

1. This document is a translation of the official Japanese Concerning ISS' Recommendation vs. Proposal 2 on the 103rd Ordinary General Meeting of Shareholders.
2. This translation is provided only as a reference to assist shareholders in their voting and does not constitute an official document.
3. In the event of any discrepancies between this translated document and the Japanese original, the original shall prevail.

March 4, 2022
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Nissha's Views on ISS's Recommendation Against Proposal 2 at the 103rd Ordinary General Meeting of Shareholders

Nissha Co., Ltd. (hereinafter, "the Company") has confirmed that Institutional Shareholder Services Inc. (hereinafter, "ISS"), a proxy advisory firm, issued a report which recommends that shareholders vote against Proposal 2 at the 103rd Ordinary General Meeting of Shareholders to be held on March 23, 2022 (hereinafter, "the Ordinary General Meeting of Shareholders").

The Company has analyzed the details of ISS's recommendation and believes that ISS has made its judgement based on an erroneous recognition of the facts. Accordingly, we would like to rebut it as follows and ask for our shareholders' understanding of the proposal and candidate concerned once again.

1. Basis for ISS's recommendation against the proposal and misperception of facts
ISS recommends against the appointment of Mr. Junya Suzuki, the president and CEO and a candidate for Director of the Board, in the Proposal 2 of the Ordinary General Meeting of Shareholders, "Election of Nine (9) Directors of the Board", because of the ratio of cross-shareholdings to net assets.

As a detailed reason for its decision, ISS explains that it recommends a vote against a company's top executive if the company allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings, and that the Company allocated 20 percent of its net assets to cross-shareholdings, failing to meet the ISS threshold.

The Company, however, has been progressively reducing its cross-shareholdings since FY2019 and allocated 15.2 percent of its net assets to cross-shareholdings at the end of FY2021, as described on the table below as set forth in the Convocation of the Ordinary General Meeting of Shareholders (Page 31).

In order to inform our shareholders of our corporate governance initiatives, the Company has been striving to

improve the reference information in the Notice of Convocation of the Ordinary General Meeting of Shareholders, and have included the actual reduction of its cross-shareholdings and the current status of shareholdings. We consider that ISS's recommendation against the proposal as described above dose not take into account the Company's track record of the reduction of its cross-shareholdings and the latest status and is a judgement based on a misconception of the facts.

		FY2019	FY2020	FY2021
Number of issuers	Listed	25	25	22
	Unlisted	22	21	21
	Total	47	46	43
Total amount on Balance Sheet (Million yen)	Listed	18,476	16,090	14,680
	Unlisted	801	325	286
	Total	19,277	16,415	14,966
Ratio of net assets to cross-shareholdings		25.7%	20.0%	15.2%

2. Our perspective on cross-shareholdings

The Company believes that, in order to sustainably increase corporate value, it is essential to build broad relationships of trust with customers, suppliers, financial institutions, local communities and others, and holds shares in companies we deem necessary. The Board of Directors examines the significance and rationality of its shareholdings from a medium- to long-term perspective once a year by scrutinizing their profitability in light of our cost of capital and other factors. As a result of deliberation by the Board of Directors, the Company has gradually reduced the number of shares whose significance and rationale for holding have diminished, while taking into consideration the impact on the market and other factors, and will continue such effort.

3. Conclusion

As stated above, the Company believes that ISS's recommendation against the appointment of Mr. Junya Suzuki as a Director of the Board is based on the misperception of the facts, and that the ratio of cross-shareholdings to net assets should not be considered as a reason to oppose the proposal.

The Company regards the realization of effective corporate governance as an important management issue, and strives to maintain and improve it. The Company meets the Corporate Governance Code at a high level, not limited to the issue of cross-shareholdings.

We hope that shareholders will comprehensively evaluate the Company's approach for corporate governance, and then make a careful decision to exercise voting rights.

End