to reexamine the criteria and operation of the Board of Directors' meetings (2) Enhancement of information sharing from both the Audit and Supervisory Board and the Internal Audit Office and further improvement of supervision over internal controls <ul style="list-style-type: none"> • Since 2022, full-time Audit and Supervisory Board Members have been sharing with the Board of Directors the status of the execution of their duties and the knowledge and information obtained in the course of their audits. The Internal Audit Office also reports to the Board of Directors findings and information obtained in the course of audits. These efforts are meaningful for sharing awareness about the establishment and operation of internal controls between the Board of Directors, Audit and Supervisory Board, and the Internal Audit Office. It is important to continue these initiatives in order to further enhance the supervisory function of the Board of Directors
2023 Measures	<ul style="list-style-type: none"> • Further enhancement of discussions on medium- to long-term strategies and management issues <ul style="list-style-type: none"> • The Board of Directors' agenda item criteria and operation were scrutinized again • Use Meetings Exclusively for Independent Outside Directors to organize and share information on Board of Directors' meeting agendas • Further enhancement of information sharing from Audit and Supervisory Board Members and reporting from the Internal Audit Office as well as further improvement of oversight of internal controls <ul style="list-style-type: none"> • Continue to share information from Audit and Supervisory Board Members and improve reporting of audit results by the Internal Audit Office

Activities and Measures to Support Independent Outside Directors and Outside Audit and Supervisory Board Members

In order for Independent Outside Directors and Outside Audit and Supervisory Board Members, who are responsible for auditing and supervising management, to maximize their functions and contribute to our management, we have implemented various measures to reduce the asymmetry of information between Internal and Outside Directors and Audit and Supervisory Board Members.

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

In an effort to improve the quality of discussions at meetings of the Board of Directors, materials related to the agenda and proposals are distributed in advance. On the day of the Board of Directors' meeting, the President and CEO and the officer in charge of the agenda provide supplementary briefings to Independent Outside Directors and independent members of the Audit and Supervisory Board. In addition to explaining the background and key points of important agenda items, the briefings also provide an opportunity for Independent Outside Directors and independent members of the Audit and Supervisory Board to meet and frankly exchange opinions, thereby deepening mutual cooperation.

Furthermore, if the Chairman believes that he or she does not have a sufficient understanding of the background information for a particular agenda item (e.g., trends in the M&A market, the company's development structure, etc.) during discussions of the Board of Directors, he or she instructs the executive side to set a new agenda which explains the overall picture regarding that topic. Minutes of the Management Meetings and Investment Committee Meetings are provided prior to meetings of the Board of Directors to ensure Independent Outside Directors and independent members of the Audit and Supervisory Board have access to internal information.

(2) Opportunities for discussion outside of board meetings

• Director Boot Camp (off-site meetings)

Since 2020, we have held an annual Director Boot Camp separate from the Board of Directors meetings, where topics of medium- to long-term importance are discussed over the course of a day.

In 2022, President Suzuki explained and discussed the transition of our brand management as well as corporate branding issues.

As in the previous year, Independent Outside Directors gave presentations related to their areas of expertise.

• Meetings Exclusively for Independent Outside Directors

Beginning in 2021, a meeting exclusively for Independent Outside Directors is held once a quarter to provide a forum for the free exchange of ideas and opinions.



(3) Opportunities for information and communication

• Appointment orientation

In order for newly appointed Independent Outside Directors and outside members of the Audit and Supervisory Board to deepen their understanding of the company, we conduct orientation sessions, including visits to our main plants, before or after their appointment. After appointment, they are duly provided with the information necessary to fulfill their roles and responsibilities. This information includes the status of the company business.

• Participation in company events (e.g., new product launch ceremonies, internal forums, etc.)

• Visits to business locations

In order for Independent Outside Directors and outside member of the Audit and Supervisory Board to deepen their understanding of our business operations, we provide opportunities for them to make on-site visits of our business locations, particularly our main factories.

• Dialogue and exchange with Corporate Officers and employees

We provide regular opportunities for dialogue and interaction between Independent Outside Directors and Corporate Officers and employees. We ensure that Independent Outside Directors have a multifaceted understanding of the company and various opportunities to gather information. At the same time, we also provide opportunities for them to meet with candidates for the next generation of management executives.

- Business reports to the Board of Directors by the CEOs of major overseas group companies (Nissha Medical Technologies Group and Nissha Metallizing Solutions Group)
- Presentations by Corporate Officers at the meetings of the Board of Directors
- Participation and discussion in joint meetings at the beginning of the fiscal year at which all group department heads gather



Nomination and Compensation Committee

Nissha established the Nomination and Compensation Committee as an advisory panel to the Board of Directors. The role of this committee is to ensure objectivity and fairness in the appointment and dismissal of Directors, the appointment of Audit and

Supervisory Board Members, and as a means to incorporate the knowledge of Independent Outside Directors. This Committee is chaired by an Independent Outside Director who represents the majority of its members.

Members (As of March 23, 2023)

4 Outside Members				2 Inside Members	
Kazuhito Osugi Committee Chair Independent Outside Director of the Board	Asli M. Colpan Committee member Independent Outside Director of the Board	Kazumichi Matsuki Committee member Independent Outside Director of the Board	Juichi Takeuchi Committee member Independent Outside Director of the Board	Junya Suzuki Committee member Chairman of the Board, President and CEO	Wataru Watanabe Committee member Director of the Board, Executive Vice President

Major Deliberations in 2022

Topic	Agenda
Independent Outside Directors of the Board	<ul style="list-style-type: none"> • Role of Independent Outside Directors • Meetings Exclusively for Independent Outside Directors
Composition of the Board of Directors and Audit and Supervisory Board	<ul style="list-style-type: none"> • Proposed appointment of Directors and Audit and Supervisory Board Members
Compensation system	<ul style="list-style-type: none"> • Trends in Independent Outside Director Compensation
Compensation for Directors	<ul style="list-style-type: none"> • Confirmation of the level of compensation, etc., of our Directors using an external survey • Amount of compensation for Directors

Remuneration System for Directors Linked to Medium- to Long-term Corporate Value

Director Compensation 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.

Compensation for Directors responsible for business execution consists of base compensation, bonuses, stock-based compensation, and other forms of compensation.

Nissha introduced a performance-linked stock compensation plan in 2016. Specifically, we use a stock-based compensation trust (BBT = Board Benefit Trust). By doing so, we will further share the benefits and risks of stock price fluctuations with our

shareholders, while working to achieve sustainable growth for the Nissha Group and increase our corporate value over the medium- to long-term.

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.

*Reference: Securities Report > 104th Annual Securities Report
<https://www.nissha.com/english/ir/library/securities.html>

Compensation Structure (Model Compensation When Performance Targets are Achieved)

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

Overview of the Compensation System and Limits on Compensation

Fixed/Variable	Type	Summary	Scope of Compensation	General Meeting of Shareholders Resolution
Fixed	Base Compensation	<ul style="list-style-type: none"> Fixed monthly compensation Determined based on the significance of the role and its status 	JPY430 million per year (Including JPY40 million per year for Independent Outside Directors)	June 17, 2016
Variable	Short-term performance-linked compensation (Bonuses)	<ul style="list-style-type: none"> 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 		
Variable	Medium-term performance-linked compensation (Stock-based compensation, etc.)	<ul style="list-style-type: none"> Incentives to encourage a sense of contribution are 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-year period of the company's Medium-Term Business Plan in accordance with the level of achievement of the position, the consolidated performance targets for each fiscal year, and the medium-term performance targets. These points are determined on a specified date during the final year of each Medium-Term Business Plan. <p>The trust delivers and transfers shares of the company's stock in proportion to the points awarded and money equivalent to the amount of the company's stock converted at market value</p>	Maximums every three fiscal years: <ul style="list-style-type: none"> 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

Compensation to Company's Directors for Fiscal Year 2022

Position	Number	Total Compensation (Millions of JPY)	Compensation by Category (Millions of JPY)		
			Fixed	Performance-linked Compensation	
			Base Compensation	Bonuses	Stock-Based Compensation, etc.
Directors of the Board	10	354	207	89	57
Independent Outside Directors of the Board	5	36	36	—	—

* The above includes compensation, etc., for one director who retired at the conclusion of the 103rd Ordinary General Meeting of Shareholders held on March 23, 2022.

Initiatives to Further Enhance Governance

A Board of Directors that Changes and Evolves in Line with Growth and Strategy

We believe that the Board of Directors should support our sustainable growth and contribute to the enhancement of corporate value, and we have repeatedly discussed the nature and role of the Board of Directors from the perspective of whether it is in line with the nature of our business, the size and growth stage of our company, and whether it is optimal for realizing our Sustainability Vision (long-term perspective).

In 2020, we revised the Board of Directors agenda criteria in order to devote more time at Board meetings to discussing major initiatives, such as management and business strategies, rather than individual issues. By narrowing down discussion topics at board meetings and delegating authority to the executive side, we are transitioning from a so-called management-type Board of Directors to a hybrid type that is oriented toward monitoring. As a result, the Board has seen a significant increase in substantive discussions on medium- and long-term strategic issues when compared to the past.

In this context, we discussed the role we expect our Independent Outside Directors to play in 2022, based on our awareness of the challenges we face in further improving the quality of discussions held at Board of Directors meetings. Our Board of Directors is specialized and diverse in terms of the skills and attributes of its members. We felt that it would be beneficial for all directors to reaffirm their understanding and share a common awareness regarding the need to engage in discussions at meetings of the Board of Directors in order to make progress towards the shared

goal of enhancing corporate value.

Specifically, we have held multiple discussions, including Director Boot Camp, involving both Internal Directors and Independent Outside Directors, regarding the specific meaning of 'supervisory' and 'advisory' roles, as commonly understood for Independent Outside Directors, and how they apply within our company. Additionally, we have explored the expected roles, skills, and attributes for each external director when considering Internal Directors and Independent Outside Directors as a unified team.

Finally, based on such discussions, we created a document entitled Desirable Relationship between Internal Directors and Independent Outside Directors. In this context, we reaffirmed that Internal Directors and Independent Outside Directors do not stand in a hierarchical relationship, and that they contribute to the enhancement of the company's corporate value through dialogue and collaboration within the Board of Directors. In addition, Independent Outside Directors are expected to deepen their understanding of the company and the essence of its business by asking questions and gathering information on their own, and then contributing to discussions based on their expertise and experience. As for Internal Directors, we have emphasized the importance of active participation and collaboration to enhance the depth of discussions within the Board of Directors. As a result, we collectively share a commitment to supporting the executive team in making prompt and decisive decisions, as well as providing necessary checks and balances when required.

In addition, regarding the expected roles of each Independent Outside Director, we utilized individual interviews of Independent



Outside Directors that were conducted by a third-party external advisor as part of the process of evaluating the effectiveness of the Board of Directors. The interview included "self-assessment of their own role as an Independent Outside Director" and "roles expected of other directors". As a result of a discussion involving all Internal Directors regarding the content of the interviews, the President & CEO communicates his or her expectations to each Independent Outside Director.

In 2023, the Board of Directors is operating after taking into account these discussions. We will continue to improve the quality of governance by implementing, reviewing, and improving these practices within our Board of Directors.

Desirable Relationship between Internal Directors and Independent Outside Directors

- The Internal Directors and Independent Outside Directors shall contribute to the enhancement of the company's corporate value through dialogue and collaboration based on an equal relationship.
- Through dialogue with Internal Directors from a multifaceted and high-level perspective, Independent Outside Directors shall gain a deep understanding of the essence and practices of the company's management and business, enabling swift and proactive management decisions.
- Internal Directors and Independent Outside Directors shall collaborate to develop and deepen the discussions of the Board of Directors through comments and suggestions that are based on their expertise and experience and are the result of comprehensive and thorough consideration.

Initiatives to Support Medium- and Long-term Growth Strategies

The Group aims for growth through the reorganization and optimization of our business portfolio, as outlined in our Sustainability Vision (long-term strategy). In addition to organic growth, we have a policy of actively utilizing M&A as part of its growth strategy.

management team of candidate companies can align with Nissha Philosophy (corporate philosophy) and our Sustainability Vision (long-term strategy); the president and CSO visit sites to directly confirm these points.

We establish a deliberation process depending on the amount of the acquisition. For deals that meet the criteria*, the Investment Committee and the Board of Directors make final decisions after preliminary deliberations.

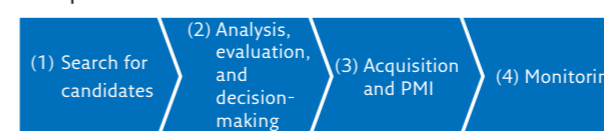
* In addition to the quantitative criteria, the projects that are deemed qualitatively important are included.

M&A discipline and promotion of PMI

In-house structure

The company has established a department that specializes in M&A (Corporate Alliance Group, Corporate Marketing, New Business Development Office), headed by a Chief Strategy Officer (CSO). The Corporate Marketing is promoting the development of alliances among companies, and the planning and execution of due diligence (DD) and post-merger integration (PMI) for business development in priority markets as part of our Sustainability Vision (long-term strategy).

Acquisition Process



(1) Search for candidates

The Corporate Alliance Group works with business units and domestic and overseas offices to research and analyze companies while leveraging external information resources and networks.

In considering candidate companies, we look at whether they will contribute to business development in priority markets, whether they have affinity with our core technologies, profitability, growth potential, and whether they can run independently and self-sustaining after acquisition.

(2) Analysis, evaluation and decision making

The company proactively approach candidate companies to gather information, scrutinize its contents, and conduct due diligence.

In addition, we place importance on ensuring that the



(4) Post-acquisition monitoring and auditing

We review business reports on a monthly or quarterly basis through business reviews or meetings with business units, and our management team gives necessary instructions and implements the PDCA cycle. In addition, the CEOs of the group companies above a certain size report their management status to the Board of Directors twice a year, and the Board of Directors confirms the content of these reports. The Investment Committee monitors the status of investments, including post-

investment returns, on a quarterly basis.

The President and CEO and other members of our management team visit the sites each year to confirm the management status of the acquired companies. In addition, once every three years, Audit and Supervisory Board Members and the Internal Audit Office conduct interviews on the status of business execution and conduct on-site inspections of group companies above a certain size.

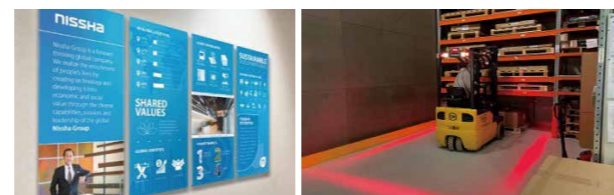
Frequency	Description
Once a month or more	<ul style="list-style-type: none"> Report to our management team on the progress of business performance and management issues at business reviews and meetings with business units; management provides necessary instructions and implements the PDCA cycle
Regularly	<ul style="list-style-type: none"> The CEOs of the group companies (above a certain size) report on their management status at the Board of Directors meetings twice a year The Investment Committee monitors the status of post-investment returns on a quarterly basis
Annually	<ul style="list-style-type: none"> The President and CEO, CSO, and other members of the management team visit sites Audit and Supervisory Board Members and the Internal Audit Office conduct on-site inspections of the group companies above a certain size every three years

Creating Synergies

We have pursued the reorganization and optimization of the business portfolio while actively leveraging M&A. This approach has resulted in a significant increase in the number of overseas group companies and business locations, and each is responsible for ever-increasingly important roles. We are engaged in a variety of initiatives to create economic and social value by bringing together diverse human resource capabilities that transcend national and business boundaries.

Activities of the Regional Collaboration Committee (RCC)
(→ P.60)

Through the activities of the RCC, a sense of unity that transcends national and business boundaries has been fostered within the Nissha Group, the Nissha Philosophy has become widespread, and horizontal connections have been established to facilitate rapid and seamless information sharing, among many other achievements.



Display of Nissha Philosophy Posters (all locations)

Sharing of Best Practices (Forklift Safety Devices (Europe))

- Holding of Nissha Global Leaders Kyoto 2023 (→ P.70)
- Creation of Global Integration Planning
In April 2023, Nissha created the Global Integration Planning with the aim of promoting Nissha's global management capabilities and accelerating synergies. The Global Integration Planning will contribute to the advancement of the Nissha Group's global governance by proactively exploring and identifying opportunities for diverse synergies that transcend country and business boundaries, and assisting in their realization.

ESG Training in Europe and the U.S.

The Nissha Group conducted ESG training at our bases in Europe and the Americas from November to December 2022.

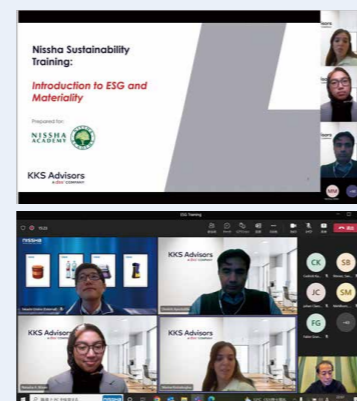
We have long cooperated with domestic and overseas group companies to develop a variety of sustainability and ESG-related initiatives on a consolidated, group-wide basis and disclose information on these initiatives.

The Nissha Group does business with many customers who operate globally, and has responded to customer requests for global standards in the past. However, in light of the increasing demand for global sustainability and ESG, especially from European customers, we have implemented this training program to systematically deepen awareness of sustainability and ESG.

This training was positioned as one of the

Nissha Academies, and was implemented primarily by the Regional Collaborate Committees (RCCs), which provide leadership for company-wide initiatives in their respective regions. An outside expert (from ESG Consulting) served as the lecturer, and approximately 400 participants, including executives, managers, and persons in charge at the group companies in Europe and the U.S. attended the seminar.

The training consisted of classroom lectures and workshops. In the classroom sessions, participants learned about global sustainability and ESG trends and the initiatives of the Nissha Group, and in the workshop sessions, participants were divided into groups by company to discuss how to incorporate sustainability into their business and develop action plans.



Nissha Global Leaders Kyoto 2023



We held the Nissha Global Leaders Kyoto 2023 ("NGL") event in May 2023. The purpose of this international conference is to promote *Connected As One* (a statement for internal use to create synergy) by bringing together management members and next-generation leaders of our group at our Kyoto Global Headquarters. This meeting provided a forum to identify and discuss high-level management issues facing the Group.

President Suzuki encouraged participants to recognize the role we should play as a publicly traded company and the ideal for which we should aim. He also shared the importance of profitability and efficiency, the creation of synergies, and the development of next-generation leaders. Through active discussions and exchanges of opinions on important aspects of management strategy, including finance, human resources, production, sustainability, and new business development, we pursued a unity of intent on the direction of the Group over the medium- to long-term.

NGL also hosted a panel discussion with participants in an internal open-house format. The event demonstrated a broad exchange of opinions on the mindset of top leaders, best practices at the group companies, and examples of global synergies, including input from regular employees.

By reaffirming the proper direction of Nissha's global operations, NGL provided an opportunity to lay an important foundation for the next medium-term business plan.

Message /

Hiroyuki Uenishi

Director, Global Integration Planning



Our business and our base of human resources are becoming increasingly diverse. To maximize this potential, we must build a common foundation to support the whole. The intent behind NGL was to solidify the common foundation further by bringing together leaders from Japan and abroad to discuss, gain a deeper understanding, and integrate management philosophies and medium- and long-term visions for the future. As a result, many of the leaders who participated in the program commented that the event strengthened their sense of unity as a member of the Nissha management team. Through many discussions and shared experiences, our leaders deepened the mutual trust that is essential to the management of the Nissha Group.

Giorgio Bosso

Senior Vice President

Senior Director of Industrial Materials Business Unit, Nissha Metallizing Solutions Group
Chief Executive Officer, Nissha Metallizing Solutions



I was honored to be a part of NGL. It was incredibly valuable that the members of the group companies had a forum to discuss the future of the Nissha Group in unison under the banner of *Connected As One*. This forum was about the future for which we aim in our Sustainability Vision for 2030 and even beyond. Our future is a powerful one. I look forward to discussing leadership and organizations in the next NGL.



Management Team

Directors of the Board



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



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



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



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
Pharmaceutical and Medical Device Affairs
Senior Director of Devices Business Unit, Quality, Engineering, and Production
Representative Director, Nitec Precision and Technologies, Inc.



Hisashi Iso
Director of the Board
Executive 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



Asli M. Colpan, Ph.D.
Independent Outside Director of the Board



Kazumichi Matsuki, LL.M.
Independent Outside Director of the Board



Juichi Takeuchi
Independent Outside Director of the Board

Audit and Supervisory Board Members



Tetsuya Taniguchi
Audit and Supervisory Board Member



Kenji Imai
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

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
Deputy Senior Director of New Business Development Office



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



Giorgio Bosso, MA
Senior Vice President
Senior Director of Industrial Materials Business Unit, Nissha Metallizing Solutions Group
Chief Executive Officer, Nissha Metallizing Solutions



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



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



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



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



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



Chuzo Taniguchi
Vice President
Deputy Senior Director of New Business Development Office
Director of Advanced Basic Technology Development

Messages from Independent Outside Directors of the Board



We clarified how the Board of Directors contributes to enhanced corporate value. The Board plays a role in achieving our long-term management strategy by raising issues in business execution to improve capital efficiency.

Independent Outside Director of the Board
Kazuhito Osugi



Beyond the issue of social equality, the success of female executives creates various values for business. The pursuit of true empowerment of women is important.

Independent Outside Director of the Board
Asli M. Colpan

A Fundamental Reconsideration of the Role of the Independent Outside Director

"A tireless aspiration to achieve higher levels of corporate governance." As the lead outside director at Nissha, I become more convinced every year that this is a strength of which Nissha can be proud.

In 2022, we took another major step forward in the history of our corporate governance. Internal Directors and Outside Directors engaged in intensive discussions, with reference to the opinions of lawyers and trust banks, about what the Board of Directors can do to truly contribute to the enhancement of corporate value. At that time, we documented the spirit and philosophy that should be held in common by all directors, as well as the goals for which we should strive. This was a groundbreaking experiment, and likely unprecedented in our industry.

President Suzuki has long been concerned that the role of Outside Directors tends to fall in a hierarchical pattern. Executives make proposals, and said proposals are approved by Outside Directors, with too much focus on the idea of supervision and advice on the part of the Outside Directors. President Suzuki believed that the Board of Directors should be more of a forum for Internal Directors and Outside Directors to engage in discussion on an equal footing. At the same time, as an Outside Director, I believed somewhat self-consciously that simply giving textbook advice or asking questions just for the sake of asking questions was not at all fulfilling the duties expected of an Outside Director.

It is no exaggeration to say that, under the leadership of President Suzuki, reaching a consensus on a clear, ideal vision for the Nissha Board of Directors is a shining achievement. The task that remains is to put spirit into the form we created.

(→ P.67 Initiatives to Further Enhance Governance)

Issues Raised at Director Boot Camp

Nissha conducts a unique event we call Director Boot Camp. At the camp, all Directors and key executive officers are packed into a hotel for a full day of study sessions. At last year's camp, I gave a presentation titled, *Thinking as a Shareholder and Investor*. In my presentation, I stressed the urgent need to (1) Control earnings swings and (2) Raise expectations for future earnings growth. I used a lot of charts that I dare say our executives would have preferred not to see. The content was somewhat controversial, and perhaps

seen as a challenge to the executives, but I am secretly proud that I helped facilitate a high-quality intellectual battle. The ability to have in-depth discussions on topics difficult to discuss fully in the limited time of a normal board meeting is a major feature of the Boot Camp.

Toward Improving Capital Efficiency

Based on my experience in my previous position at the Bank of Japan, I believe that the driving force for the growth and development of the capitalist economy comes down ultimately to the effort of a company to increase its capital efficiency at the micro level. This idea is also consistent with a request issued by the Tokyo Stock Exchange this spring.

As I see it, Nissha is making steady progress in shifting from a PL-oriented mindset to a mindset oriented toward capital efficiency. The current business portfolio reorganization under the Sustainability Vision 2030 is a long-term strategy that is right on target from the perspective of improving capital efficiency. The challenge going forward will be how to implement this strategy consistently on a concrete tactical level.

I intend to continue improving myself as an Outside Director and to fulfill my role to the fullest, delivering results that meet the expectations of shareholders and investors.

April	1977	Entered the Bank of Japan
May	1984	Completed MBA, Graduate School of Business Administration, University of Michigan
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 of 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	Outside Director, The Gunma Bank, Ltd. (present post)

Expecting More Female Directors in Japan

Amid the growing trend of board gender diversity worldwide, Japan has yet made little progress in terms of female board representation. Female representation on Board of Directors in all Japanese listed companies exhibits only 9.1% in 2022, and still 18.7% of boards (of Prime Market companies in Japan) are composed entirely of men.

In Europe, 29.5% of directorships in large public firms were held by women, with 37.6% in countries carrying out gender quotas in 2020. In the US, women accounted for more than 30% of all directors in S&P 500 companies, and for the Fortune 500, the corresponding proportion is about 26.5% in the same year.

Despite the slow progress in Japan, the increase of socially responsible investing is increasing the attention the Japanese companies give to the topic. What is more, a recent good news for Japan came this April when Prime Minister Kishida targeted women to occupy 30% of boardrooms of Prime Market companies in Japan by 2030.

So why do we have all this ongoing conversation on board diversity? That is, why do we need more women in boardrooms? Is this only a social equality issue between men and women? In this desperately short message, by reverting to the relevant literature, I will argue that this is beyond a social equality matter and female directors have significant business value. They contribute to more prosocial, deliberate, and creative strategic decision making; engage more actively in board monitoring; they become role models for other women in companies; as well as they provide social legitimacy for the firms.

Women Directors Offer Significant Business Value

Academic research (based on upper echelons theory in management literature) has argued that female and male directors differ in their values and cognitive frames. Different gender traits mean diverse and fresh perspectives on boards that can improve decision-making and innovation. Extant studies have shown that that female directors are positively associated with higher ESG performance and ESG disclosure in part due to their communal traits. Another salient characteristic of women is risk aversion, which leads to more cautious acquisitions that do create value for the firm, less financial fraud and other benefits. Further, women have unique and different repertoires of human capital in terms of their connections and relationships with diverse stakeholders including female customers, female employees and investor community, which they can bring to board discussions.

Besides these issues related to strategic decision making, female directors also play a critical role in enhancing board monitoring effectiveness. Vast studies in academic literature suggest that female directors are more socially independent compared to their male counterparts and can thus more easily challenge the view of the majority "male" group, as they are excluded from the "old

boys' club." Female directors have other indirect benefits as well. Representation of women in top positions may enhance the self-esteem and confidence of other female employees, leading to higher efficiency. What is more, female directors can signal the value given to the gender equality practices of a company, resulting in the company's acceptance and increased value by various stakeholders and the overall society (ie providing social legitimacy).

Increasing Value through Women's Empowerment

In case of Nissha, increasing female representation on boards and growing female participation in executive positions is on the agenda of top management (and the company has numerical targets for female administrative positions), there is still much to do and more ambitious goals may be necessary. Currently there is only one female outside director out of 9 directors on the board, and there is no female within the 4 audit and supervisory board members or 11 corporate officers who are listed as top management team of the company. There are only 3 female who are senior managers; the corporate communications department head, the vice head for ESG advancement and the head of the audit board officers. Good news, on the other hand, is that female administration positions at Nissha's headquarters have been progressing slowly from 5.0% in 2021 to 7-8% in 2023. Nissha's HR department is also making concrete plans to solve the gender disparity problem, including more flexible working hours, decreasing overtime work, incorporating childcare leave to male employees among others. There is also an inter-company website that assists female employees during their different life-event stages including pregnancy and childcare.

Finally and most importantly is that the CEO and other directors are aware of the issues and are committed to pursue the real empowerment of Nissha's female managers and thus eventually increase the value of the company.

March	2004	Completed Doctor's Program in Advanced Fibro Science, Graduate School of Science and Technology, Kyoto Institute of Technology (PhD in Engineering)
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)



We expect much from the Global Integration Planning, which was created in response to the growing importance of regional strategies as well as the need to secure and train human resources for the overseas business development that will lead us to our Sustainability Vision.

Independent Outside Director of the Board
Kazumichi Matsuki



We have high expectations for plans and execution to respond to changes in the global market and in the competitive environment. We contribute to improved corporate value through high-quality discussions based on experience and expertise in global management.

Independent Outside Director of the Board
Juichi Takeuchi

The Role of Outside Directors: Dialogue and Collaboration in Board Meetings

The emphasis has shifted from form to substance in recent discussions on corporate governance.

In 2022, the Board of Directors discussed the idea relationship between Internal and Outside Directors in detail. The Board confirmed and documented the importance of an equal relationship between Internal and Outside Directors, as well as collaboration through dialogue in terms of exercising governance. We appreciate that these discussions contribute significantly to improving the quality of corporate governance.

Governance-related issues often focus on the aspect of oversight over the executive team by outside directors. But oversight in and of itself is not the ultimate goal of governance.

Both Outside Directors and Internal Directors are responsible for supervision in a company organized with an Audit and Supervisory Board. One could say that supervision is a responsibility for all Directors to fulfill in cooperation with one another. In this type of system, we believe the supervisory and control functions are most appropriately and effectively exercised when directors collaborate with each other through dialogue, and such collaboration ensures that a company remains headed in the right direction. This approach helps a company fulfill the purpose of governance, which is to achieve sustainable growth and increase corporate value.

Generally speaking, when supervision is brought to the forefront, the tendency is to micromanage, rather than take risks boldly. One fears that the “sixth sense” of management will be dealt a setback, while the intuition of engineers and the empathy of the organization heads into retreat, nipping innovation in the bud. Operations related to control through dialogue and collaboration and proactive risk-taking require a difficult task akin to stepping on the gas and brake pedals at the same time. As an Outside Director, I strive to ensure this type of operation spreads throughout the entire company, including the Board of Directors.

Human Capital Necessary for Achieving Our Sustainability Vision

How we recruit and develop human resources to support overseas business development will be an important factor in determining our sustainable growth. It would probably be impossible, or undesirable, rather, to possess a workforce consisting solely of Japanese nationals. At the same time, for the company to come together organically as a global and united entity, we need people, Japanese or otherwise, who understand firsthand how overseas human resources think and engage in business. We need people who communicate smoothly with overseas human resources while seeing our organization from a broad perspective.

While it is most desirable to develop this kind of human resources through direct experience in our business, including through experience living overseas, we are seeing a growing number of

people in our company and elsewhere who are reluctant to work overseas for long periods of time due to the increasing number of dual-income families and issues related to the education of their children. We are in a difficult situation where an individual’s lifestyle does not necessarily match the career path required by the company. Given the importance of our overseas business, we must continue to search for answers in the context of human resources.

The Need for Stronger Administration Departments

The next most important aspect of overseas business development is the need for strong administration departments that support sales activities. Administration departments, such as legal, finance, tax, and intellectual property, are the very foundation of overseas activities. The expertise these departments provide strengthens competitiveness and facilitates expansion. The strength or weakness of an administrative department has a direct impact on sales performance.

Through RCC* activities, our administration departments function horizontally to support our overseas development, and we are very encouraged by the steady progress of these activities. In addition, we believe we are approaching a stage at which we can raise the level of overseas development one step higher. Not only will product strategies increase, but so will the regional strategies of the company at large. The creation of the Global Integration Planning in April 2023 is a very timely measure. I look forward to the future activities of this department.

*Regional Collaboration Committee: An organization that aims to equalize and homogenize the capabilities of group companies located in the same region in matters related to the Nissha Group strategy and administration through cooperation and the exercise of their respective capabilities.

(→ P.60 Corporate Governance Structure P.67 Initiatives to Further Enhance Governance)

April	1976	Entered Mitsubishi Corporation
June	1976	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 of 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 of 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 (currently, SANDEN CORPORATION)
June	2017	Director, Japan Criminal Policy Society (present post)
June	2018	Independent Outside Director of the Board, ANEST IWATA Corporation
March	2019	Independent Outside Director of the Board, the Company (present post)
June	2020	Independent Outside Director of the Board (Audit and Supervisory Committee Member), ANEST IWATA Corporation (present post)
June	2023	Outside Director, Toyo Construction Co., Ltd. (present post)

Looking Back on My First Year

One of the characteristics of the Nissha Board is the willingness to engage in free and vigorous discussions. During my first year as a Director, I tried to understand the Nissha corporate culture, organization, human resources, current conditions, and challenges. I also focused on monitoring the implementation of management strategies, plans, and global governance, trying to speak and act in a way that presented a higher and different perspective. Our meetings were practical forums for candid discussion and follow-up. The Director Boot Camp, held off-site, was not your typical board meeting. It was a discussion and exchange of ideas on corporate branding, the role of the Board of Directors, and the autonomous evolution of the board. It was a meaningful occasion in terms of aligning trajectories among management and building trust as a team.

As an Outside Director, I believe that quality discussion is supervision. And I intend to continue to contribute to improved corporate value at Nissha based on my global business and management experience.

Challenges in Global Operations

With more than 85% of Nissha sales coming from overseas, one of the keys to further growth will be the evolution of the global operations of major group companies such as Nissha Medical Technologies, Nissha Metallizing Solutions, Nissha Europe, and Nissha Schuster Kunststofftechnik. While the company is turning to local and field-led independent management to increase sales and profits, Nissha will have to improve the efficiency of production, supply chain, etc., and create synergies among businesses and geographical regions. For example, Nissha pursues initiatives in factory management to improve profitability and efficiency through the adoption of a global quality policy. Two years have passed since the Regional Collaboration Committee (RCC) was established to enhance global governance. We have seen progress step by step in information sharing and improved efficiencies in management. And we expect the RCC to play an even more strategic role under the leadership of the head office.

Management Issues on the Path Toward the Sustainability Vision

Nissha is in a transitional stage of business portfolio transformation, having set targets of JPY300.0 billion in sales and a 15% ROE in the 2030 Sustainability Vision. In this sense, the 8th Medium-term Business Plan, to be created in 2023, is incredibly

important. And we have high expectations for the execution of a robust plan that responds to changes in the global market and in the competitive environment. We expect management to pursue efficiencies in existing mature markets and invest resources aggressively in the growth markets of mobility, sustainable materials, and medical.

To grow the Medical Technologies business, it will be imperative for Nissha to provide the best value in terms of technologies, quality, processes, and cost to partners across the medical field who provide solutions to the digital transformation, prevention, diagnosis, treatment, and prognosis in the patient journey of healthcare. In contract design/ development and manufacturing organization (CDMO), Nissha must acquire and strengthen design and development capabilities further, maximizing strengths and taking action through both organic growth and M&A. M&A requires specific strategies and practices to achieve a 1+1=2+α (synergy creation) scenario.

People are the key to achieving the Nissha medium- to long-term strategy, and one key will be to accelerate the training and development of global human resources (management). I believe at the global level, Nissha management respects local and front-line environments, embracing a corporate culture that takes on new challenges with boldness. At the same time, given Nissha’s size, scope, and growth potential, securing quality global human resources in quantity remains a challenge. It is imperative that the company recruits, trains, and develops human resources capable of innovation, regardless of nationality.

As stated earlier, we will continue to contribute to the formulation of the Nissha medium- to long-term growth strategy and in the improvement of governance to meet the expectations of investors and all other stakeholders.

April	1983	Entered Terumo Corporation
July	2006	VP & COO, Terumo Medical Corporation
April	2007	President & CEO
November	2010	President (Europe and the United States), D&D Group, General Hospital Company, Terumo Corporation, and President & CEO, Terumo Medical Corporation
June	2011	Executive Officer, Terumo Corporation
October	2014	Executive Officer, President, Terumo Pharmaceutical Solutions, and General Manager, Overseas Promotion Office, General Hospital Company, Terumo Corporation
April	2015	Executive Officer, President and CEO, Terumo Americas Holding, Inc., and Regional Representative, Latin America
October	2016	Executive Officer, President and CEO, Terumo Americas Holding, Inc., Regional Representative, Latin America, and President, Terumo Latin America Corporation
April	2018	Senior Executive Officer, Terumo Corporation
April	2020	Senior Executive Advisor, Terumo Corporation (present post)
March	2022	Independent Outside Director of the Board, the Company (present post)

Dialogue with Shareholders and Investors

Basic Approach

The Nissha Group values the relationship we have with our stakeholders, including customers, shareholders, investors, employees, suppliers, and society. Our aim is to create a valuable future together. We disclose

corporate information actively and engage in dialogue with shareholders, investors, and other stakeholders to foster understanding and facilitate an appropriate evaluation of our corporate value.

Dialogues with Institutional Investors

The president and CEO and other members of the management team provide direct explanations at financial results briefings and in meetings with institutional investors.

Aiming to create a more in-depth understanding of our business, we hold a business presentation once annually for

analysts and institutional investors to provide an overview of our business and medium- to long-term business strategies. In June 2022, we provided a comprehensive description of our business strategy for mobility market, one of the priority markets under our Sustainability Vision (long-term vision).



Activities	2020 Results	2021 Results	2022 Results
Individual meetings with institutional investors	203	211	188
Presentations for analysts and institutional investors regarding financial results and medium-term business plan	4	4	4
Presentations for analysts and institutional investors regarding business information	0	1	1
Overseas roadshows (companies)	0*	18*	9*
Investor conferences sponsored by securities firms (companies)	3	3	13
ESG meetings (companies)	11	11	17

*To prevent the spread of COVID-19, we suspended overseas travel in March 2020 and conducted individual meetings online.

Dialogue with Individual Investors

We consider the annual general meeting of shareholders as an opportunity for dialogue. After the conclusion of meetings, we hold management briefings and provide product exhibits to deepen an understanding of our business and medium- to long-term strategies.

Since 2021, we have offered live streams of the general meeting of shareholders (hybrid of virtual and in-person general meeting of shareholders) for shareholders who are unable to attend meetings in person.

Internal Feedback

We report the opinions and suggestions we receive through dialogue with our shareholders and investors to the Board of Directors on a regular basis. The Board of Directors discusses issues raised through

dialogue and incorporates these matters in management policies and measures, leading to enhanced corporate value and sustainable growth.

Reporting	Frequency	Reporting Method	Details
IR reports	Quarterly	Report to the Board of Directors	Explanation of assessments and matters of interest based on financial results presentations held after earnings announcements and individual meetings with securities analysts and institutional investors
Analyst report summary	As needed	E-mail	Summaries of analyst reports issued by securities firms via e-mail and other channels
ESG meeting reports	Annually	Report to the Board of Directors	Explanation of ESG topics of high interest of investors, assessments of Nissha, and issues from the perspective of long-term investors, based on one-on-one meetings with institutional investor professionals involved in engagement

Matters of Interest to Investors from ESG Meetings in 2022

- Business Portfolio Management**
 - Historical and strategic background related to the business portfolio management
 - Business portfolio management
- Human Capital**
 - The relationship between business portfolio reorganization and human capital reorganization, progress in reskilling
 - Assessments of employee engagement survey results and future actions
- Corporate Governance**
 - Our efforts to enhance governance, including discussions of the role of Outside Directors
 - Succession plans

We held a business presentation on the mobility market in June 2022 for analysts and institutional investors. We also conducted the Mobility Forum for employees based on the same content. At the Mobility Forum, the president and CEO and other members of the management team took the stage to provide a deeper

understanding of our strategy in the mobility market, which is a priority market for Nissha. The presenters also addressed the questions asked by institutional investors at business presentations to communicate their assessments of and interest in the company.



ESG Dialogue and Information Disclosure



ESG Promotion Deputy Director Naoko Yoshida

We are committed to fuller dialogue and timely, appropriate information disclosure, both qualitatively and quantitatively. In this way, we communicate with stakeholders, investors, and shareholders in particular to facilitate understanding and decision-making regarding our approach and sustainability initiatives.

We hold regular meetings with investors on the topic of ESG. Meetings attended by the president and CEO include exchanges of opinions with persons in charge of responsible investment and stewardship based on our integrated report. The content of these dialogues is reported to the Board of Directors on a regular basis, and issues raised through the

dialogue are discussed internally, responded to, and reflected in information disclosures as necessary.

We also believe in the importance of ESG scores from ESG evaluation organizations as indicators of our performance regarding ESG initiatives. Our information disclosures reflect an awareness of the evaluation viewpoints.

We will continue to engage in active dialogue with stakeholders and disclose information in a timely and appropriate manner. At the same time, we will engage in shareholder relations activities to ensure our company is properly evaluated.



2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX



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Respect for Human Rights

Basic Approach

Human rights issues such as child labor, forced labor, and accidents caused by poor working conditions have become major social problems in recent years. Insufficient response to human rights issues may cause major risks to management, such as the suspension of transactions with customers and suppliers. To this end, we established an ESG Task Force to strengthen our risk reduction efforts.

We established a Basic Policy on Labor and Human Rights to clarify our approach and stance on the respect for human rights. To formulate this policy, we referenced the Ten Principles of the UN Global Compact and the RBA*.

* Responsible Business Alliance: A global code of conduct primarily used in the electronics and automotive industries

We translated this policy into several languages and distributed it to all employees. In addition, we declared our commitment to respecting human rights in our Basic Purchasing Principles and CSR Procurement Guidelines, and ask our suppliers for their compliance.

Basic Policy on Labor and Human Rights

Nissha Group will observe the international norms, laws and ordinances related to human rights and labor standards and will make efforts to continually improve human rights and labor standards.

- | | |
|--|-------------------|
| 1. Child labor | 5. Discrimination |
| 2. Forced labor | 6. Punishment |
| 3. Health and safety | 7. Working hours |
| 4. Freedom of association and the right to collective bargaining | 8. Remuneration |

Excerpt of topics only. Please refer to the Nissha Sustainability Report 2023 for more details. <https://www.nissha.com/english/sustainability/pdfdownload.html>

Human Rights Due Diligence: No Child or Forced Labor Confirmed in Our Supplier Survey (95 companies)

The Nissha Group has been working on by setting KPIs and action items subject to child labor and forced labor, which have high negative impacts on human rights.

In 2021, we conducted a survey on the group domestic and overseas bases, and no child or forced labor was found.

In 2022, we conducted it on our suppliers based on the formulated rules for selecting suppliers to be surveyed*.

We conducted a CSR survey on our 95 primary suppliers, and confirmed that there was no use of child or forced labor in all of them. In addition to questions related to labor and human rights, the survey also covers a wide range of items important in terms of CSR procurement, including health and safety, the environment,

information security, and ethics.

In 2023 and beyond, we will continue this survey and conduct on-site audits of suppliers that we deem particularly necessary in order to reduce risk in our transactions. Furthermore, we will reduce risk at the stage before the beginning of transactions by operating a system of investigation at the start of a transaction with new suppliers.

* Suppliers that meet both (1) and (2) of the following

- (1) Located in areas of high labor and human rights risk (ILO Standard: China, Southeast Asia, etc.).
- (2) Top 80% of purchase value per base or there is no alternative procurement source.

Relief System: Establishment and Expansion of Hotline Consultation Contacts

The Nissha Group established hotline consultation contacts (internal reporting desk) for all employees of domestic group companies, including temporary employees, to receive reports

on labor and human rights issues. The group companies abroad are also working to establish these consultation services. These contacts are widely known to employees.

Responding to Climate Change

7.7% Reduction in Total CO₂ Emissions through Group-wide Efforts (compared to 2020)

In our Sustainability Vision, we aim to reduce total CO₂ emissions by 30% by 2030 (compared to 2020).

In 2022, total CO₂ emissions were reduced by 7.7% compared to 2020, a larger reduction than our 6% reduction target. This was made possible through various group-wide initiatives, including those at our overseas sites.

Of the total CO₂ emissions, approximately 80% come from electricity use. As such, it is important for us to switch to renewable energy. In January 2022, we switched 100% of the electricity used to renewable energy at the Koka Factory of Nitec Industries, Inc., a domestic production base for the Industrial Materials business. We additionally are planning to switch 100% of the electricity used to renewable energy throughout FY2023 at the Kaga and

Himeji factories of Nitec Precision and Technologies, Inc. These factories are production bases for the Devices business. Locations overseas, such as our production site of the Industrial Materials business unit Nissha (Kunshan) Precision IMD Mold Co., Ltd. (China), has continued to use solar power since 2018. Our production site Nissha Metallizing Solutions (Belgium) also replaced part of its electricity with solar and wind power. We are additionally encouraging efforts to curb electricity consumption such as switching to LED lighting and upgrading to more energy-efficient equipment that emits less CO₂.

Nissha will continue to encourage efforts based on cost versus performance considerations.



Solar power operations:
Nissha (Kunshan) Precision IMD Mold (China)



Wind power introduction:
Nissha Metallizing Solutions (Belgium)



Energy-saving equipment to be introduced
(thermal storage deodorizer): Nitec Industries (Japan)

Expanding the Scope of Calculation for Scope 3 Emissions

The Nissha Group calculates Scope 3 emissions to prepare to set future reduction targets and make reduction efforts accordingly. In 2022, the ESG Task Force (Climate Change) took the lead in reaffirming the applicability of Scope 3 for each category. They confirmed that 9 out of 15 categories (1-7, 11-12) were applicable, and announced the emissions that could be calculated in 2022 for the applicable categories. Some of the emissions are subject to third-party verification. We will continue to work to expand the scope of these calculations.

* Please refer to the sections titled 7-6 Initiative in Scope 3 Management and 7-7 Coverage and Calculation Method of CO₂ Emission Calculation of the Nissha Sustainability Report 2023 for more information on Scope 3 initiatives. <https://www.nissha.com/english/sustainability/pdfdownload.html>

Scope 3 categories applicable in the Group

1. Purchased goods and services
2. Capital goods
3. Fuel and energy-related activities (not included in Scope 1, 2)
4. Upstream transportation and distribution of purchased products and shipments
5. Waste generated in operations
6. Business travel
7. Employee commuting
11. Use of sold products
12. End of life treatment of sold products

Addressing the TCFD Recommendations

We use the framework recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the financial impact on our business from climate change-related risks and opportunities.

Please refer to the section titled 6. Responding to Climate

Change (Addressing the TCFD Recommendations) in the Nissha Sustainability Report 2023 for more details on our disclosure in accordance with the TCFD recommendations.

<https://www.nissha.com/english/sustainability/pdfdownload.html>

Governance (→ P.24 Sustainability and Materiality)

The Nissha Group manages its response to climate change by distinguishing between materiality (risks and opportunities related to the realization of our Sustainability Vision), which are material

issues for Nissha, and general risks (risks related to smooth business operations).

Materiality Management	General Risk Management
<ul style="list-style-type: none"> The Board of Directors identifies risks and opportunities related to climate change as materialities and supervises initiatives promoted by the executive body, the Sustainability Committee. The Sustainability Committee, chaired by the Chairman of the Board, President and CEO, sets KPIs and action items, checks their progress each quarter, and reports to the Board of Directors once a year. The committee establishes and promotes the activities of the ESG Task Force, which is responsible for responding to climate change, a particularly important materiality. The ESG Task Force holds discussions with the Chairman of the Board, President and CEO, each quarter. The Chairman of the Board, President and CEO, makes important strategic and financial decisions related to responding to climate change within the scope of their authority. 	<ul style="list-style-type: none"> The Board of Directors supervises initiatives promoted by the executive body, the Risk Management and Compliance Committee, with risks related to climate change as significant risks. The Risk Management and Compliance Committee, chaired by the Director of the Board and Senior Executive Vice President in charge of legal affairs, centrally manages risks and determines major risks upon risk assessment. One major risk is business continuity (natural disasters: earthquakes, typhoons, floods, etc.), which includes the risk of climate change. For significant risks, KPIs and action items are set, their progress is checked each quarter, and a report is made at the Board of Directors once a year. The Chairman of the Board, President and CEO, monitors the status of activities and directs improvements as necessary.

Strategy

Among our three main businesses, we analyzed scenarios by adding the Industrial Materials business to the Devices business, which was analyzed last year. We identified risks and opportunities on short-, medium-, and long-term time horizons, and analyzed their financial impact on our business as of 2030. We then analyzed the 1.5°C scenario, in which more progress is made in decarbonization, and the 3°C scenario, in which no progress is made in addressing climate change.

In both scenarios, our risk response measures were found to be reasonable and no current major risks associated with the effects of climate change were found. We also identified a growing demand that could lead to business opportunities for our company.

We will continue to monitor trends in the business environment under both the 1.5°C and 3°C scenarios and develop our business strategically.

Risk Analysis Results

Type	Changes in the external environment	Target business	Timeline	Risks to Nissha	Risk magnitude ^{*1,2}	
					3 °C	1.5 °C
Transition risk Policies/laws and regulations	Introduction of a carbon tax	Industrial Materials business Devices business	Medium- to long-term	Increase in production and countermeasure costs due to carbon taxation on CO ₂ emissions	—	Medium
				Increase in the cost of procuring raw materials needed to produce products due to the carbon taxes	—	Medium
	Changes in national carbon emission targets and policies	Industrial Materials business Devices business	Medium- to long-term	Increase in electricity procurement costs due to switch to renewable energy sources for electricity and soaring levies, etc.	Small	Small
				Cost of reducing CO ₂ emissions in logistics (procurement and shipping) increases	—	Small
	Introduction of plastic tax	Industrial Materials business	Medium- to long-term	Increase in the cost of procuring raw materials needed to produce products due to the progression of plastics-related regulations	—	Small
Introduction of CFC regulations	Devices business	Medium- to long-term	Restrictions on use of specified CFCs and their substitutes used at production bases increase capital investment costs	Small	Medium	
Industries and Markets	Fluctuations in raw material prices	Industrial Materials business	Medium- to long-term	Increase in petrochemical material costs due to changes in crude oil demand	Medium	—
				Increase in raw material costs due to increased use of reprocessed plastic	—	Small

Transition risk Industries and Markets	Technologies	Reputation	Acute	Risks to Nissha	Risk magnitude ^{*1,2}					
					3 °C	1.5 °C				
					Increase in EV sales	Industrial Materials business	Short- to long-term	Decrease in sales opportunities for EV-related products due to changes in market structure	Small	—
					Changes in customer behavior (increase in requests from customers to reduce CO ₂ emissions)	Devices business	Short- to medium-term	Sales decline due to lost business opportunities caused by insufficient responses to customer requests	Small	Medium
Transition to materials and technologies with lower environmental impact	Devices business	Short- to medium-term	Costs increase due to replacing product packaging materials	—	Small					
			Sales decline due to substituting our products for low-carbon products made by other companies	Medium	Medium					
Growing importance of ESG assessment in customers' supplier selection	Devices business	Short- to medium-term	Sales decline due to lost business opportunities resulting from delays in the development of low-carbon technologies	Medium	Medium					
			ESG assessment declines due to delays in addressing climate-related issues, and we are not chosen as a supplier resulting in a decline in sales	—	Small					
Physical risks ^{*3}	Acute	Industrial Materials business Devices business	Short- to long-term	Intensification of extreme weather	Small	Small				

*1. Risk magnitude evaluation horizon: Annual decrease in net sales large: 20 billion yen or more, medium: 5 to 20 billion yen, small: less than 5 billion yen, annual decrease in profit: large: 3 billion yen or more, medium: 1 to 3 billion yen, small: less than 1 billion yen

*2. Scenarios in which no risks are incurred are indicated with a "—"

*3. Physical risks are evaluated by considering the degree of financial impact and frequency of occurrence

Opportunity Analysis Results

Type	Changes into the external environment	Target business	Timeline	Opportunities to Nissha	Opportunity magnitude ^{*1,2}	
					3 °C	1.5 °C
Policies/laws and regulations	Carbon price changes in national carbon emission targets and policies	Industrial Materials business Devices business	Medium- to long-term	Expansion of demand for products that contribute to GHG emission reductions (highly recyclable decorative film moldings, gas sensor modules for refrigerant detection, etc.)	Medium	Medium
		Industrial Materials business	Medium- to long-term	Increase in sales opportunities for plant-based sustainable molded products due to the progression of plastics-related regulations	—	Small
Industries and Markets	Increase in EV sales	Industrial Materials business Devices business	Short- to long-term	Increase in sale opportunities for products for EVs (decorative film molded products and functional products for exteriors, touch sensors, etc.)	Small	Small
		Industrial Materials business	Medium- to long-term	Increase in sales opportunities due to increased demand for sustainable molded products as a result of the lower costs of plant-based plastics	—	Small
		Devices business	Medium- to long-term	Demand for fuel cell vehicles (FCVs) expands (such as hydrogen detectors)	Small	Small

*1. Opportunity magnitude evaluation horizon: Annual increase in net sales large: 20 billion yen or more, medium: 5 to 20 billion yen, small: less than 5 billion yen, annual increase in profit: large: 3 billion yen or more, medium: 1 to 3 billion yen, small: less than 1 billion yen

*2. Scenarios in which no opportunities are incurred are indicated with a "—"

Risk Management (→ P.24 Sustainability and Materiality)

The Sustainability Committee and the Risk Management and the Compliance Committee manage risks related to climate change

from a long-term perspective and a short- to medium-term perspective, respectively, as per the following processes.

Risk Management by the Sustainability Committee	Risk Management at the Risk Management and Compliance Committee
<ul style="list-style-type: none"> Identifying Responding to Climate Change as a materiality to realize the Sustainability Vision (long-term vision) Evaluating and prioritizing social and management issues based on the axes of importance to society and stakeholders and importance to Nissha and identifying materialities through deliberations and resolutions by the Board of Directors Strategy items, KPIs, and action items for Responding to Climate Change, a materiality, are approved by the Sustainability Committee 	<ul style="list-style-type: none"> Conducting risk assessments of the Nissha entire Group and electing business continuity (natural disasters: earthquakes, typhoons, floods, etc.), which includes responses to natural disasters related to climate change, as a significant risk Selecting significant risks from the perspective of business activities through evaluation adjusted for risk occurrence frequency and magnitude on occurrence and control activity status, as well as evaluation from a group-wide perspective for ensuring consistency with management strategies

Indicators and Goals (→ P.11 Sustainability Vision) (→ P.87 Non-Financial Highlights)

Nissha uses total CO₂ emissions as an indicator for assessing and managing risks related to climate change. In our Sustainability Vision, our goal is to reduce total CO₂ emissions by 30% by 2030

(compared to 2020), with a broader aim to become carbon-neutral by 2050.

Providing Responsible Products and Services

Basic Approach

Our approach and attitude toward quality are expressed in our Quality Policy and the Nissha Quality Way. The Quality Policy describes the necessity of establishing and operating a quality management system, while the Nissha Quality Way provides

guidelines for quality assurance and productivity improvement. In accordance with these policies, we will establish a system of quality assurance and productivity improvement as the foundation of our Sustainability Vision.

Quality Policy	Nissha Quality Way
Nissha Group's products and services enhance value for customers and society through the establishment and operation of quality management system that is designed to ensure quality, cost, robust supply chains, and compliance with relevant laws and regulations.	<ol style="list-style-type: none"> CUSTOMER FOCUS — We continuously achieve customer-defined quality. LEADERSHIP — We are all committed to upholding and executing our Quality Policy – each and every one of us is a leader PROCESS APPROACH — We work based on systematic approach and continue to improve QUALITY BY DESIGN — We build quality into design, focusing on product safety and feasibility. VALIDATED DECISION MAKING — We are established in evidence-based and scientific approach. QUALITY BY CONNECTED SUPPLY CHAIN — Quality is at the core of our trusting relationship within our supply chain. BAD NEWS FIRST — We quickly address challenges through rapid response and escalation process

KPI/Target: Continue to Report Zero Serious Quality Incidents

We must recognize that poor quality has a high potential to affect human life and health among priority markets in our Sustainability Vision. This is especially true for products and services in the medical and mobility markets.

As such, we identified Providing Responsible Products and Services as a materiality. Quality-related measures necessary to achieve our Sustainability Vision for 2030 are classified into the following (1) and (2), for which we are formulating and implementing plans. These measures will be reviewed in accordance with the medium-term business plan, which is established every three years.

- Develop human resources capable of creating and improving operational schemes, and grow through their implementation
- Improve productivity and the quality of products and services through a scientific approach and accumulated data

The Nissha Group defines major quality accidents as quality accidents or violations of laws and regulations that have the potential to become serious incidents. We additionally define how to respond to such accidents in the Serious Quality Incidents Response Regulations.

There were no serious quality incidents in 2022. We will continue to strive to maintain zero serious quality incidents through the following initiatives (action items).

Action Items (2023)	KPI/Target
<ul style="list-style-type: none"> Maintain and expand a quality management system in line with our business strategy Create quality-oriented design that focuses on safety and feasibility in the design phase Implement role-specific education 	<p>Serious quality incidents</p> <p>0</p> <ul style="list-style-type: none"> Maintain and expand a quality management system in line with our business strategy <ul style="list-style-type: none"> Acquire standards as needed to meet customer needs and business strategies Expand ISO13485 (medical device quality management system) certification to 2 sites (FY2022) Create quality-oriented design that focuses on safety and feasibility in the design phase <ul style="list-style-type: none"> Implement QUALITY BY DESIGN of the Nissha Quality Way Implement role-specific education <ul style="list-style-type: none"> Implement role-specific training such as design of experiments, quality engineering, reliability engineering, statistical quality control, QC tools, and more Expand education on AI, machine learning, Python programs, and other digital transformation related

Sustainable Procurement

Basic Approach

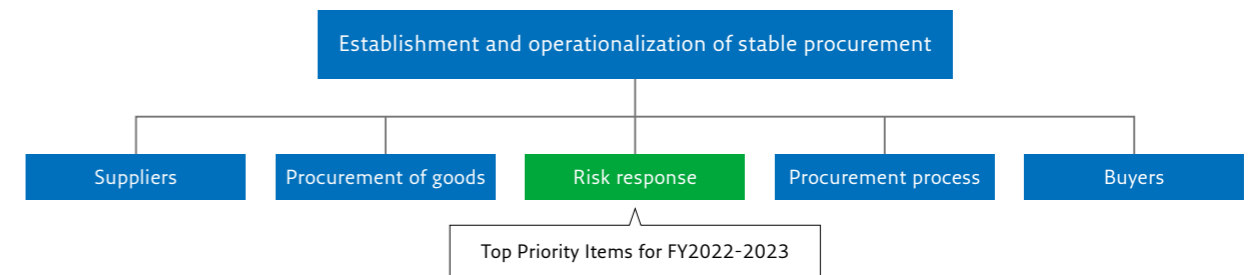
The Nissha Group procures materials and services from suppliers in various regions necessary for production and a wide range of business activities. We aim to achieve sustainable procurement to treat all suppliers fairly and equitably, share awareness of social issues, and enhance mutual corporate value.

The Nissha Group procures numerous uncommon and distinctive materials, devices, and services to ensure we provide highly competitive and distinctive products and services. As such, it is particularly important to ensure that these procurements are stable and sustainable. As our Sustainability Vision progresses, major components will shift from conventional applications for IT Devices to those for medical, mobility, and sustainable materials. As these changes will lead to an increase in transactions with new suppliers, Nissha sets sustainable procurement as a materiality. We believe it is important to address risks that may occur in our transactions by establishing and enforcing rules that enable us to evaluate and select appropriate suppliers.

The following five items must be addressed to establish and operate a stable procurement mechanism to achieve our Sustainability Vision for 2030.

- Suppliers:** Build appropriate supplier networks and healthy relationships
- Procurement of goods:** Ensure stable procurement of environmentally friendly goods at reasonable prices, while preserving quality.
- Risk response:** Reduce procurement risks and strengthen risk management capabilities
- Procurement process:** Establish and maintain an appropriate procurement process
- Buyers:** Improve and maintain buyers' expertise

Necessary Factors for Stable Procurement



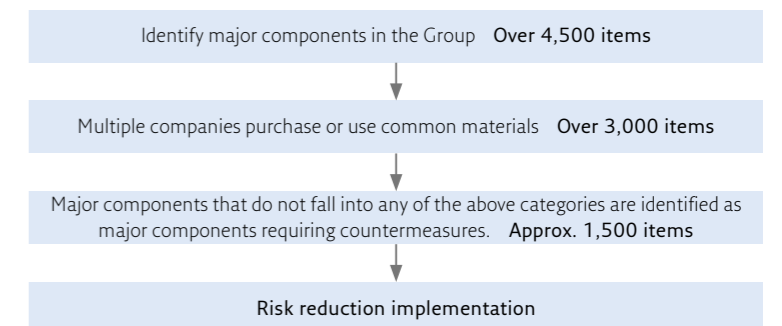
Progress in Risk Response

In recent years, climate change, pandemics, and international situations have increased procurement risks that could affect production, such as supply constraints and increases in raw material and energy prices. In response, Nissha focuses on strengthening company efforts to assess, analyze, and reduce supply chain risks.

Specifically, we set the implementation rate of risk reduction measures for major components requiring countermeasures (the number of risk reduction measures implemented / the number of major components requiring countermeasures), as a KPI. We work to implement risk reduction measure and aim for a rate of 100% by the end of 2023.

As of March 31, 2023, our implementation rate of risk reduction measures for major components requiring countermeasures is 92%, and we expect to achieve our goal before the end of 2023.

Risk Reduction Procedure



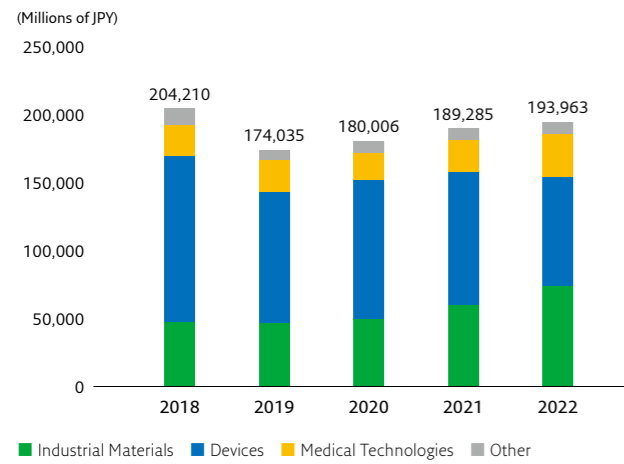
Risk reduction measures

- Ensuring inventory (ours and suppliers) exceeds lead time
- Production at multiple locations, multiple production lines, etc.

Financial Highlights

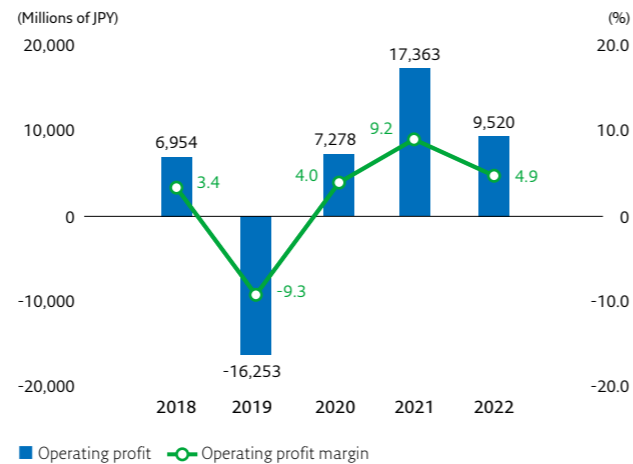
We adopt the International Financial Reporting Standards (IFRS).

Net Sales JPY193.9 Billion



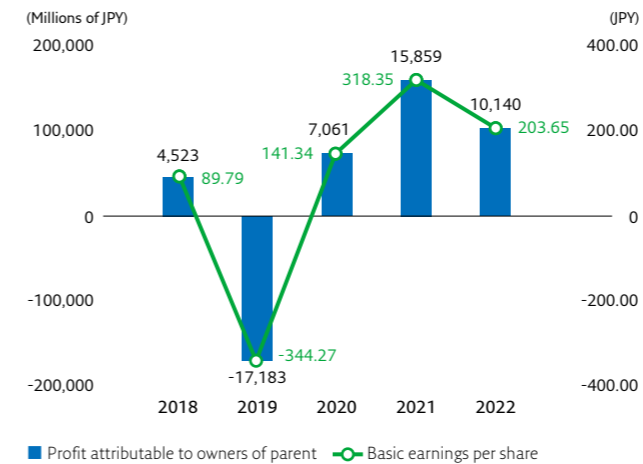
In 2022, the Industrial Materials business saw strong demand for its products, and prices for sustainable materials were increased to reflect the soaring costs. In the Devices business, product demand for smartphones fell compared to the previous year, while in contrast demand for gas sensors and products for mobility increased. In the Medical Technologies business, product demand for contract design/development and manufacturing organization (CDMO) and other customers became stronger.

Operating Profit JPY9.5 Billion



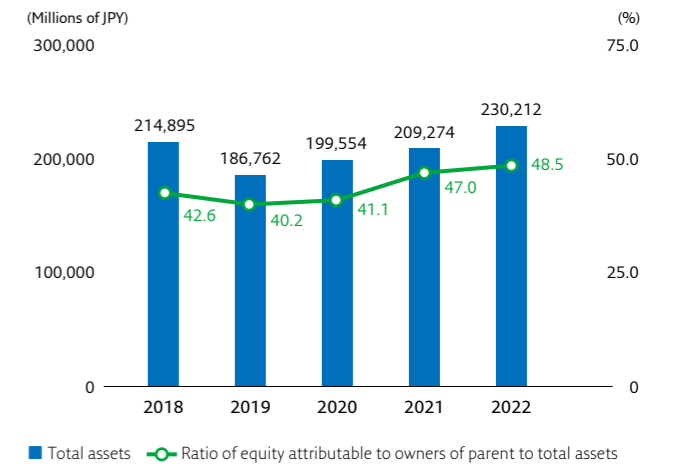
In 2022, profitability was squeezed by shrinking product demand for smartphones and increases in energy and labor costs due to inflation. Additionally, in the Industrial Materials business, we recorded a goodwill impairment loss related to a European subsidiary that produces and sells sustainable materials. The loss was mainly due to an increase in the discount rate following an interest rate hike.

Profit Attributable to Owners of Parent/Basic Earnings per Share JPY10.1 Billion/JPY203



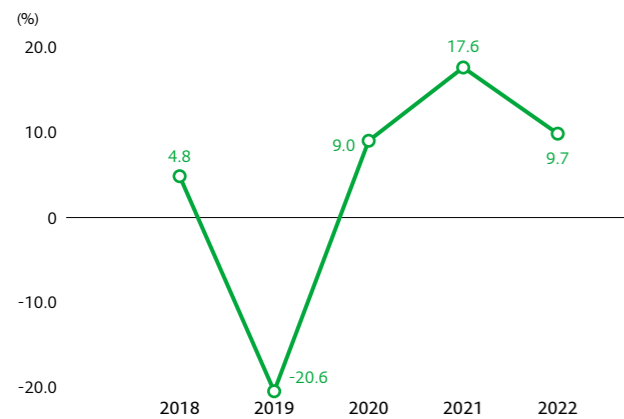
Profit attributable to the owners of parent amounted to JPY10,140 million, which was due in part to foreign exchange gains. Basic net income per share was JPY203.65.

Total Assets/Ratio of Equity Attributable to Owners of Parent to Total Assets JPY230.2 Billion/48.5%



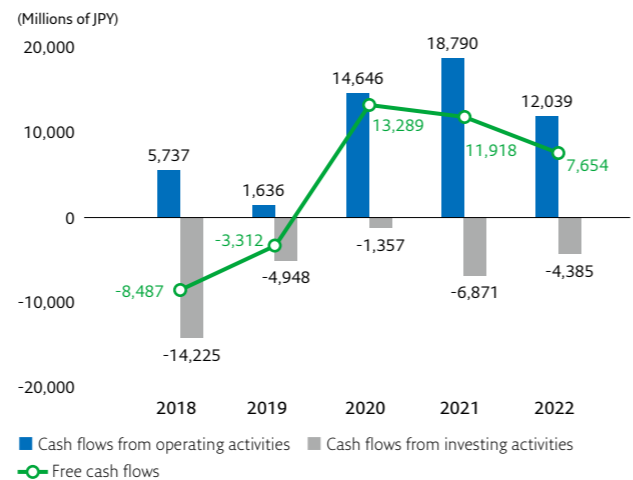
Total assets amounted to JPY230,212 million, up JPY20,937 million from the previous year, mainly due to increases in cash, cash equivalents, and inventories. Equity attributable to owners of parent increased by JPY13,275 million from the previous year to JPY111,553 million. This was due to an increase in retained earnings resulting from the recording of profit attributable to owners of the parent and the effect of foreign currency translations resulting from the depreciation of the yen. As a result, the ratio of equity attributable to owners of parent to total assets was 48.5%.

ROE 9.7%



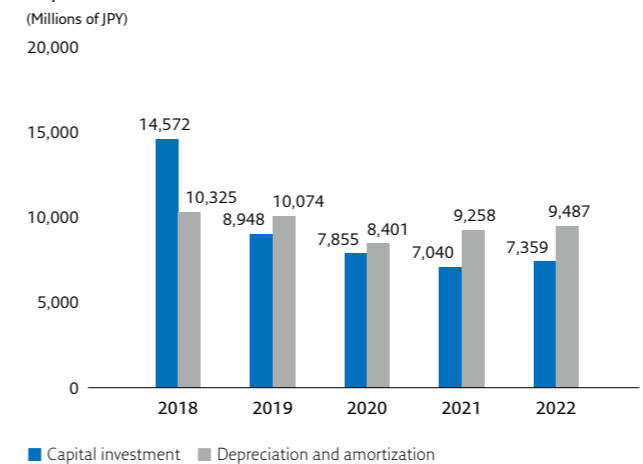
We break down ROE into net profit ratio, total asset turnover, and financial leverage (total assets divided by equity attributable to owners of parent). In 2022, the net profit ratio, which indicates profitability, was 5.2%, compared to 8.4% in the previous year. This reduction was due to deteriorating operating profits. Although net sales increased, there was also an increase in total assets, which meant the asset turnover ratio, which indicates efficiency, was 0.88 times, compared to 0.93 times in the previous year. Financial leverage was 2.06x (2.13x in the previous year). As a result, ROE was 9.7%.

Free Cash Flows JPY7.6 Billion



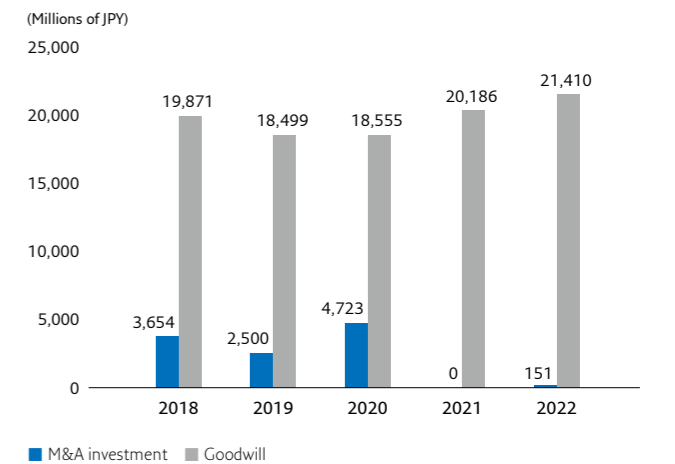
Net cash generated by operating activities amounted to JPY12,039 million (down 35.9% from the previous year), mainly due to a decrease in income before taxes. Cash flows from investing activities amounted to JPY4,385 million (down 36.2% from the previous year). This reduction was mainly due to the acquisition of tangible fixed assets, including the refurbishing and upgrading of production facilities in Japan and overseas, but it was offset by JPY2,160 million in proceeds from the sale of strategic shareholdings. Consequently, free cash flow totaled JPY7,654 million.

Capital Investment/Depreciation and Amortization JPY7.3 Billion/JPY9.4 Billion



In the Industrial Materials business, we refurbished and upgraded production facilities in North America and Europe and constructed the Sustainable Technology Center at our Koka Plant. In the Medical Technologies business, we refurbished and upgraded production facilities in North America. This resulted in investments totaling JPY7,359 million. Depreciation and amortization amounted to JPY9,487 million. Right-of-use assets/Depreciation of right-of-use assets are included in capital investment/depreciation and amortization.

M&A Investment/Goodwill JPY0.1 Billion/JPY21.4 Billion

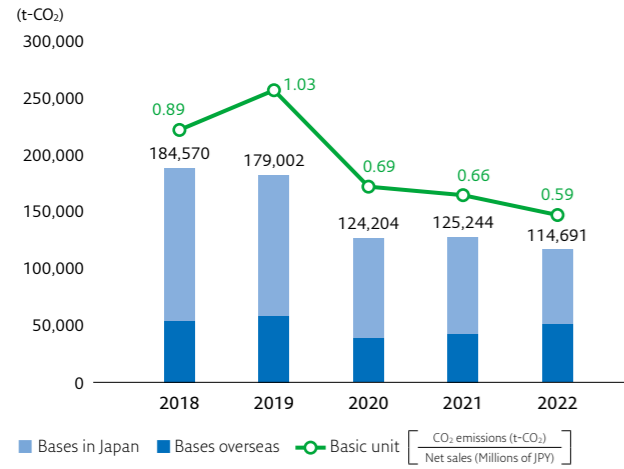


We have a policy of actively pursuing M&A as part of our growth strategy. In 2022, M&A investment amounted to JPY151 million due to an additional investment in Sparsha Pharma USA, Inc (USA), which is an affiliate company accounted for using the equity method. Goodwill as of December 31, 2022, despite recognizing impairment losses, increased overall due to the impact of foreign currency translations resulting from the depreciation of the yen.

Non-Financial Highlights

E: Responding to Climate Change

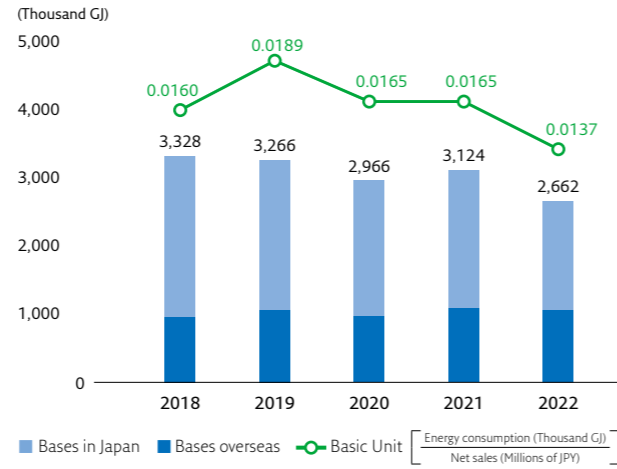
Trends in Total CO₂ Emissions and Basic Unit



In 2022, the Nissha Group's total CO₂ emissions were 114,691 t-CO₂, a decrease of 7.7% that exceeded our target of a 6% reduction compared with emissions in 2020. We will continue our commitment to reducing CO₂ emissions while at the same time evaluating the cost and effectiveness of the measures we take.

* Through 2019, CO₂ emission coefficients were fixed values. However, in 2020 and beyond, these are derived from data calculated using market standards for Japan and location standards for overseas areas.

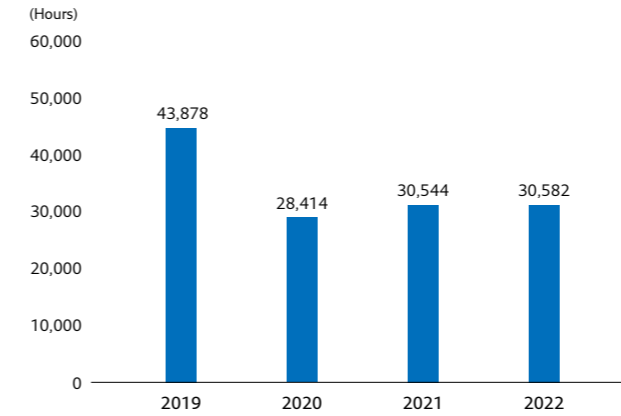
Trends in Energy Consumption and Basic Unit



The Nissha Group's energy consumption in 2022 was 2,662,000 GJ, which gives a basic unit of 0.0137. We will continue to promote efforts to switch to renewable energy sources and to improve production efficiency and energy savings.

S: Efficiency and Productivity Improvement

Reduction of Working Hours by Automation and Efficiency Tools

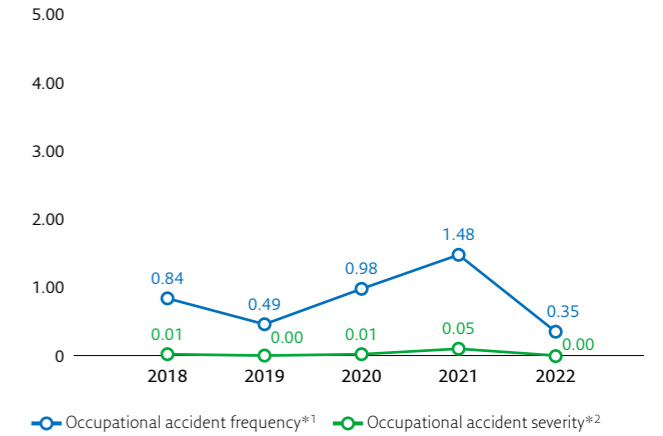


The Nissha Group has taken a number of measures to improve productivity at the various places where its employees are engaged in desk work, such as introducing Robotic Process Automation (RPA), electronic approval systems, AI-based chatbots, and other systems. Here, we have expanded efficiency gains by not only using individual systems but also automating operations through combined use of multiple systems. In 2022, these measures made advances both in Japan and overseas, automating and streamlining 30,582 hours of work, which exceeded the target of 30,000 hours per year.

* Data is only provided for four years because the full implementation of automation and efficiency tools has only been in place since 2019.
* Data aggregation includes newly reduced work hours in each year due to expansion of the scope of services, etc.

S: Health and Safety

Occupational Accidents (Nissha Group in Japan, permanent and temporary employees)

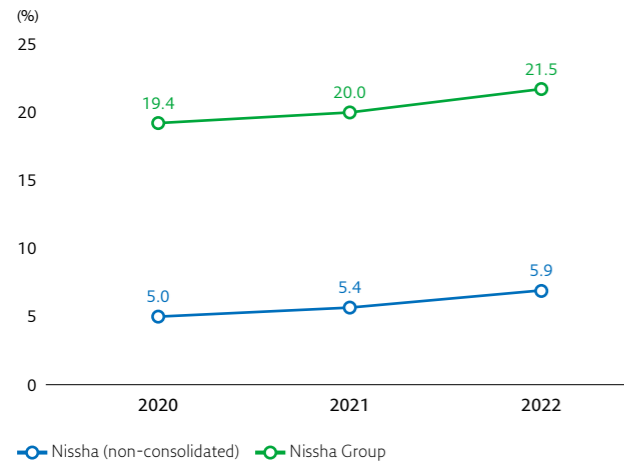


The number of work-related accidents in 2022 was a record low of seven, and with the decrease in the number that required time away from work, both the frequency and severity of accidents were greatly reduced. When an accident occurs, we analyze the causes and put details of the measures taken to prevent similar accidents occurring again on the intranet.

*1 Occupational accident frequency: Refers to the number of injuries and casualties resulting from occupational incidents (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: Utilizing Diverse Human Resources and Developing Global and Management Human Resources

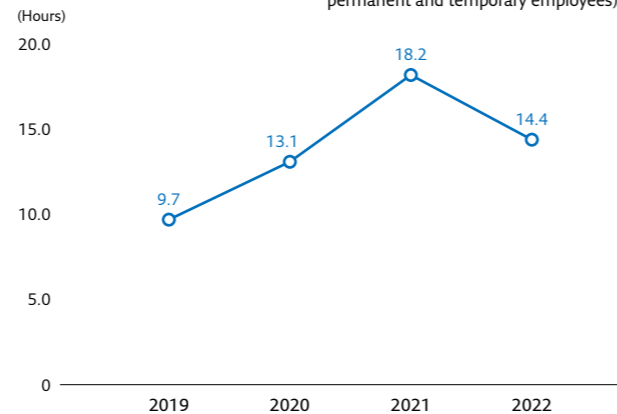
Female Manager Ratio



The female manager ratio was 21.5% for the Nissha Group and 5.9% for Nissha (non-consolidated), with both of these figures being higher than in the previous year. By pursuing various initiatives, such as facilitating diverse work styles, creating pleasant workplaces, and increasing and then putting into practice training opportunities, the percentage of female employees who are candidates for management positions, as well as the percentage of female employees overall, is steadily increasing.

* Only three years are shown due to a revision of the data aggregation method made in accordance with the disclosure in our annual securities report.

Training Hours per Employee (Nissha Group in Japan, permanent and temporary employees)

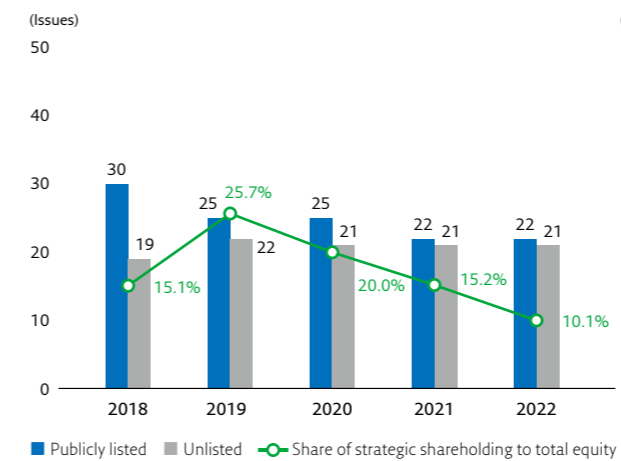


The Nissha Group works to develop its human resources on the basis of our Human Resources Policy. Although there are yearly variations due to fluctuations in the number of programs and participants, the trend has been upward over the medium- to long- term, and this has taken place along with the overall improvement of the programs themselves.

*Only four years are shown due to a change in the scope of aggregation.

G: Corporate Governance

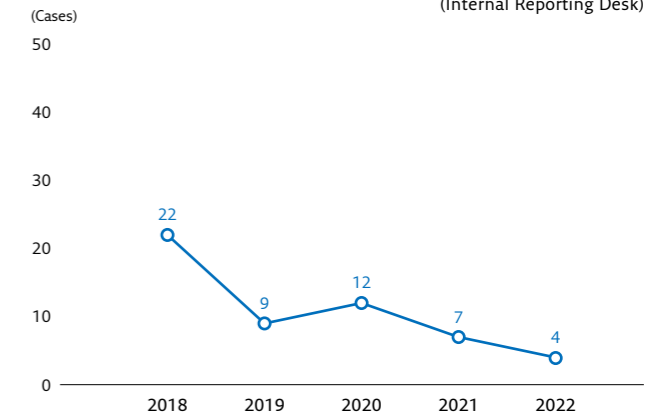
Strategic Shareholdings



Once a year, the Board of Directors validates the significance and rationale of each holding. As a result, shares of stock with diluted significance and rationale have gradually been reduced. As of December 31, 2022, Nissha held 22 publicly listed and 21 unlisted stocks, together representing 10.1% of total equity.

G: Corporate Ethics and Compliance

Number of Reports to Consultation Hotline (Internal Reporting Desk)



In accordance with the Whistleblower Protection Act, an Internal Reporting Code has been established in Japan, and external lawyers have also been designated to operate a consultation hotline. In addition to handling violations of the law and other regulations, this hotline also provides consultation on harassment and other human rights issues. During 2022, the hotline dealt with four cases regarding the workplace environment and interpersonal relationships, all of which were resolved. None of these four cases involved serious violations of the law or other regulations.

11-Year Financial and Non-Financial Summary

(Millions of JPY)

Fiscal Year	J-GAAP				IFRS				IFRS								
	FY2013.3	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2017.12	FY2018.12	FY2019.12	FY2018.12	FY2019.12	FY2020.12	FY2021.12	FY2022.12				
	J-GAAP				IFRS												
					9 months												
Net sales	89,427	110,922	118,775	119,222	115,802	159,518	207,404	173,189	204,210	174,035	180,006	189,285	193,963				
Japan	37,992	29,956	28,889	31,530	30,250	29,443	33,538	26,554	31,059	25,840	25,593	22,553	22,683				
Overseas	51,435	80,966	89,885	87,692	85,552	130,075	173,866	146,635	173,150	148,194	154,412	166,731	171,280				
Cost of sales	83,508	93,898	93,713	90,121	98,885	133,292	170,113	149,254	166,337	149,900	143,195	144,814	151,540				
Selling, general, and administrative expenses	12,702	15,089	16,311	18,558	20,820	19,948	29,210	28,242	29,152	27,672	25,999	27,161	31,147				
Operating profit	-6,783	1,935	8,750	10,541	-3,904	6,278	8,080	-4,307	6,954	-16,253	7,278	17,363	9,520				
EBITDA* ¹	2,805	13,154	18,610	18,952	5,451	14,509	17,343	5,221	17,745	9,738	15,864	26,735	20,468				
Ordinary profit	-4,643	5,182	12,494	9,237	-4,914	7,578	7,380	-4,696	-	-	-	-	-				
Profit before income taxes	-5,010	5,151	10,761	7,883	-6,130	7,323	6,097	-2,213	6,367	-16,634	7,039	19,499	12,373				
Total income taxes	427	1,185	-482	985	1,299	594	1,911	1,916	2,113	588	-22	3,658	2,253				
Profit attributable to owners of parent	-5,438	3,967	11,245	6,898	-7,408	6,734	4,318	-4,131	4,523	-17,183	7,061	15,859	10,140				
Net cash provided by (used in) operating activities	13,864	14,413	21,590	14,815	-2,570	28,784	4,232	164	5,737	1,636	14,646	18,790	12,039				
Net cash provided by (used in) investing activities	-7,206	-16,149	-4,141	-21,476	-23,290	-11,685	-14,181	-4,750	-14,225	-4,948	-1,357	-6,871	-4,385				
Net cash provided by (used in) financing activities	-4,677	-4,634	-11,063	19,633	6,826	-11,216	-2,448	5,077	-3,909	3,680	-5,997	2,609	1,082				
Capital expenditures	13,669	12,287	3,207	4,885	12,267	9,063	10,622	7,953	14,572	8,948	7,855	7,040	7,359				
Depreciation	9,530	11,219	9,687	7,847	8,351	7,105	7,671	7,935	10,325	10,074	8,401	9,258	9,487				
R&D expenses	2,699	2,351	2,334	2,519	2,422	2,387	3,865	3,621	3,949	3,659	2,869	2,947	3,973				
At Year-End																	
Net assets	Total equity				44,491	51,676	66,313	70,096	74,606	94,054	90,326	86,255	91,546	75,002	81,924	98,264	111,518
Total assets	114,964	106,140	115,430	156,107	182,670	225,160	202,596	190,634	214,895	186,762	199,554	209,274	230,212				
Cash and cash equivalents	23,692	20,272	29,484	41,688	22,090	29,291	16,757	17,622	16,757	17,499	25,067	42,330	54,325				
Interest-bearing liabilities* ²	21,175	17,170	10,114	36,537	46,583	28,480	28,940	36,435	28,894	36,411	32,412	39,885	47,609				
Net interest-bearing liabilities* ²	-2,517	-3,102	-19,370	-7,184	24,460	-844	12,183	18,813	12,137	18,912	7,345	-2,445	-6,755				
Closing stock price (JPY)	1,663	1,359	2,195	1,648	2,638	3,280	1,312	1,121	1,312	1,121	1,498	1,670	1,830				
Financial Indicators																	
Operating profit to net sales (%)	-7.6	1.7	7.4	8.8	-3.4	3.9	3.9	-2.5	3.4	-9.3	4.0	9.2	4.9				
Return on assets (ROA) (%)	-4.2	4.7	11.3	6.8	-2.9	3.7	3.5	-2.4	2.8	-8.3	3.6	9.5	5.6				
Return on equity (ROE) (%)	-11.6	8.3	19.1	10.1	-10.3	8.0	4.7	-4.7	4.8	-20.6	9.0	17.6	9.7				
Equity ratio (%)	Ratio of equity attributable to owners of parent to total assets (%)				38.7	48.7	57.4	44.9	40.7	41.7	44.5	45.3	42.6	40.2	41.1	47.0	48.5
Total asset turnover (times)	0.81	1.00	1.07	0.88	0.68	0.78	0.97	0.88	0.91	0.87	0.93	0.93	0.88				
Net interest-bearing liabilities/EBITDA (times)	-0.90	-0.24	-1.04	-0.38	4.49	-0.06	0.70	3.60	0.68	1.94	0.46	-0.09	-0.33				
Net D/E ratio (times)	-0.06	-0.06	-0.29	-0.10	0.33	-0.01	0.14	0.22	0.13	0.25	0.09	-0.02	-0.06				
Liquidity ratio (months)	3.18	2.19	2.98	4.40	2.29	1.65	0.97	1.22	0.98	1.21	1.67	2.68	3.36				
Per Share Information																	
Basic earnings per share (JPY)	-126.72	92.46	262.05	160.75	-169.10	139.72	85.70	-82.77	89.79	-344.27	141.34	318.35	203.65				
Net assets per share (JPY)	Equity per share attributable to owners of parent (JPY)				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	1,638.46	1,972.89	2,257.47
Dividend per share (JPY)	0	5	20	30	30	30	30	35	30	35	30	40	50				
Diluted earnings per share (JPY)	-	-	-	158.44	-	129.37	83.57	-	87.55	-344.27	137.78	317.16	-				
Non-Financial Data																	
Total CO ₂ emissions (t-CO ₂)	92,245	115,702	114,937	103,970	128,430	129,345	184,570	179,002	184,570	179,002	124,204	125,244	114,691				
Number of employees	3,409	3,383	3,596	4,034	5,133	5,322	5,844	5,718	5,844	5,718	5,390	5,409	5,325				
Ratio of overseas employees (%)	32.0	32.2	34.1	41.5	54.4	55.8	59.6	59.8	59.6	59.8	63.1	63.2	64.0				
Female employee ratio (%)	29.3	28.4	29.4	27.5	32.8	32.4	34.4	35.4	34.4	35.4	36.3	35.8	36.9				

*1 (Japanese GAAP) EBITDA = Operating profit + depreciation + amortization of goodwill
(IFRS) EBITDA = Operating income + depreciation and amortization + impairment loss - gain on bargain purchase

*2 Interest-bearing liabilities and net interest-bearing liabilities do not include lease liabilities

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.

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 06, 1929

Established

December 28, 1946

Capital

JPY12,119.79 million

Employees

708 (consolidated number of employees: 5,296)

*As of the end of March, 2023

Consolidated Subsidiaries

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Stock Exchange Listings

Tokyo Stock Exchange, Prime Market

(TSE Code: 7915)

Contact for Investors

Investor Relations, Corporate Communications

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

T +81 75 811 8111 (main switchboard)

Status of Stocks

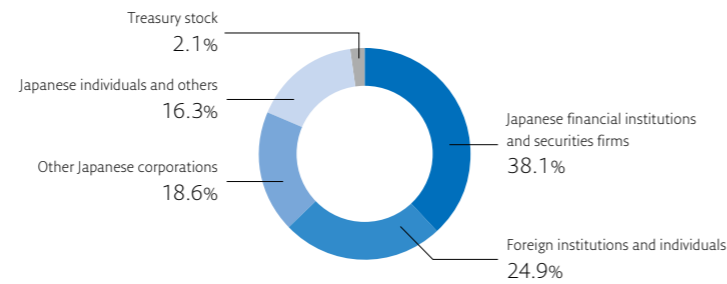
(as of the end of December 2022)

Total Number of Authorized Shares	Number of Shareholders
180,000,000 shares	9,076
Total Number of Outstanding Shares	Number of Shares per Trading Unit
50,855,638 shares	100

Major Shareholders

	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,594	11.23
Custody Bank of Japan, Ltd. (Trust Account)	3,823	7.67
Suzuki Kosan Co., Ltd.	2,563	5.14
TAIYO FUND, L.P.	2,275	4.56
Meiji Yasuda Life Insurance Company	2,107	4.23
Mizuho Bank, Ltd.	2,076	4.16
The Bank of Kyoto, Ltd.	1,442	2.89
TAIYO HANEI FUND, L.P.	1,243	2.49
Nissha Kyoekai	1,138	2.28
STATE STREET BANK AND TRUST COMPANY 505227	1,083	2.17

Breakdown of Shareholders by Type (Ratio of shares owned)



Participation in Initiatives



ESG Index



External ESG Evaluations



Received a B rating under Climate Change Report 2022 (3rd of 8 rating levels)



Received an AA rating in the MSCI ESG ratings (2nd of 7 rating levels)



Received a Silver rating in the EcoVadis Sustainability Survey (overall score in the top 25% or higher)



Recognized as a Certified Health & Productivity Management Outstanding Organization (White 500) by the Ministry of Economy, Trade and Industry



Platinum Kurumin Certification



DX-Certified Operator

Nissha Report 2023 (For the Year Ended December 31, 2022)

Date of Issue	July 2023	Forward-looking Statements
Publisher	Nissha Co., Ltd. Junya Suzuki Chairman of the Board, President and CEO	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.
Editors	Nissha Co., Ltd. Corporate Communications Ryuhei Sakaguchi Investor Relations Group Yusuke Araki Corporate Communications Group Shungo Shibahara Mayumi Ohya ESG Promotion Department Hiroyuki Hayashi Corporate Strategy Planning Yoshinori Matsuda	

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