

# NISSHA

## Nissha Sustainability Report 2021

English



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# 1. CEO Message

Nissha Group is a forward thinking global company. Our Mission is to 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. Nissha Group is developing the 3 businesses of "Industrial Materials", "Devices", "Medical Technologies", and also developing various businesses such as "Information and Communication", "Pharmaceutical and Cosmetics".



The Group views sustainability as an initiative for sustainable growth and development of both the company and society. To achieve this, we must approach social issues as business opportunities, and leverage our strengths to offer products and services that provide solutions to these issues. At the same time, we believe in the importance of strengthening our management foundation, reducing risks that could impede the sustainability of our company, and engaging in governance to ensure that we carry out them in an appropriate manner, in order to support our business activities. Through these activities, we generate the economic and social values professed in the Nissha Mission, which states that we realize the enrichment of people's lives.



In January 2021, we set out our Sustainability Vision (long-term vision) for where we want to be in 2030. At the same time, we have formulated the 7<sup>th</sup> Medium-term Business Plan as a strategy to achieve our medium-term vision and goals over the next three years from 2021, backcasting from where we want to be in 2030.

In the 7th Medium-term Business Plan, we aim to establish a foundation for growth by making the most of the business foundations we have built to date and maximizing global synergies. In addition, the Group aims to achieve growth by expanding products and solutions that contribute to solving social issues. For this, we will focus on markets that we have positioned as priority markets, such as medical devices, mobility (automotive and transport equipment), and sustainable materials.

These are markets in which we expect stable and sustainable growth and where clusters of social issue-based needs are present. The group views these needs as business opportunities, solving social issues through businesses that make use of our strengths. Through this, we aim to grow and develop with society.

In closing, I would like to extend my deepest condolences to the families of those who have lost their lives to the novel coronavirus disease (COVID-19), and express my heartfelt respect for the medical professionals at the frontline of treatment.

The Group will continue to place the highest priority on the safety and security of our stakeholders and employees. We will continue to conduct business while implementing measures to prevent infections from starting or spreading, striving

to solve social issues by mobilizing all our resources.

We look forward to your continued guidance and encouragement.

June 2021

Junya Suzuki  
 Chairman of the Board  
 President and CEO



**WE SUPPORT**

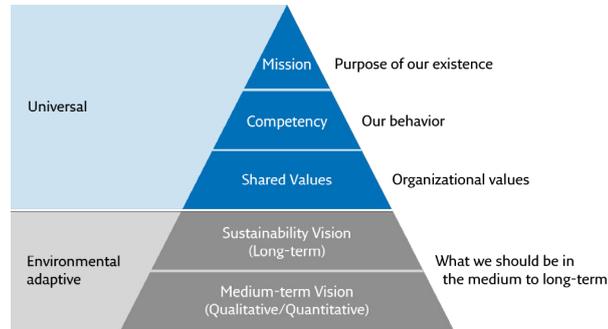


Nissha Co., Ltd. support the United Nations Global Compact since April 2012. We have in place various targets and work actively based on the 10 principles of the Global Compact in the area of human rights, labor, the environment, and anti-corruption.

## 2. Nissha Group Sustainability

### 2-1 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

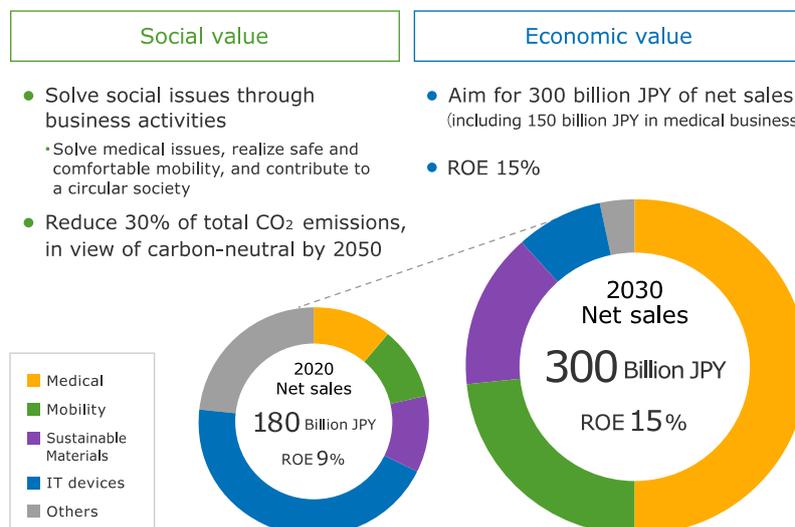
We realize the enrichment of people’s lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group.

### 2-2 Sustainability Vision (long-term vision for 2030)

Nissha Group has defined Sustainability Vision (long-term vision) that communicates where we want to be as a corporate group by the year 2030. Guided by this vision, we aim for annual net sales of JPY300 billion and an ROE of 15% or more. We will accomplish these goals through products and solutions that contribute to solving social issues and creating social value in the priority markets of medical, mobility (automotive/transport equipment), and sustainable materials. We are also striving to reduce our total CO<sub>2</sub> emissions by 30% (versus 2020), with a view to becoming carbon-neutral by 2050. In so doing, we aspire to fulfill the spirit of our Mission to realize the enrichment of people’s lives.

Note that in July 2021, the Group revised its 2030 CO<sub>2</sub> emissions reduction target upwards from a 20% reduction to a 30% reduction (both compared to 2020).

\*For details, please refer to “3. Response to Climate Change” and “7. CO<sub>2</sub> Emission Status and Reduction Efforts”.



### 2-3 The 7th Medium-term Business Plan

We made a start of the 7th Medium-term Business Plan in January 2021. It sets our medium-term strategy for the 3 years from 2021, reflecting backwards the Sustainability Vision for 2030. Under the 7th Medium-term Business Plan, we aim to construct a foundation for growth by fully utilizing the global business bases we have acquired and built so far and maximizing their synergies.

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

Establish a foundation for growth through global synergies acceleration

- Declining phase for smartphones (stable profitability)
- Growth in non-IT such as Medical Devices and Mobility
- Achieve improvement in profitability



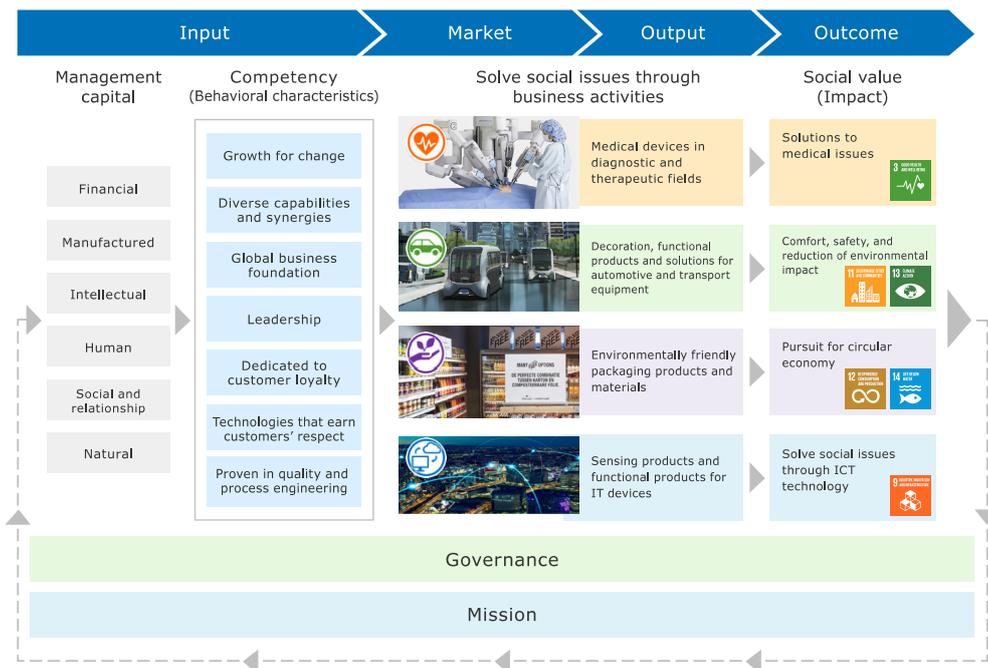
In the markets of Medical Devices, Mobility, and Sustainable Materials, our goal is to achieve growth by expanding product lineups that will solve social issues. In the IT devices market, we will enhance profitability and efficiency against the downturn trend in the product demand.

### 2-4 Nissha's Value Creation Process

We will continue to provide products and services that help solve social issues in priority markets such as medical devices, mobility (automotive/transport equipment), and sustainable materials, where stable and sustainable growth is expected. We shall achieve this by utilizing our management resources, including the six core technologies and diverse human resources that we have cultivated through our business activities, and through our competency that create value.

In addition, in order to sustain these business activities over the long term, we are working to strengthen our management base to support the activities of our diverse human resources and increase productivity, and to reduce risks to continue our business by fulfilling our social responsibilities as a company.

Through these activities, we generate the economic and social values professed in the Nissha Mission, which states that we realize the enrichment of people's lives.

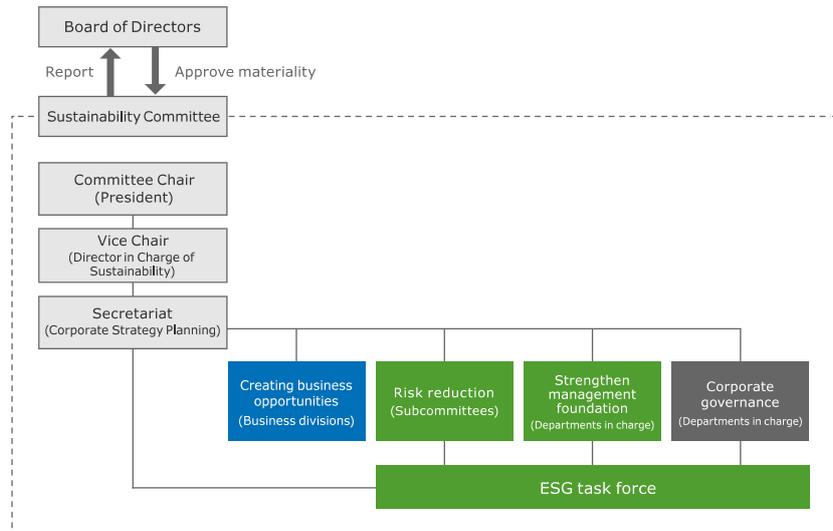


## 2-5 Promotion Framework for Sustainability

We established the Sustainability Committee, chaired by the president and vice-chaired by the officer in charge of sustainability. The Sustainability Committee works in collaboration with our business organizations, subcommittees, and business divisions on a number of topics. These topics include creating business opportunities, risk reduction, strengthening management foundation, and corporate governance.

The ESG task force has been established to address the themes of "Improving human resources capabilities, and utilizing diverse human resources", "Respect for human rights", "Response to a decarbonized society", and "Pharmaceutical affairs". These are considered to be particularly important from an ESG perspective, and the task force is responsible for accelerating activities for each of these at Nissha.

The Sustainability Committee holds a general meeting once a year, at which it approves the KPIs for each organization. These KPIs are set based on the materialities resolved on by the Board of Directors. In addition, monthly business reviews and quarterly progress confirmation meetings are held to confirm whether or not the set KPIs are progressing as planned. Each organization is responsible for the management of strategic items, KPIs, and action programs.



In the fiscal year ended December 2020, we held one Sustainability Committee meeting and three progress confirmation meetings.

### ● Promoting organizations

- **Creating business opportunities:** Checks progress based on the KPIs promoted by the business organizations at business reviews held monthly or quarterly.
- **Risk reduction:** The following eight subcommittees reduce the risk that inhibits business continuity through their activities. Progress is checked based on KPIs at quarterly progress confirmation meetings.
  - Corporate Ethics and Compliance Subcommittee
  - Labor and Human Rights Subcommittee
  - Health and Productivity Management Subcommittee
  - Environmental, Safety and Health Subcommittee
  - Quality Subcommittee
  - Business Continuity Management Subcommittee
  - Information Security Subcommittee
  - Trade Administration and Control Subcommittee
- **Strengthen management foundation:** Promoted by the departments involved in the materiality. Progress is checked based on KPIs at quarterly progress confirmation meetings.
  - Digital Transformation Promotion Office
  - Corporate Information Technology and Management

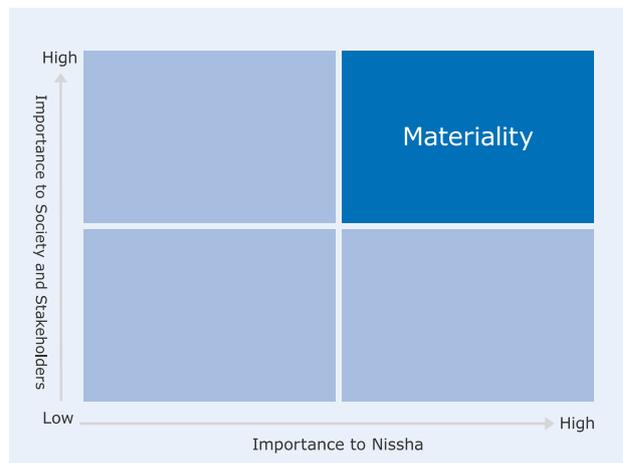
- Corporate governance: Annually analyzes and evaluates the role, composition, and operation of the Board of Directors, and makes continual improvements to enhance its effectiveness.  
Corporate Strategy Planning

## 2-6 Materialities (Key Issues) and KPIs

### 2-6-1 Materiality Identification

Nissha Group identifies items of particular importance as materialities in order to realize our Sustainability Vision and achieve the goals of the current 7th Medium-term Business Plan.

Materialities are evaluated from the perspectives of creating business opportunities, reducing risks, strengthening management foundations, and promoting governance using the two axes of “importance to society and stakeholders”, and “importance to Nissha”. In addition, “importance to society and stakeholders” incorporates opinions obtained through dialogues with stakeholders including customers, shareholders and investors. 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.



#### ● Materiality Identification Process

Step 1 Identify related social issues	Identify social issues related to the Nissha Group and its supply chain based on the business environment, referencing the SDGs <sup>*1</sup> , GRI Standards <sup>*2</sup> , RBA <sup>*3</sup> , etc.
Step 2 Prioritize	Analyze and prioritize the social issues identified in Step 1 based on the axes of importance to society and stakeholders (in consideration of SDGs, external evaluations, etc.) and importance to Nissha.
Step 3 Verify validity	Examine the validity of issues via interviews conducted with business divisions, Sustainability Committee subcommittees, ESG task force and other organizations.
Step 4 Establish materialities and KPIs	Based on Steps 1 to 3, materialities are identified through deliberations and resolutions by the Board of Directors. In addition, business organizations, subcommittees, and the ESG task force incorporate strategic items and KPIs, which are then approved by the Sustainability Committee.

\*1 SDGs (Sustainable Development Goals): Adopted by the United Nations in September 2015

\*2 GRI Standards (Global Reporting Initiative Standards) : Global guidelines for sustainability reporting

\*3 RBA (Responsible Business Alliance) : International code of conduct for labor, health and safety, environment, ethics, etc. for the electronics and other industries

### 2-6-2 Initiatives for FY2021.12 and beyond

Nissha Group has reviewed its materialities in line with the establishment of the Sustainability Vision (long-term vision) and the start of the 7th Medium-term Business Plan (2021-2023). While taking into account the status of KPI achievement up to the previous year, we have identified the following through the process of identification described as below.

● **Creating Business Opportunities (Resolution of social issues through business)**

Identify important social issues (needs) in the priority markets stipulated in Sustainability Vision and the 7th Medium-Term Business Plan currently in operation

	Materiality	Strategy Items	KPI (2023)
Creating Business Opportunities	Solving medical problems	Expansion of business for Medical Devices / Healthcare market • Contribution to medical care centered on minimally invasive (heart disease) and acute care fields	• Net sales of Medical Technologies business  
	Contribute to the safety and comfort of transportation and logistics, and the reduction of environmental impact	Expansion of business for Mobility market • Providing mobility products that contribute to safety, comfort, and reduction of environmental impact	• Net sales of Mobility segment   
	Promotion of Circular Economy	Expansion of business for the sustainable materials market • Promotion of Circular Economy • Solving marine plastic pollution issues • Contribution to improving resource utilization efficiency	• Net sales of Sustainable Materials segment in Industrial Materials business   
	Solving social issues by applying and integrating technologies	Creation of new products that lead to the solution of social issues	• Net sales of New Business Development Office   

● **Risk reduction (Reducing environmental and social risks that impede business continuity)**

Evaluate and identify environmental and social risks that impede business continuity in aiming to achieve Sustainability Vision and the 7th Medium-term Business Plan

	Materiality	Strategy Items	KPI · Target (2023)
Risk Reduction	Promotion of compliance	• Enhancement of the internal reporting system • Responding to domestic and foreign legal risks	• Set up an optimal contact point for the entire company and establish an operational flow • Understanding the risks of individual laws and regulations; education and retention.   
	Respect for human rights	• Reduction of labor and human rights risks	• Number of child labor and forced labor cases of primary suppliers in areas with high labor and human rights risks (Latin America, Southeast Asia, China): 0  
	Promotion of health and productivity management	• Creating a workplace where employees are physically and mentally healthy, highly motivated, and able to work lively (improvement of employee engagement)	• Raising health awareness: Hold a wellness day for employees once a month • Early detection and treatment of illness: Improvement of the rate of detailed health examinations (examination rate of 50% or more) • Workplace support in stress checks: 100% attendance and participation of subcommittee members in workplace care interviews  
	Response to a decarbonized society	• Reduce our total CO <sub>2</sub> emissions by 30% (versus 2020), with a view to becoming carbon-neutral by 2050.	• Develop a plan to reduce total CO <sub>2</sub> emissions toward the 2030 target, and reduce the prescribed CO <sub>2</sub> emissions by 2023.  
	Occupational health and safety	• Reduction of occupational accidents • Understand and reduce the health and safety burden of newly acquired companies through M&A	• Number of occupational accidents 7 or less • Expand scope  

	Materiality	Strategy Items	KPI · Target (2023)
Risk Reduction	Advancement of quality control	<ul style="list-style-type: none"> <li>Reduction of quality cost ratio</li> <li>Improvement of quality assurance system that gains customers reliance</li> <li>Support for strengthening quality system in strategic priority areas (Medical, Mobility)</li> </ul>	<ul style="list-style-type: none"> <li>Quality cost ratio target: 3.0%</li> <li>Continuation and expansion of QMS certification</li> <li>Pointing out and support through internal audit</li> <li>Implementation (as planned) of quality education</li> <li>Improvement support for business divisions such as small group activities</li> <li>Support for strengthening quality system in strategic priority areas</li> </ul> 
	Providing responsible medical products and services	<ul style="list-style-type: none"> <li>Strengthening the legal compliance system by thoroughly disseminating medical-related laws and regulations</li> <li>Ensuring the quality and safety of products and services</li> <li>Appropriate disclosure of information about products and services</li> </ul>	<ul style="list-style-type: none"> <li>Continuous implementation of education for management and all employees</li> <li>Maintenance and expansion of ISO13485 certification</li> <li>Compliance with laws and regulations related to information disclosure (Pharmaceutical Machinery Law Enforcement Regulations, Appropriate Advertising Standards for Pharmaceuticals, etc.)</li> </ul> 
	Continuity of business activities	<ul style="list-style-type: none"> <li>Execute business continuity basic plan in case of emergency</li> </ul>	<ul style="list-style-type: none"> <li>Response to infectious diseases</li> <li>Implementation of management BCP training and BCP training at major domestic bases</li> <li>Understanding the BCP operation and management status of important bases</li> </ul>  
	Protection and utilization of information assets	<ul style="list-style-type: none"> <li>Strengthening security in response to new work styles</li> <li>Strengthening and establishing ISMS</li> </ul>	<ul style="list-style-type: none"> <li>Attendance rate of information security education for all employees</li> <li>Number of information security incidents</li> <li>Expansion of ISMS application range to overseas undeveloped departments</li> </ul> 

● **Strengthen Management Foundation (initiatives to support the creation of business opportunities and the reduction of risks) / Corporate Governance**

Identify important management foundation elements for accelerating business activities toward the achievement of Sustainability Vision and the 7th Medium-term Business Plan

	Materiality	Strategy Items	KPI · Target (2023)
Strengthen Management Foundation	Improving human resource capabilities, and utilizing diverse human resources	<ul style="list-style-type: none"> <li>Enhancement of trainings for management / strategic human resources, and rotation</li> <li>Promote activities for women</li> </ul>	<ul style="list-style-type: none"> <li>Selection rate of leader candidates Nissha: 36%</li> <li>Female manager ratio Global consolidated: 21% Nissha 8%</li> </ul>  
	Productivity improvement	<ul style="list-style-type: none"> <li>Digitization of value creation process</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of working hours by automation and efficiency tools such as RPA (compared to 2020) by 100,000 hours / year</li> <li>Company-wide development of digitization of value creation process</li> </ul> 
Corporate Governance	Corporate governance	<ul style="list-style-type: none"> <li>Improving the effectiveness of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Improving the effectiveness evaluation results of the Board of Directors</li> </ul>

- **Boundaries of Materialities (risk reduction, strengthen management foundation, corporate governance)**

Materiality	Boundaries	
	Inside Nissha Group	Outside Nissha Group
Promotion of compliance	●	●
Respect for human rights	●	●
Promotion of health and productivity management	●	
Response to a decarbonized society	●	●
Occupational health and safety	●	●
Advancement of quality control	●	●
Providing responsible medical products and services	●	●
Continuity of business activities	●	●
Protection and utilization of information assets	●	●
Improving human resource capabilities, and utilizing diverse human resources	●	
Productivity improvement	●	
Corporate governance	●	

**2-6-3 FY2020.12 Initiatives and Achievement Status (Creating Business Opportunities / Risk Reduction)**

- **Creating Business Opportunities**

Regarding the materiality of business opportunities, the overall trend was a recovery in H2, but the unachieved factor was that demand was sluggish in H2 due to the impact of COVID-19.

Materiality	Strategy Items	KPI	Achievement Status*
Provide Free and Comfortable Travel Reduce Environmental Impact	Expand Business in the Mobility Market • Provide mobility products that contribute to comfortable travel • Provide products with low environmental impact	Net sales of Mobility segment	89.6%
Solve Medical Issues Through Products and Services	Expand Business in the Medical Devices Market • Heart disease • Acute care • Contribute to medical care through consumable medical products, etc.	Net sales of Medical Technologies business (excluding business media)	85.1%
Promotion of Circular Economy	Expand Business in the Sustainable Packaging Materials Market • Provide products/services that contribute to solving marine plastic pollution • Provide products/services that contribute to greater resource use efficiency	Net sales of Sustainable Packaging Materials segment	89.2%
Resolve Social Issues Through Capabilities Cultivated in IT Markets	Generate Social Impact in Priority Markets (Medical Devices, Mobility, Sustainable Materials)	Net sales in Priority Markets Using Capabilities Cultivated in IT Markets	65.8%
Develop New Products That Contribute to Resolving Social Issues	Create New Businesses, Products, And Services Through Integrating Technologies Promote Development That Contributes to Resolving Social Issues	Net sales of New Products that Solve Social Issues	79.4%

\* The results in FY2020.12 against the sales plan.

● Risk Reduction

Materiality	Subcommittee	Strategy Items	KPI	Achievement Status*1
Compliance	Corporate Ethics and Compliance Trade Management	1. Build an internal reporting system 2. Implement fair, legally compliant operations during import/export	1. Formulate systems overview for US locations 2. Prevent illegal/unlawful declarations, omission of import charge factors Illegal/unlawful declarations: 0 (Annual) Omitted declarations of charge factors: 0 (Annual)	1. Δ: Delayed due to COVID-19 2. Δ: Illegal/unlawful declarations: 7*2 O: Omitted declarations of charge factors: 0
Product and Service Continuity	Business Continuity Management	1. Understand status of BCP operation for key locations 2. Formulate guidelines for handling COVID-19	1. Check validity of BCP plan for key overseas locations 2. Formulate guidelines for handling COVID-19 Once guidelines are complete, notify domestic locations, add necessary equipment	1. O: Review of key overseas locations completed 2. O: Formulated and updated guidelines
Human Rights in the Workplace	Labor and Human Rights	1. Understand and reduce human rights risks at key overseas locations 2. Practice work-style reforms	1. Identify and understand points brought up in customer audits and measures for improvement, share with related departments at Global Headquarters 2. Refine and evolve work hour management	1. O: Investigated and analyzed the risks of key overseas locations 2. O: Refined attendance system and revised work hour management rules
Environment	Environmental, Safety and Health	1. Understand and reduce environmental impact causing climate change and other phenomena 2. Understand environmental impact of newly acquired companies	1. Confirm details of main environmental impacts: 3 locations 2. Build environmental data collection system for newly acquired companies	1. O: Identified environmental impact of three key overseas bases 2. O: Established system for collecting environmental data at target sites
Occupational Health and Safety	Environmental, Safety, and Health	1. Understand health and safety at newly acquired companies	1. Build health and safety data collection system for newly acquired companies	1. O: Established system for collecting environmental data at target sites
Information Assets	Corporate Ethics and Compliance Information Security	1. Modify trade secret management to ensure appropriateness 2. Modify and execute new, appropriate trade secret management	1. Enforce and maintain rules for trade secrets 2. Implement ISMS internal audit To be implemented in departments handling trade secrets as information assets	1. O: Revised information security-related regulations and completed deployment to relevant departments 2. Δ: ISMS internal audits to be carried over to March 2021
Productivity Reforms	Quality	1. Smart QC 2. Smart Factory	1. Productivity reform leveraging IT technology: 3 target locations	1. O: Implemented labor-saving and unmanned operations by introducing AI systems, etc. at three major domestic factories.

\*1. O means objective achieved. Δ means objective partially achieved.

\*2. The number of incidents decreased compared to FY2019.12, but the goal was not met. The cause was identified, and countermeasures taken using RPA and other IT tools. In addition, the automation of checks, improvements to the management system, and training for new employees will be implemented to further improve the issue.

**2-7 Initiatives in which Nissha participate and external evaluation**

● **United Nations Global Compact**

Nissha Co., Ltd. support the United Nations Global Compact since April 2012.

The Global Compact is a voluntary initiative based on 10 principles in the area of human rights, labor, the environment, and anti-corruption. Its purpose is to have various companies show responsible and creative leadership, and thereby act voluntarily as good citizens and participate in creating a global framework for sustainable growth. Signatory companies are required to express within and outside the company the commitment of top management, establish a CSR framework, make continuous improvements aiming for higher levels of management and CSR, and submit annual reports on the status and results of activities in the format of a Communication on Progress (COP).



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

**The Ten Principles of the UN Global Compact**

Human Rights

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

Labour

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

Environment

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

Anti-Corruption

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

[United Nations Global Compact](#)

● **CDP**

In January 2021, we received an "A-" rating in the Climate Change Report 2020 published by the CDP, an international non-profit environmental organization. This is the second highest level of their eight-point scale, indicating we are at a leadership level in addressing climate change.



● **FTSE Blossom Japan Index**

We have been selected as a constituent stock of the FTSE Blossom Japan Index (as of December 2020). The FTSE Blossom Japan Index is an index developed by FTSE Russell that reflects the performance of Japanese companies with superior environmental, social and governance (ESG) performance. The index has become one of the leading indices for ESG investment, with the Government Pension Investment Fund (GPIF) using it as their ESG index, for example.



**FTSE Blossom Japan**

● **SOMPO Sustainability Index**

This index is composed of around 300 Japanese companies with excellent ESG performance. Since 2012, we have been selected as one of the constituent stocks of the Bunanomori Environmental Survey conducted by Sompo Risk Management Inc. for environmental evaluation, and the IntegreX Survey conducted by IntegreX Inc.



Sompo Sustainability Index

● **Kurumin certification**

With three consecutive terms of Kurumin certification since the fiscal year ended March 2010, we were certified with Platinum Kurumin in March 2019.



**2-8 Nissha Group Stakeholders**

We identify the stakeholders as our customers, shareholders, employees, suppliers, and society. Toward realizing our Mission, we aim to realize our respective visions while valuing a relationship with the stakeholders in which we affect each other.

● **Customer**

Industrial Materials, Devices, and Medical Technologies—we at the Nissha Group operate three businesses on a global basis, using our core technologies to provide various products and services that satisfy market needs. While seeking to resolve social issues through our businesses operations, we also promote fair operating practices, efforts in labor and human rights, and the building of environment-conscious production systems so that our customers can feel safe about entrusting us with work.



Nissha's Circle of Trust

**Communication**

- Sales activities in daily operations
- Products and services information provided on the website
- Providing information for sustainability survey
- Providing information about conflict minerals
- Supplier responsibility (SR) audits by customers

● **Shareholder**

We have in place an Investor Relations (IR) division and a Shareholder Relations (SR) division to serve as contact points for our shareholders and investors, and to establish a system for promoting deeper communication with our shareholders and comprehensively providing financial and non-financial information. We also create opportunities to meet directly and exchange dialogue with our shareholders and investors through IR events and one-on-one briefings. Feedback and comments are reported regularly at Board of Directors meetings and to the management, and used for the enhancement of our corporate value.

**Communication**

- Shareholders' meetings and management briefings following shareholders' meetings
- Financial results presentations for institutional investors
- One-on-one briefings for institutional investors
- Response to individual inquiries
- IR information and sustainability information provided on the Nissha website
- Materials published for shareholders and investors (integrated report, business report, sustainability report, etc.)
- Providing information to investigation institutions for ESG investment

● **Employee**

We at the Nissha Group respect our employees' human rights and diversity from a global perspective. To this end, we promote the creation of safe, comfortable workplace environments and offer support for diverse work styles so that our employees can live up to their full potential. We believe our employees are our most important management resources, and aim to achieve growth for both the company and our employees.

**Communication**

- Dialogue between labor and management
- Education and training
- Personnel evaluation and interviews
- Hotline
- Providing information via the company intranet and company newsletter
- Employee awareness survey and interviews

● **Supplier**

The Nissha Group's global operations revolve around procurement activities and engagement with a large number of suppliers. We strive to build partnerships of co-existence and co-prosperity with our suppliers, and aim to enhance one another's corporate value through procurement integrity. We also seek to evaluate our suppliers fairly, impartially, and comprehensively at all times, and to promote sustainable procurement.

**Communication**

- Procurement activities in daily operations
- CSR procurement briefings
- CSR survey and audit
- Self Assessment Questionnaire (SAQ)
- In-house exhibitions and seminars themed around supplier products and technologies

- **Society**

The Nissha Group comprises a network that spans across the globe, and in each region, we carry out business activities with respect for the local culture and climate.

While promoting communication with local communities to fulfill our basic responsibilities as a corporation and to be a company that is needed by society, we also strive to be aware of global social issues and play a role in resolving them.

**Communication**

- Support and promotion of arts and culture
- Exchange events with community people
- Factory and facility tours
- Cleanup activities in factory areas
- Future generation support activities
- Employees' participation in volunteer activities



# Environment

In our "Sustainability Vision" that communicates where we want to be by the year 2030, Nissha Group has set a 30% reduction in our total CO<sub>2</sub> emissions (compared to 2020) with a view to carbon-neutral by 2050. To achieve this, we are promoting initiatives through backcasting such as reducing power consumption and introducing renewable energy.

In fields other than decarbonization, we are working to provide safe and environmentally friendly products and prevent environmental pollution with the aim of developing our businesses and realizing a sustainable society, while listening to the voices of our stakeholders. We also operate an environmental management system to make continuous improvements.

### 3. Responses to Climate Change

#### 3-1 Establishing the Sustainability Vision

– Reduce total CO<sub>2</sub> emissions 30% by 2030 (compared to 2020), and to zero by 2050

In recent years, with the frequent occurrence of abnormal weather conditions such as torrential rains believed to be caused by global warming, efforts to prevent global warming have become an important issue for the international community. The Paris Agreement, adopted at COP21 in 2015, set a goal of reducing greenhouse gas emissions to zero in the second half of this century and limiting the average global temperature rise to less than 2°C above pre-industrial levels. In Japan, the government declared in October 2020 that it would aim to achieve a carbon-neutral, decarbonized society by 2050, and in April 2021, it announced that it would aim to reduce greenhouse gas emissions by 46% (compared to 2013) by 2030.

In light of these trends, in July 2021 the Nissha Group revised upward the CO<sub>2</sub> emission reduction target in the Sustainability Vision, which describes what the Group wants to be in 2030, from a 20% reduction to a 30% reduction (both compared to 2020) in order to achieve carbon neutrality by 2050.

In future, we intend to refer to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our efforts to address climate change, and will actively promote the disclosure of information.

The status of our response to the TCFD framework items is as follows.

Item	Nissha's initiative	Progress	Detailed information
Governance	The Sustainability Committee, headed by the president, manages responses to climate change at the management level. Progress and results are reported to the Board of Directors once a year for discussion.	Formed ESG Task Force in FY2021.12 to promote ESG items of particular importance. A team consisting of several internal organizations as well as the environmental division has been established to manage company-wide targets and promote actions under the theme of "Adaptation to a decarbonized society."	2-5 Sustainability Promotion System
Strategies	Established a Sustainability Vision that aims to reduce total CO <sub>2</sub> emissions by 30% in 2030 (compared to 2020), with the aim of becoming carbon neutral by 2050.	"Adaptation to a decarbonized society" and "Contributing to the safety and comfort of transportation and logistics, and reducing environmental impact" set as materialities of the 7th Medium-term Business Plan (3 years), which started in 2021.	2-2 Sustainability Vision 2-6 Materiality (material issues) and KPIs
Risk Management	The Sustainability Committee assesses and identifies climate-related risks, and the Environmental, Safety and Health Subcommittee under it manages climate change risks.	Confirmed at the Sustainability Committee's quarterly progress confirmation meetings.	2-5 Sustainability Promotion System
Indicators and Targets	Set materialities based on the Sustainability Vision (long-term).	Set KPIs for the "Adaptation to a decarbonized society" materiality of the 7th Medium-term Business Plan (3 years), which started in 2021.	2-2 Sustainability Vision 2-6 Materiality (material issues) and KPIs

● **Initiatives to create business opportunities**

The Group views its efforts to achieve a decarbonized society in terms of both creating business opportunities and reducing risks. In other words, we intend to contribute to the realization of a decarbonized society through our business activities, by providing products and solutions that contribute to the reduction of CO<sub>2</sub> emissions throughout society, and by minimizing the amount of CO<sub>2</sub> emissions generated by the Group's own business activities.

As an example of creating business opportunities, we have the metallized paper produced and sold by our Industrial Materials business as the main products for sustainable materials, one of the Group's key markets. It is used for labels and packaging of beverages, food, and daily necessities, and has a 40% market share. Metallized paper is gaining interest as a packaging material with superior design potential, and at the same time, it is highly regarded for its ability to contribute to solving environmental problems. Its increasing use as a substitute for plastic in beverage and food product packaging not only solves the major social problem of marine plastic pollution, but also contributes to reducing energy use and promoting recycling from the perspective of Life Cycle Assessment (LCA), leading to a reduction in CO<sub>2</sub> emissions.

In the fiscal year ended December 2019, Nissha acquired Eurofoil Paper Coating GmbH (now AR Metallizing GmbH), a German manufacturer of metallized paper. This means we will be able to expand our European region market share in the metallized paper market, and use AR Metallizing's processing technology to promote the development of new environmentally-friendly products such as molded products using wood chips, bamboo, or other plant-based materials.

Moreover, in the mobility (automotive and transport equipment) market, one of the Group's priority markets, IMD and IML, which allow beautifully decorated plastic surfaces, are widely used for interior parts in particular. As IMD and IML can be applied at the same time as molding, they reduce the materials and energy used in the production process comparing to the painting, thereby helping reduce CO<sub>2</sub> emissions in customer processes. The use of IMD also eliminates having to transport unpainted molded products to be coated, thereby reducing CO<sub>2</sub> emissions from this transportation.

Our group will expand its business for the mobility market, including IMD and IML, against the backdrop of trends such as climate change response and CASE.

● **Risk management initiatives**

Examples of climate-related risks we are assessing

Migration risks	Regulatory risks	Nissha is categorized as a specified business operator under the Act on the Rational Use of Energy, and we will be fined if we fail to submit an energy usage report, medium- to long-term plan, or periodic report as required by the Act, or if we submit false reports. In addition, if our energy efficiency and conservation efforts are rated as poor, an on-site investigation will be conducted by an agency commissioned by the Agency for Natural Resources and Energy. We risk increased costs due to fines and mandatory installation of energy efficiency and conservation equipment if the improvements ordered as a result of the investigation are not implemented.
		We are constantly monitoring to ensure the intellectual property of other companies is not used inadvertently, nor is the Group's intellectual property used without authorization by third parties. We pay particular attention to trends amongst our competitors in business fields that will undergo significant change and growth in the future.
	Reputation risks	In an increasing number of cases, customers make the details of our environmental initiatives a condition for orders. This means that we risk fewer customer orders if our climate change initiatives are deemed insufficient.
Physical risks	Urgent physical risks	Our factory sites are expected to be flooded due to sudden heavy rainfall caused by climate change. This flooding brings the risk of damages to both buildings and structures, and to machinery, equipment, and vehicles at these factories.
	Chronic physical risks	The Group's key production bases manufacture products in clean rooms, so there is the risk of increased costs due to the significant impact of rising outside temperatures on the amount of electricity used for air conditioning in these clean rooms.

## 4. Impact on the Environment out of our Business Operations

In order to manage the impact on the environment out of our business operations, we grasp the input of major materials, the amount of waste, the amount of energy and water used, and the amount of exhaust and emissions.

The amount of major raw materials used at the Nissha Group in the fiscal year ended December 2020 was approximately 114,036t, an increase of approximately 12% from the previous fiscal year. Of the total amount of major raw materials used, approximately 82% was used at our overseas production bases. Of this amount, AR Metallizing's metallized paper products accounted for approximately 84%. At domestic production bases, the amount used by the Devices business increased. At the same time, the amounts used by the Industrial Materials business and the Information and Communication business dropped.

The amount of waste generated increased both in Japan and overseas.

The amount of energy used by the Nissha Group was 257,464MWh of electricity, a drop of approximately 6% from the previous fiscal year, and 9,085,000m<sup>3</sup> of gas, a drop of approximately 21% from the previous year. From the fiscal year ended December 2020, CO<sub>2</sub> emissions are calculated using the market-based method for bases in Japan and the location-based method for overseas bases.

**INPUT**

Production bases in Japan		
Industrial Materials	PET/acryl film	978t
	Solvents	686t
	Gravure Ink	671t
	Others	107t
Devices	Materials used in product manufacturing processes	12,103t
	Metallic materials	2t
	Resin materials	3t
	Half-finished goods	49t
	Others	1,849t
	Information and Communication	Paper
Ink		42t
Others		33t
<b>Total for production bases in Japan</b>		<b>20,482t</b>

Overseas production bases			
	Resin	1,290t	
	Film	1,674t	
	Molds and molding materials	90t	
	Touch sensors	0t	
	Packing materials	172t	
	Paper	78,391t	
	Cardboards	1,752t	
	Aluminum	2,594t	
	Chemical substances	6,560t	
	Others	1,031t	
	<b>Total for overseas production bases</b>		<b>93,553t</b>

<b>Total for Nissha Group</b>	<b>104,036t</b>
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Including production bases in Japan and overseas		
Energy	Electricity	257,464MWh
	Gas	9,079,000m3
Water	Tap water	1,287,000m3
	Underground water	40,000m3
	Industrial water	1,725,000m3

**OUTPUT**

Production bases in Japan		
Recyclable resources (items sold for recycling)	Waste containing noble metals	6,406t
	Metal waste	
	Resin waste	
	Paper waste	
Recyclable resources (industrial waste)	Waste plastic	12,105t
	Iron scrap, waste cans	
	Waste solvents, waste ink, waste cloth	
	Waste acid, alkali	
	Sludge, others	
	Waste for simple incineration/landfill	
Others (industrial waste)		
<b>Total for production bases in Japan</b>		<b>18,538t</b>

Overseas production bases		
Recyclable resources (items sold for recycling)	Waste containing noble metals	8,433t
	Metal waste	
	Resin waste	
	Paper waste	
	Others	
Recyclable resources (industrial waste)	Waste plastic	1,369t
	Waste solvents, waste ink, waste cloth	
	Others	
Non-recyclable waste	incineration/landfill	1,595t
<b>Total for overseas production bases</b>		<b>11,397t</b>

<b>Total for Nissha Group</b>	<b>29,935t</b>
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Including production bases in Japan and overseas		
Emissions	CO2	124,204t
	VOC*	700t
Wastewater		3,033,000m3

\*Detoxified by activated carbon adsorption, catalyst deodorization, etc.

## 5. Environmental Policy and Management Structures

The Nissha Group considers environmental initiatives to be our most important issue in order to achieve sustainable growth and development for both companies and society.

### 5-1 Environmental Policy

The environmental policy of the Nissha Group calls for development of our business and the realization of a sustainable society. Along with ensuring every Nissha Group employee is aware of this policy, we have established the Nissha Group Environmental Objectives. Each factory and organization sets targets and implements action plans to achieve them. The environmental objectives are linked with the Key Performance Indicators (KPI) for each business unit and are directly connected with our business activities.

**Environmental Policy**

Nissha and its subsidiaries, as members of the global society, aim for business development and the realization of a sustainable society through environmentally conscious corporate activities.

1. Prevention of Pollution  
We comply with legal requirements and agreements with society, and strive to prevent environmental pollution in all aspects of our corporate activities such as product development, design, materials, production, sales, and facilities.
2. Product Safety  
We fulfill promises with our customers and deliver safe and environmentally conscious products.
3. Prevention of Global Warming  
We make a contribution to prevention of the global warming by efficient using of resources and energy.
4. Continuous Improvement  
We strive for continuous improvement by establishing an environmental management system and reviewing it in response to changes in the business environment.
5. Co-existence with Society  
We promote open dialogue with our customers, shareholders, suppliers, employees, and society through our efforts to preserve the global environment.

April 1, 2012

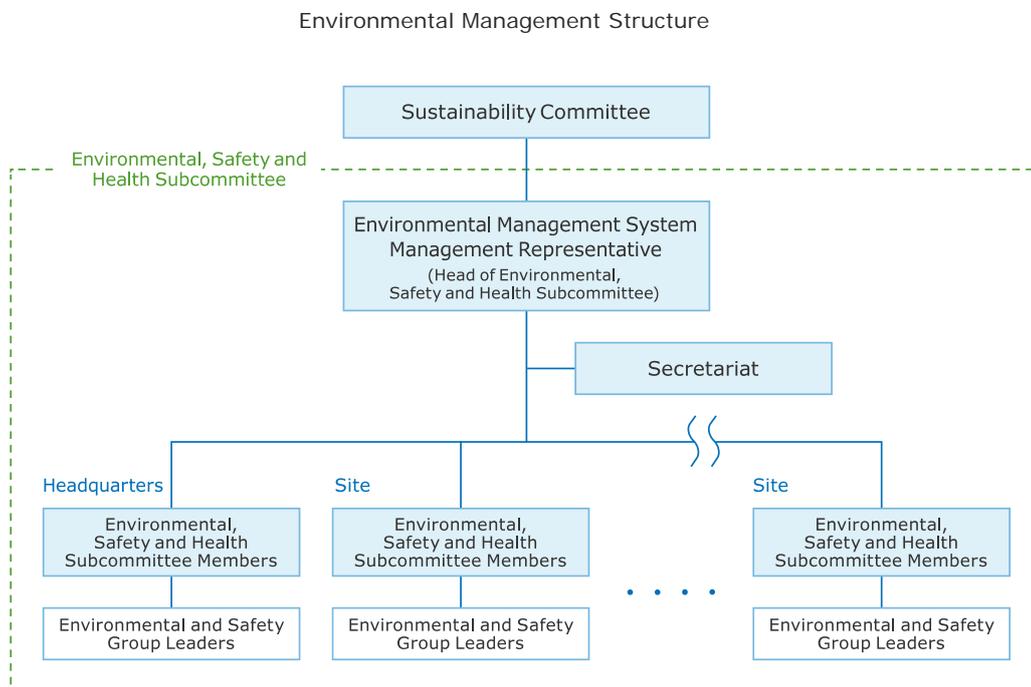
Junya Suzuki  
Chairman of the Board  
President and CEO  
Nissha Co., Ltd.

### 5-2 Management Structures

The Environmental, Safety and Health Subcommittee under the Sustainability Committee promotes environmental initiatives. It consists of an environmental safety manager and members appointed from each related division and base.

Corporate General Affairs serves as the secretariat under the overall supervision of management. To further strengthen the foundations that support our business, the Subcommittee is responsible for the construction and maintenance of compliance systems for the Responsible Business Alliance (RBA)\* with respect to its environmental aspects.

\* RBA: International code of conduct for labor, health and safety, the environment, ethics, etc.



### 5-3 Environmental Management System (EMS)

The Nissha Group in Japan operates its own environmental, health and safety management system based on the ISO14001 environmental management system and the ISO45001 occupational health and safety management system. This system includes compliance with relevant laws and regulations as well as items requested by customers, and strives for continuous improvement.

The Environmental Management System for the Nissha Group in Japan covers all our bases—not only major production bases, but also small production bases and sales bases with little impact on the environment. They are classified into ISO14001-certified bases and noncertified bases and set their priority management items as appropriate. The effectiveness of our EMS is ensured through checking, correcting, and improving issues noted by internal audits and so on.

At our major production bases which have obtained ISO14001 certification, we assess risks identified through environmental risk assessments, and prioritize and reflect them in specific activities. We carry out improvements and maintenance to mitigate negative risks that impact the environment and our business. On the other hand, we are continuing to work on positive environmental initiatives and improvements to environmental performance that is linked to quality KPIs and other factors in our business activities.

In the fiscal year ended December 2020, we established a system to regularly and accurately collect information on the environmental impact of our key overseas bases. The information collected from these key bases will be used to promote risk reduction activities.

## 6. Environmental Objectives and Status of Achievement

The Nissha Group in Japan has set the Nissha Group Environmental Objectives for a period of six years from the fiscal year ended December 2018 for those bases that have obtained ISO14001 certification. In accordance with these Objectives, each base and division establishes environmental targets, and we aggregate and assess the results each fiscal year in order to manage progress.

The targets will be revised based on the results of the fiscal year ended December 2020, and we intend to set environmental targets that take decarbonization into account from the fiscal year ending December 2021.

**Environmental Objectives**

Period: FY2018 (ended December 2018) - FY2023 (ending December 2023)  
 Scope: Nissha Group in Japan ISO14001 certification sites ("certification sites")

**Assessment Definitions**

- Satisfactory: Objective achieved
- △ Unsatisfactory: Objective not achieved but good progress made
- × Poor: Objective not achieved and poor progress made

\*Company names and abbreviations

- NII: Nitec Industries, Inc.
- NPT: Nitec Precision and Technologies, Inc.
- FIS: Nissha FIS, Inc.

### 6-1 Environmental Objectives, Evaluations, and Initiatives

#### 1. Prevention of pollution

Target	FY2018	FY2019	FY2020
(1) Maintain zero environmental accident (accidents that affect areas outside the factory)	○	○	○
(2) For environmental risks classified as significant environmental aspects on the hazard assessment list, implement measures and reduce the possibility of occurrence by one level by December 31, 2023	○	○	○

- (1) There were no cases of environmental accidents in the fiscal year ended December 2020.
- (2) As risk reduction measures, we have strengthened our efforts to reduce environmental risks by conducting drills to deal with chemical leaks, as well as drills that assume night and rainy conditions. In addition to these drills, we are also continuing rainwater management. As a result of these efforts, the factory's environmental risk "potential" (the value in the environmental risk assessment) has been reduced by more than one level.

**2. Mitigation of climate change**

Target	FY2018	FY2019	FY2020
(1) Reduce CO <sub>2</sub> emissions rate (basic unit) by 6% or more* by the fiscal year ending December 2023	×	×	○
(2) Reduce CO <sub>2</sub> emissions rate (basic unit) by 1% or more compared to the previous year	△	△	○

\*Reference value: Results in fiscal year ended December 2017

- (1) By the fiscal year ended December 2020, we have managed a drop of more than 3% of the target to be achieved by the fiscal year ending December 2023. This means we are still on the planned track.
- (2) In order to reduce the CO<sub>2</sub> emission rate (basic unit) by at least 1% over the previous fiscal year, we set targets for each factory and reduced energy input in conjunction with quality improvements. All bases were able to achieve at least 1% reduction over the previous fiscal year.

**3. Reduction of waste**

Target	FY2018	FY2019	FY2020
(1) Reduce waste generation rate (basic unit) by 6% or more by the fiscal year ending December 2023	×	×	△
(2) Reduce waste generation rate (basic unit) by 1% or more compared to the previous year	△	△	△
(3) Maintain zero emissions (recycling and resource reuse rate of 99.5% or more)	○	○	○
(4) Reduce cost of waste treatment	○	○	○

\*Reference value: Results in fiscal year ended December 2017

- (1) Each factory is working to improve its yield rate and efficiency through quality improvement activities and reducing the amount of wasted materials by improving production efficiency. In the fiscal year ended December 2020, of the target factories, NPT Himeji Factory and Kaga Factory were unable to achieve their targets, so the company-wide evaluation was set at "Unsatisfactory".
- (2) Targets are set according to the characteristics of each factory. In the fiscal year ended December 2020, the NII Koka Factory and NPT Kaga Factory achieved their targets, but the NPT Himeji Factory failed to do so.
- (3) The Nissha Group in Japan as a whole achieved a recycling rate of 99.9%, and has maintained zero emission of waste (a recycling and resource reuse rate of 99.5% or more) as in the previous fiscal year.
- (4) In addition to yield improvements, a reduction in the number of times commercial disposal companies have needed to take away waste acids and alkalines from the NII Koka Factory has also directly contributed to cost improvements.

**4. Reduce use of water**

Target	FY2018	FY2019	FY2020
Reduce use of water by improving production efficiency and saving water	△	○	○

Improved production efficiency and water conservation efforts at the NII Koka Factory and the NPT Himeji Factory resulted in reduced water consumption. We continue to reduce water consumption and save water for miscellaneous use by improving production efficiency at our factories.

**5. Reduce use of chemical substances**

Target	FY2018	FY2019	FY2020
Certification sites reduce usage rate of chemical substances (Certification sites set individual targets)	○	○	○

In addition to PRTR-designated substances used in the printing process, the NII Koka Factory also reduced the use of organic solvents, which do not contain designated substances, to achieve its target of a 1% reduction from the previous year.

At the NPT Himeji Factory, efforts to reduce chemicals used in boilers meant that the target was greatly exceeded, and at the NPT Kaga Factory, the chemicals used in wastewater treatment were reduced by 24% per unit of wastewater.

**6. Environment-conscious design**

Target	FY2018	FY2019	FY2020
(1) Introduce the viewpoint of energy saving, resource saving, durability, recycling, and so on in product design and development.	○	○	○
(2) Design environment-conscious processes and reduce the environmental impact of production.	○	○	○

(1) As a positive risk assessment (a positive environmental aspect), the design and development divisions of the Industrial Materials and the Devices businesses incorporate the reduction of environmental impact in product design. In addition, they are moving ahead with the development and mass production of products that contribute to reducing environmental impact, such as the use of sustainable packaging materials.

FIS also designs and develops parts that contribute to environmentally-friendly customer products, such as hydrogen detectors and coolant sensors used in fuel cell vehicles.

(2) NII and NPT are complying with established company standards regarding the management of chemical products, and also designing production processes that promote reduced environmental impact.

**7. Enhance environmental performance in supply chain**

Target	FY2018	FY2019	FY2020
Enhance environmental performance based on customer requirements and the RBA code of conduct	○	○	○

With the help of our suppliers, we responded to questionnaires and conducted on-site inspections which reflected our customers' demands in relation to the environment. In addition, we examined CO<sub>2</sub> emissions during production processes and checked chemical materials used in products. These activities showed us the environmental impacts of our supply chain, which will help improve the environment.

## 7. CO<sub>2</sub> Emissions and Reduction Efforts

The Nissha Group has set its Sustainability Vision (long-term vision) as our ideal for 2030. In this Vision, we aim to achieve a 30% reduction in total CO<sub>2</sub> emissions (compared to 2020), with the goal of becoming carbon neutral by 2050.

### 7-1 Upwards Revision of 2030 CO<sub>2</sub> Emissions Reduction Target

In July 2021, the Group revised its CO<sub>2</sub> emissions reduction target for 2030 up from a 20% reduction to a 30% reduction\* (both compared to 2020), and is working to achieve this goal.

\*The 30% reduction is a level of 48% reduction compared to 2018, when the Group's CO<sub>2</sub> emissions peaked (in the case of converted by CO<sub>2</sub> emission factor under the same conditions) .

In future, we intend to refer to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our efforts to address climate change, and will actively promote the disclosure of information.

- **Revisions to the 2030 CO<sub>2</sub> emission reduction target**

	At establishment (February 2021)	At revised (July 2021)
2050 Target	Carbon-neutral	No change
2030 Target	20% reduction in CO <sub>2</sub> emissions* <sup>1</sup>	30% reduction in CO <sub>2</sub> emissions* <sup>1</sup>
Emission factors* <sup>2</sup>	Calculation using fixed factors	GHG Protocol Scope 2 Guidance
Reference year	2020	No change

\*1. CO<sub>2</sub> emissions of Scope 1 and 2

\*2. Fixed values were used at establishment. The GHG Protocol Scope 2 Guidance was used when revised.

Calculated using the market-based method for domestic bases and the location-based method for overseas bases.

- Market-based method: A method for calculating Scope 2 (indirect) emissions based on the emission factor of electricity purchased under contract. The choice of low-carbon electricity is reflected as an emission reduction.
- Location-based method: A method for calculating Scope 2 emissions based on average emission factors within a specific area, such as a region or country. Energy-saving efforts are reflected as emission reductions, but reductions due to the selection of low-carbon electricity are not.

### 7-2 Summary of Emissions in FY2020.12

The Nissha Group's emissions in the fiscal year ended December 2020 was 124,204t-CO<sub>2</sub>.

### 7-3 Trends in CO<sub>2</sub> Emissions and Energy Consumption

The Nissha Group's CO<sub>2</sub> emissions and energy consumption, which are seen as key in adapting to climate change, are shown below. The totals obtained by multiplying the individual consumption of fuels such as electricity, gas, gasoline, diesel, and heavy oil with the specified factors are Nissha's energy consumption levels. The figures obtained by multiplying energy consumption by the CO<sub>2</sub> emission factors are the CO<sub>2</sub> emissions of the Group.

Nissha Group emits almost no energy-related greenhouse gases other than CO<sub>2</sub>, and its impact is minimal.

**About the following tables**

1. The CO<sub>2</sub> emission factors for electricity in the fiscal year ended December 2020 are calculated based on data calculated using the market-based method for Japan and the location-based method for overseas.
2. The company names listed in the tables are as follows.  
 Nissha and others: Nissha Co., Ltd. and affiliated companies  
 NII: Nitec Industries, Inc.  
 NPT: Nitec Precision and Technologies, Inc.  
 NCI (NPC): Nissha Printing Communications, Inc. (In January 2019, NCI merged with NPC (Nitec Printing Co., Ltd.) and they are shown together here.)

**CO<sub>2</sub> Emissions Volumes and Basic Unit**

(unit: t-CO<sub>2</sub>, excluding basic unit)

Company	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020 <sup>*1</sup>	FY ended Dec. 2020 by Conventional calculation method <sup>*2</sup>
Nissha and Others	5,413	5,967	3,721	5,629
NII	17,409	16,455	11,507	15,404
NPT	106,698	97,829	69,572	88,860
NCI (NPC)	2,133	1,314	770	1,280
Overseas production bases	52,917	57,437	38,634	52,573
<b>Total</b>	<b>184,570</b>	<b>179,002</b>	<b>124,204</b>	<b>163,746</b>
Basic Unit <sup>*3</sup>	0.89	1.03	0.69	0.91

\*1. Calculated using GHG Protocol Scope 2 Guidance

\*2. Calculated by the conventional calculation method to compare 2018 and 2019 with the same standard

\*3. CO<sub>2</sub> emissions volume (t-CO<sub>2</sub>) / Net sales (Million Yen)

In fiscal 2020, the Nissha Group changed our method of calculating CO<sub>2</sub> emissions, using the market-based method for Nissha Group in Japan and the location-based method for Nissha Group companies overseas to calculate the electricity emissions. Using the conventional calculation method, the Group's CO<sub>2</sub> emissions were 163,746t-CO<sub>2</sub>, a decrease of approximately 8.5% from the previous fiscal year. Although net sales increased year on year, the main reasons for the reduction are the temporary suspension of production at some of our production bases due to the impact of COVID-19, and a decrease in energy consumption at our sales sites, including the Kyoto Global Headquarters, as a result of the promotion of telework.

**Energy Consumption and Basic Unit**

(Unit: 1,000GJ, excluding basic unit)

Company	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Nissha and Others	98	108	102
NII	316	309	271
NPT	1,920	1,768	1,603
NCI (NPC)	38	24	23
Overseas production bases	956	1,058	967
<b>Total</b>	<b>3,328</b>	<b>3,266</b>	<b>2,966</b>
Basic Unit*1	0.0160	0.0189	0.0165

\*1. Energy consumption (1,000GJ) / Net sales (Million Yen)

**Electricity Consumption**

(Unit: MWh)

Company	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Nissha and Others	8,272	9,561	9,002
NII	19,446	18,214	17,633
NPT	182,023	166,887	154,259
NCI (NPC)	3,840	2,368	2,306
Overseas production bases	76,514	77,563	74,264
<b>Total</b>	<b>290,095</b>	<b>274,593</b>	<b>257,464</b>

**Gas Consumption**

(Unit: 1,000m<sup>3</sup>)

Company	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Nissha and Others	293	208	220
NII	2,953	2,833	2,506
NPT	2,523	2,317	1,441
NCI (NPC)	0	0	0
Overseas production bases	4,641	6,226	4,919
<b>Total</b>	<b>10,410</b>	<b>11,585</b>	<b>9,085</b>

**Gasoline, Diesel, and Heavy Oil Consumption**

(Unit: kl)

Company	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Nissha and Others	72	77	54
NII	8	7	6
NPT	17	13	12
NCI (NPC)	1	0	0
Overseas production bases	56	150	133
<b>Total</b>	<b>154</b>	<b>246</b>	<b>205</b>

**7-4 Emissions Reduction Efforts**

To curb electricity consumption, the Nissha Group in Japan is reviewing the number of printing machines we use, improving plant infrastructure, and cleaning waste heat and cooling systems. In addition, among overseas Nissha Group companies, Nissha (Kunshan) Precision IMD Mold Co., Ltd. (China) started using solar power generation in 2018, and AR Metallizing (Europe) is introducing a wind power generation system.

**7-5 Initiative in Scope\*1 3 Management**

The Environmental, Safety and Health Subcommittee continues to lead efforts at Nissha to survey Scope 3 emissions as part of the growing movement recently for companies to disclose their own Scope 3, aiming to reduce the greenhouse gases over the entire value chain. The results of fiscal year ended December 2020 are as below.

Survey target	FY ended Dec. 2020 (t-CO <sub>2</sub> )
Employee (excluding some non-regular employees) commuting	2,244
Business travel	293
Transport and shipping (downstream) <sup>*2</sup> in Japan	19,720
Purchased products and services	45,646

- \*1. Scope: Scope of greenhouse gas (GHG) calculation. The following three are shown.
- Scope 1: Direct GHG emissions from sources owned or controlled by the company.
  - Scope 2: Indirect GHG emissions through consumption of electricity, steam, or heat.
  - Scope 3: Indirect emissions other than those in Scope 2.
- \*2. Distribution of products sold by Nissha to the point of delivery to the customer.

## 7-6 Coverage and Calculation Method of CO<sub>2</sub> Emission Calculation

### ● Scope 1, 2

Coverage	<ul style="list-style-type: none"> <li>• Nissha Co., Ltd.</li> <li>• Nitec Industries, Inc.</li> <li>• Nitec Precision and Technologies, Inc.</li> <li>• Nissha Printing Communications, Inc.</li> <li>• Nissha FIS, Inc.</li> <li>• Nissha Business Service, Inc.</li> <li>• Zonnebodo Pharmaceutical Co., Ltd.</li> <li>• Eimo Technologies, Inc.</li> <li>• Nissha PMX Technologies, S.A. de C.V.</li> <li>• Graphic Controls Acquisition Corp.</li> <li>• Lead-Lok, Inc.</li> <li>• CEA Global Dominicana, S.R.L.</li> <li>• CEA Medical Manufacturing, Inc.</li> <li>• Nissha Medical Technologies Ltd.</li> <li>• Nissha Medical Technologies SAS</li> <li>• Tyrolmed GmbH</li> <li>• Nissha Schuster Kunststofftechnik</li> <li>• Nissha Back Stickers</li> <li>• Nissha Back Stickers International</li> <li>• AR Metallizing N.V.</li> <li>• AR Metallizing S.r.l.</li> <li>• AR Metallizing Ltd.</li> <li>• AR Metallizing Produtos Metalizados Ltda</li> <li>• AR Metallizing GmbH</li> <li>• Nissha (Kunshan) Precision IMD Mold Co., Ltd.</li> <li>• Guangzhou Nissha High Precision Plastics Co., Ltd.</li> <li>• Nissha Precision Technologies Malaysia Sdn. Bhd.</li> </ul>
Calculation method	<p>Calculated based on Ministry of the Environment "Greenhouse Gas Emissions Calculation Report Manual (Ver.4.7)" (CO<sub>2</sub> emission factors)</p> <p>CO<sub>2</sub> emissions associated with the fuel use: Emission factor based on the Act on Promotion of Global Warming Countermeasures</p> <p>CO<sub>2</sub> emissions associated with power purchase: Emission factor based on the market-based method for domestic bases and the location-based method for overseas bases (conventional emission factor: 0.555t-CO<sub>2</sub>/MWh)</p>

● **Scope 3**

CO<sub>2</sub> emissions associated with employee commuting and business trips

Coverage	<ul style="list-style-type: none"> <li>• Nissha Co., Ltd.</li> <li>• Nitec Industries, Inc.</li> <li>• Nitec Precision and Technologies, Inc.</li> <li>• Nissha Printing Communications, Inc.</li> <li>• Nissha F8, Inc.</li> <li>• M crossing Co., Ltd.</li> <li>• Nissha FIS, Inc.</li> <li>• Nissha Business Service, Inc.</li> <li>• Zonnebodo Pharmaceutical Co., Ltd.</li> </ul>
Calculation method	<p>Calculated based on;</p> <p>Ministry of the Environment/Ministry of Economy, Trade and Industry “Basic Guidelines for Calculating Greenhouse Gas Emissions Through the Supply Chain (Ver.2.3)”</p> <p>Ministry of the Environment “Calculation intensity database for calculating greenhouse gas emissions of organizations through the supply chain (Ver.3.0)”</p>

CO<sub>2</sub> emissions from logistics suppliers

Coverage	Logistics suppliers (38 companies)
Calculation method	<p>Domestic transportation: based on the Fuel Economy Law</p> <p>Overseas transportation: sum up CO<sub>2</sub> emissions from conventional / improved Ton-kilometer method</p>

CO<sub>2</sub> emissions from major domestic material suppliers

Coverage	Major domestic material suppliers (12 companies)
Calculation method	Fuel consumption x sales ratio, sum up CO <sub>2</sub> emissions per product

\*Calculations of CO<sub>2</sub> emissions are subject to inherent uncertainty due to, for example, incomplete scientific knowledge used to determine emission factors and numerical data.

### 7-7 Verification Opinion

The Nissha Group has received a verification opinion from SGS Japan Inc. on the accuracy of the CO<sub>2</sub> emissions data contained in this report in order to improve the reliability of our environmental performance data.



24 May 2021  
Statement No : SGS21/048

**Verification Statement**

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

**Objective**  
SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Nissha Co., Ltd. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3:2006 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the assertion"). The objective of this verification is to confirm that the assertion in the Organization's applicable scope has been correctly calculated and reported in the assertion in conformance with the criteria, and to express our views as a third party.

**Scope**  
The scope of verification is Scope 1 and 2 emissions, energy consumption, and Scope3 emissions.  
The period subject to report is from 1 Jan 2020 to 31 DEC 2020.  
Refer to the attached sheet for the detailed scope of verification.

**Procedure of Verification**  
The assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:

- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the assertion: On-site verification and review of vouchers conducted at Nitec Precision and Technologies, Inc. Himeji Factory and Kaga Factory. Analytical procedures and interviews for the other sites within the scope of verification carried out remotely by connecting SGS Office with the Organization's Headquarters via the Internet. These procedures are a special measure due to COVID-19 outbreak.

The criteria for this review are based on the GHG Emissions Calculation and Reporting Manual Ver4.7, the protocol specified by the Organization and Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.3.

**Conclusion**  
Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's assertion was not calculated and reported in conformance with the criteria.  
SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the Organization.

For and on behalf of SGS Japan Inc  
Senior Executive & Director  
Certification and Business Enhancement



Yuji Takeuchi



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24 May 2021  
Statement No : SGS21/048

**attached sheet**

**The details of the scope of verification**

The scope	The boundary	The assertion
1	The performance data Scope 1 and 2 include energy related greenhouse gas emissions. Energy consumption	The head office, 35 sites in domestic and overseas group Production sites:31 Non-production sites:5 Scope1: 20,853 t-CO2 Scope2: 103,351t-CO2
2	Scope3 (category 6,7)	The Organization and domestic consolidated companies Category 6: 293t-CO2 Category 7: 2,244t-CO2

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## 8. Waste Management

### 8-1 Total amount of waste generated by Nissha Group

In the fiscal year ended December 2020, the Nissha Group generated a total of 29,935t of waste, including waste reused as resources, waste sold for recycling and waste for simple incineration/landfill. Of this, waste generated by production bases in Japan accounted for 18,538t, a rise of approximately 13% from the 16,437t generated in the fiscal year ended December 2019. Emissions from incineration and landfill waste accounted for 27t, a rise of approximately 17% from the 23t generated in the fiscal year ended December 2019.

The main reason for this increase in waste generated in Japan was the increase in production at Nitec Precision and Technologies, Inc. (NPT), production bases of Devices business. The amount of waste generated by NPT accounts for about 87% of the waste generated by domestic bases. On the other hand, the amount of waste generated by sales bases including the Kyoto Global Headquarters have shown a significant downward trend due to the spread of telework.

Total amount of waste generated and recycling and resource reuse rate (Nissha Group in Japan)

	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Total amount	21,994t	16,437t	18,538t
Waste sold for recycling	8,735t	5,877t	6,406t
Waste reused as resources	13,230t	10,537t	12,105t
Waste for simple incineration / landfill	29t	23t	27t
Recycling and resource reuse rate	99.9%	99.9%	99.9%

Our recycling and resource reuse rate for the Nissha Group in Japan in the fiscal year ended December 2020 was the same 99.9% as last year, allowing us to meet our target of zero emissions (a recycling and resource reuse rates of 99.5% or above).

To understand the amount of total waste generated at our overseas production bases, we previously confined our scope to our Asian production bases, but as of the fiscal year ended December 2019, we have expanded our scope to other major overseas production bases. The total amount of waste generated by the Nissha Group overseas in the fiscal year ended December 2020 was 11,397t, an increase of approximately 24% over the 9,156t from the fiscal year ended December 2019. The main reason for this increase was the new addition of Eurofoil Paper Coating GmbH (now AR Metallizing GmbH), a German manufacturer of metallized paper, to the Group.

The recycling and resource recovery rate for major overseas Nissha Group bases was 86%. We will continue to monitor the amount of waste generated by our overseas production bases.

### 8-2 Risk Management Related to Waste and Waste Converted in Valuable Resources

At Nissha Group in Japan, we recognize that waste and waste converted into valuable resources have the following three main risks.

- Accidents and disasters caused by waste and waste converted into valuable resources (including at treatment contractors)
- Environmental pollution and violation of laws caused by inappropriate waste treatment
- Leakage of confidential information from waste and waste converted into valuable resources

To alleviate these risks, we are working on safety management of waste in accordance with the Nissha Group Waste Management Regulations. In line with these regulations, each base has drawn up its own Waste Management Manual

and makes efforts toward thorough waste separation and management. From the perspective of preventing accidents and disasters, whether a small amount of substance or a spray can, the properties of waste are checked meticulously and monitored so as to prevent spillage during transportation and accidents at treatment facilities.

The regulations also stipulate the criteria for selecting waste treatment contractors and for regularly inspecting treatment facilities using a checklist original to Nissha. In addition, we have in place standards for managing waste and waste converted into valuable resources that contain confidential information, and promote management in association with our information security management system (ISMS).

### **8-3 Responding to waste plastic import restrictions**

Import restrictions by China and Southeast Asian nations on waste plastic aimed at reventing marine plastic pollution have been strengthened in recent years. This means not only that the disposal costs for plastics in Japan have increased dramatically, but some disposal companies now refuse to take waste plastic or buy items containing resins. This has forced us to sort our waste by type of plastic as well as contract multiple disposal companies to ensure we have routes for recycling open to us.

In addition, to comply with the Basel Convention, we do not dispose of the separated film as it is, but instead rewind it to use as roll film at the factory. Thus, we are working on ways to turn waste into resources in consideration of resource recycling.

## 9. Management of Chemical Substances and Environmental Risks

### 9-1 Establishment and Operation of the Nissha Control Criteria for Chemical Substances in Purchased Products

Many of the parts and materials used in Nissha Group products are requested or specified by customers, and so the materials and the suppliers differ for each product.

Management of the chemical substances used in our products and their production processes is governed by the Nissha Control Criteria for Chemical Substances in Purchased Products, which reflect the laws and regulations of relevant countries or regions and the standards of each of our customers, to serve as a set of voluntary standards.

### 9-2 Management of Chemical Substances Used in Products

#### 9-2-1 Operation of the Nissha Control Criteria for Chemical Substances in Purchased Products

We use our Nissha Control Criteria for Chemical Substances in Purchased Products as our standards for purchased goods such as raw materials and sub-materials used for the products of our group. These standards reflect the laws and regulations of relevant countries and regions, including the RoHS Directive and the REACH Regulation, as well as the substance-related criteria of our customers. Whenever the relevant laws or regulations are amended, or our customers' criteria change, we identify the differences from our criteria in order to adapt to these changes.

The Nissha Control Criteria for Chemical Substances in Purchased Products are revised on an annual basis, taking these differences into account. If there is a major revision, we organize briefing sessions for related divisions and our suppliers to inform them of the changes.

When selecting new materials or changing materials in the design and development stages, we conduct design reviews (DR) and assess compliance with the Nissha Control Criteria for Chemical Substances in Purchased Products while considering the impact on human health and the environment. When used in our factories, we select raw materials that have passed the DR and which meet the criteria, ensuring traceability for each process.

We are also building a mechanism for identifying and separating noncompliant substances to prevent misuse or contamination, and for responding swiftly including reporting to customers.

The environmental and safety management division functions as the secretariat and works with the product development, quality assurance and procurement divisions of each business unit to promote management of the chemical substances used in our products. It also carries out internal environmental audits on a regular basis to check the management status of these chemical substances. This system ensures strict control of chemical substances, from the design stage to the final product, responding to changes in the needs of society and the demands of our customers.

In the fiscal year ended December 2020, there were no cases in which chemical substances used in our products were recalled from the market or reshipped with changing in materials.

Contents of our voluntary standards and list of target substances (extract)

Contexts of standards	Groups of substances in the Nissha Control List for Chemical Substances in Purchased Products
Usage-prohibited substance* <sup>1</sup>	Asbestos fibres Dioxins Ozone depleting substances Fluorinated greenhouse gases Bisphenol-A (with usage conditions) Substances prohibited from being manufactured (Manufacture-prohibited substance) Specific amine (with regulations on impurity content) Azo-dyes which do not form specific amine (with regulations on impurity content concentration) Arsenic and its compounds (with usage conditions)
Deliberate usage-prohibited substance* <sup>2</sup>	Substances subject to RoHS directive REACH SVHC (Substances of Very High Concern) and Candidate List Substance Nickel and its compounds (with usage conditions) Polychlorinated biphenyls (PCBs) Specific phthalates Specific benzotriazol Dimethylfumarate (DMF) Perfluorooctane sulfonates (PFOS) Perfluorooctanoate (PFOA) Natural rubber Class 1 Specific Chemical Substances of Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances
Regulated substance* <sup>3</sup>	Global Automotive Declarable Substance List Conflict minerals The Proposition 65 Children’s Safe Product Act (RCW 70.240.030) The Reporting List of Chemicals of High Concern to Children (CHCC)

\* Examples of regulated substances that apply to purchased products (Nissha product raw materials, chemicals used in the production process for materials, etc.)

\*1. Use, either deliberately or not deliberately, is prohibited. Inclusion of impurities is also prohibited.

\*2. Deliberate use is prohibited. There are regulations on the inclusion of impurities.

\*3. Substance which requires a content report from suppliers to Nissha.

## 9-2-2 Compliance with the RoHS Directive

### ● Efforts to comply with the RoHS Directive

Nissha complies with environmental regulations in Europe mainly through the Nissha Control Criteria for Chemical Substances in Purchased Products, our voluntary regulations on chemical substances. Our products comply with the RoHS Directive\*, which regulates the use of certain substances in electrical and electronic equipment.

\* This refers to the European “Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2011/65/EU)” and its amendments. The Directive prohibits the inclusion in products of lead, mercury, cadmium, hexavalent chromium, PBB, PBDE, bis(2-ethylhexyl) phthalate, butyl benzyl phthalate, dibutyl phthalate, and diisobutyl phthalate in excess of the maximum permissible amount, except for exempted applications.

[Text of the Directive](#)

● **System for promoting compliance with the RoHS Directive**

Nissha has been working on either not using or using fewer hazardous chemical substances used in our products since the first edition of the Nissha Control Criteria for Environmentally Controlled Substances was established in 2007, leading up to the current Nissha Control Criteria for Chemical Substances in Purchased Products.

Substances regulated by the RoHS Directive (formerly Directive 2002/95/EC) have been subject to control as environmentally controlled substances since the first edition by complying with customer requests in accordance with the directive.

- **Conformity with the previous directive (2002/95/EC)**  
 There is no intentional use of mercury, cadmium, specific bromine flame retardants, or hexavalent chromium in our products. Although we used to use lead in solder for quality reasons and with the approval of our customers, we have been working towards total abolition with the establishment of the Nissha Control Criteria for Environmentally Controlled Substances, and currently prohibit the use of lead in new products.
  - **Conformity with the new directive (2011/65/EU)**  
 Although Annex III (exemption list) was amended by European Commission Decision 2010/571/EU (effective January 2013), none of the relevant chemical substances were used in our products.
  - **Addition of specific phthalate esters to restricted substances**  
 The European Commission Delegated Directive (EU) 2015/863 (effective July 2019) amended Annex II (List of Restricted Substances), designating specific phthalate esters\* as a new restricted substance. As a result, the marketing of electrical and electronic equipment (EEE) containing specified phthalate esters in the European Economic Area (EEA) has been banned. To date, we have not used any of the relevant chemical substances in our products.
- \* Bis (2-ethylhexyl) phthalate [DEHP], Benzyl butyl phthalate [BBP], Dibutyl phthalate [DBP], Diisobutyl phthalate [DIBP]

● **Warranty system for RoHS specifications**

The points required for RoHS compliance are listed below. We are putting measures into place at each stage of the process, building a comprehensive countermeasures system.

- **Example of a warranty system based on cooperation with material suppliers**  
 Management system for RoHS Directive based on cooperation with material suppliers  
 Annual submission of certificates of conformity, reports on the inclusion of prohibited substances, reports on the inclusion of chemical substances in products, content information, ICP data, and written pledges from suppliers of materials for mass production
- **Example of countermeasures in the production process**  
 Enforcement of rules when accepting materials  
 Distinguishing between storage locations and labeling of input materials  
 Ensuring and maintaining traceability  
 Identifying and separating noncompliant substances
- **Example of information provided to customers in connection with sales**  
 Provision of information on chemical substances used in products  
 Registration in the customer's management system and issuance of SDS

Our main products do not use any chemical substances that fall under the RoHS Directive or other directives, so we do not currently have a plan to reduce them.

### 9-2-3 Compliance with REACH Regulation

The REACH Regulation (EC 1907/2006) are a European law on the registration, evaluation, authorization and restriction of chemical substances. REACH came into force in 2007 with the aim of protecting human health and the environment. REACH Regulation require registration with the European Chemicals Agency (ECHA) in order to sell more than 1 tonne/year of chemicals in the EU, whether an existing or new chemical substances. In addition, articles specified by the REACH Regulation must be registered if there is an intentional release, and must be notified or announced if they contain substances of very high concern ([SVHC](#)).

- **About our products**

Many of the products listed on our website fall under the category of “articles” as defined by the REACH Regulation. Also, there are no chemical substances registered under this regulation.

We have a system in place to comply with the REACH Regulation through the management of chemical substances used in our products. Currently, based on the information and data we have obtained from our material suppliers and our own knowledge, we do not use any SVHC as per the list updated on January 19, 2021 for our main products (articles). This is also stated in the SDS and other documents that we provide in response to customer requests.

Reference Materials:

- Supervisory Authority: European Chemicals Agency (ECHA)
- Latest SVHC list from the ECHA
- Text of the REACH Regulation

### 9-2-4 Response to California Proposition 65

Proposition 65, known as the Safe Drinking Water and Toxic Enforcement Act of 1986, is a California law enacted by referendum in November 1986 to protect the state’s citizens and drinking water resources from chemicals that can cause cancer and birth defects.

The state’s Environmental Protection Agency Office of Environmental Health Hazard Assessment (OEHHA) requires employers to display a warning statement for products containing chemicals specified in Proposition 65. Also, a product is required to display a warning statement designated by the state if it is sold or distributed in the state, even if it is not produced there.

Our voluntary standards, Nissha Control Criteria for Chemical Substances in Purchased Products, also include information on California Proposition 65. We are working to comply with this law by, for example, having our material suppliers submit a certificate of compliance on a regular basis every year. Note that this applies to none of the Company’s products.

## 9-3 Chemical Substances used in Production Processes

### 9-3-1 Operation of the Nissha Control Criteria for Chemical Substances in Purchased Products

In addition to the chemical substances used in our products, we also regulate the chemical substances used in our production processes in accordance with the Nissha Control Criteria for Chemical Substances in Purchased Products. These include the substances prohibited for manufacturing under the Enforcement Order of the Industrial Safety and Health Law and the substances regulated by the Poisonous and Deleterious Substances Control Act, and the Act on

Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act).

### 9-3-2 Reduction of Chemical Substances in Use

Our environmental goal is to reduce the rate of use of chemical substances at ISO14001-certified business sites. In the fiscal year ended December 2020, the Nitec Industries, Inc. (NII) Koka Factory, production base of Industrial Materials business, achieved its target of a 1% reduction year-over-year of PRTR substances and organic solvents other than PRTR substances.

FY	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Assessment	○	○	○

Nitec Precision and Technologies, Inc. (NPT), production base of Devices business, achieved results in its efforts to reduce the use of chemicals by improving yields.

(Please refer to 6. Environmental Objectives and Status of Achievement)

### 9-4 Management of Environmental Pollutants

The Nissha Group in Japan is constructing a system to understand and manage how environmental pollutants are used at each business site. We use this system even for the calculation of emission and transfer amounts which the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) requires reporting on.

In the fiscal year ended December 2020, substances which were transferred or emitted in excess of one tonne were ethylbenzene, xylene, Hexavalent chromium, toluene, nhexane and water-soluble copper salts (excluding complex salts).

We also take great care with management when handling chemical substances, such as establishing our own voluntary standards. In addition to displaying GHS\* labels on containers to warn people, we carry out measures to prevent environmental pollution such as installing spillover containers to ensure safety if the main container develops a leak, and ensure that all related personnel are familiar with these measures.

\*GHS (Globally Harmonized System of Classification and Labelling of Chemicals): Provides internationally-standardized rules to harmonize the contents of safety data sheets and standards of classification per hazard for chemical products.

### 9-5 Response to environmental risks (preventing environmental accidents or pollution)

The Nissha Group in Japan realizes that pollution from chemical substances is a serious environmental risk, and works to manage it. To prevent environmental accidents from happening during storage or transportation of chemical substances within a work site, we lay out management procedures that consider the scale and frequency of accidents. In addition, we have set emergency response procedures and carry out training on an ongoing basis to minimize the influences in event of a leak, and revise and improve our methods as required.

- **Examples of initiatives for preventing pollution**  
 Sites for deliveries of liquid chemicals via tanker truck or waste liquid collection are equipped with emergency cutoff devices to prevent any substances from leaking outside the site if an accident occurs.
- **Leak response training**  
 We establish countermeasure procedures to prevent pollution from spreading in the event of a leak at sites for deliveries of substances or waste liquid collection, hold regular trainings, and revise the procedures.

## 9-6 Prevention of Water Pollution

We have set our own strict standards and regularly conduct voluntary surveys of waste water quality to prevent water pollution.

The figures for core production bases are as follows.

### Nitec Precision and Technologies, Inc. (NPT) Himeji Factory

Measurements of Wastewater Quality

Items measured	Regulatory value (Water Pollution Control Act)	Agreement value (Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea)	Voluntary standard	Unit	FY ended December 2018		FY ended December 2019		FY ended December 2020	
					Analysis value	Evaluation	Analysis value	Evaluation	Analysis value	Evaluation
Discharged water	5,200	5,000	5,000	m <sup>3</sup>	4,934	○	4,655	○	4,156	○
pH	5.8~	5.8	6.5~		6.9	○	6.9	○	6.8	○
	~8.6	~8.6	~8		7.6	○	7.6	○	7.5	○
BOD	120	10	9	mg/l	3.9	○	2.8	○	4.0	○
COD	120	10	9	mg/l	7.4	△	7.3	○	5.2	○
SS	150	5	4.5	mg/l	3.7	○	1.6	○	1.9	○
n-hexane derived substances	Mineral oil: 5 Vegetable oil: 30	1	0.9	mg/l	0.6	○	<0.05	○	<0.5	○
Phenol	5	0.1	0.08	mg/l	<0.005	○	<0.005	○	<0.005	○
Copper	3	0.5	0.4	mg/l	0.04	○	0.04	○	0.05	○
Zinc	2	1.5	1.2	mg/l	<0.01	○	<0.01	○	<0.01	○
Soluble iron	10	0.15	0.08	mg/l	<0.01	○	0.02	○	0.03	○
Soluble manganese	10	0.05	0.045	mg/l	0.05	△	0.04	△	0.04	○
Chromium	2	0.02	0.02	mg/l	0.02	○	<0.02	○	<0.02	○
Nitrogen	60	10	9	mg/l	9.4	○	8.0	△	4.2	○
Phosphorus	8	1	0.45	mg/l	0.29	○	0.19	○	0.02	○

### Nitec Precision and Technologies, Inc. (NPT) Kaga Factory

Measurements of Wastewater Quality

Items measured	Regulatory value (Prefecture)	Voluntary standard	Unit	FY ended December 2018		FY ended December 2019		FY ended December 2020	
				Final effluent (Average)	Final effluent (Maximum)	Final effluent (Average)	Final effluent (Maximum)	Final effluent (Average)	Final effluent (Maximum)
pH	5.8~8.6	6.2~8.2		7.4 ○	7.7 ○	7.5 ○	7.5 ○	7.5 ○	7.7 ○
BOD	160 or less	40 or less	mg/l	32.6 ○	56 –	21.9 ○	34.0 ○	23.4 ○	40.0 ○
COD	160 or less	80 or less	mg/l	55.3 ○	93 –	34.0 ○	47.0 ○	33.5 ○	47.0 ○
SS	200 or less	20 or less	mg/l	28.2 –	63 –	9.1 ○	18.0 ○	6.3 ○	23.0 ○
n-hexane derived substances	30.0	15 or less	mg/l	0.5 ○	0.5 ○	0.6 ○	0.8 ○	0.6 ○	0.9 ○

**9-7 List of PRTR-designated chemical substances**

**Nitec Industries, Inc. (NII) Koka Factory**

Unit: kg

PRTR No.	Name of chemical substance	FY ended December 2018			FY ended December 2019			FY ended December 2020		
		Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required
53	Ethylbenzene	1,444	587	○	1,211	463	○	710	286	○
80	Xylene	9,904	4,026	○	9,937	4,075	○	15,745	6,431	○
88	Hexavalent chromium compounds	0.1	0.0	○	0.1	0	○	0.1	0	○
296	1,2,4-Trimethylbenzendi	299	107	—	265	95	—	25	10	—
300	Toluene	83,927	36,831	○	100,846	5,520	○	61,535	25,134	○
392	N-hexane	8,371	2,375	○	4,518	2,741	○	601	245	○

**Nitec Precision and Technologies, Inc. (NPT) Himeji Factory**

Unit: kg

PRTR No.	Name of chemical substance	FY ended December 2018			FY ended December 2019			FY ended December 2020		
		Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required
71	Ferric chloride	0.0	0.0	×	0.0	0.0	×	0.0	0.0	×
272	Water-soluble copper salts (excluding complex salt)	0.0	2,023.1	○	0.0	1,352.8	○	0.0	1,820.2	○
453	Molybdenum and its compounds	0.0	0.0	○	0.0	0.0	○	0.0	0.0	○

**Nitec Precision and Technologies, Inc. (NPT) Kaga Factory**

Unit: kg

PRTR No.	Name of chemical substance	FY ended December 2018			FY ended December 2019			FY ended December 2020		
		Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required	Discharge volume into the atmosphere	Volume transferred to industrial waste processing companies	Reporting required / not required
64	Silver and its compounds (water soluble)	-	-		-	-		-	-	
71	Ferric chloride	0.0	0.0	○	0.0	0.0	○	0.0	0.0	○
272	Water-soluble copper salts (excluding complex salt)	0.0	0.0	○	0.0	0.0	○	0.0	0.0	○
453	Molybdenum and its compounds	-	-		-	-		-	-	



## Social

In order for the Nissha Group to grow and develop, and realize the enrichment of people's lives on a continuous basis, it is important that we recognize and live up to society's demands and expectations. We are carrying out various activities that support our businesses, while valuing communication with our stakeholders.

- We work with our customers across the globe to tackle social issues, under a structure in which our customers can feel safe to trust us with work.
- We respect the human rights and diversity of our employees, and create workplace and systems in which they can maximize their abilities, with the aim of achieving growth for both the company and our employees.
- We strive to build partnerships of co-existence and co-prosperity with our suppliers, toward constructing sustainable production systems and supply chains.
- We carry out social contribution activities, aiming to co-existence with local communities.

## 10. Human Rights

### 10-1 Basic Policy on Labor and Human Rights

We at Nissha Group have in place a basic policy on labor and human rights. In formulating the policy, the 10 principles of the United Nations Global Compact, which we joined in April 2012, and the Responsible Business Alliance (RBA) code of conduct, mainly for the electronics and automotive industry, were used as reference. In addition to Japanese, this policy has been translated into English, Chinese, Korean and Malay, Spanish and German, and widely distributed to all Nissha Group employees.

#### Basic Policy on Labor and Human Rights

The 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: We will prohibit child labor and also implement relief measures.
2. Forced labor: We will eliminate all forms of forced labor, including bonded labor.
3. Health and safety: We will secure the health and safety of our employees and provide a hygienic workplace environment.
4. Freedom of association and the right to collective bargaining: We will guarantee the right to organize and the right to collective bargaining.
5. Discrimination: We will not discriminate based on a person's age, disability, ethnic group, gender, marital status, nationality, political support, race, religion, sexual orientation, pregnancy or membership in a union. We will also not be party to this.
6. Punishment: We will not perform physical punishment or mental or physical coercion and we will not engage in verbal abuse.
7. Working hours: We will observe the laws, ordinances and labor agreements related to working hours, rest breaks and holidays.
8. Remuneration: We will observe the laws and ordinances related to the payment of appropriate wages.

June 1, 2018

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

### 10-2 Initiatives Related to Labor and Human Rights

At Nissha, the Labor and Human Rights Subcommittee, one of the constituent subcommittees of the Sustainability Committee, works to comply with international norms and laws regarding labor and human rights, as well as continuously improve its initiatives. We have set "Respect for human right" as one our materialities (material issues), and hold internal audits once a year at major production bases of the Nissha Group in Japan where we check the status of compliance with laws and regulations and with the code of conduct of the Responsible Business Alliance (RBA). Specifically, in addition to ensuring that the salaries paid to regular and temporary employees meet the minimum wages set by the prefectural governments, and that working hours and overtime are correctly reflected in wages in compliance with laws and regulations and the RBA, we also check whether items which have been noted as corrected in previous audits continue to be complied with.

In the fiscal year ended December 2020, the Labor and Human Rights Subcommittee engaged in understanding and reducing human rights risks and in implementing working style reforms.

- In terms of understanding and reducing human rights risks, we conducted risk assessments for human rights at major overseas locations related to our key markets of medical devices, mobility (automobiles and transportation equipment), and sustainable materials.

We will continue to identify and reduce human rights risks at newly-added affiliated companies and overseas bases of the Group. We will also work to identify and prevent or reduce labor and human rights risks in our supply chain, with a KPI of preventing child labor or forced labor at our primary suppliers in regions where the Group operates that have high labor and human rights risks (Latin America, Southeast Asia, Greater China).

- In terms of implementing working style reforms, we have established internal regulations for teleworking and other working styles, including for affiliated companies that have newly joined the Group, and are working to develop flexible work systems and support systems so that employees can work safely and with peace of mind and live up to their full potential.

### Initiatives for Foreign Technical Interns

Workplaces in Nissha that accept technical interns from Vietnam make creative efforts in information sharing and communication toward protecting the human rights of the interns and establishing a worker-friendly environment. For example, when trainees first join the company, they are given recreational activities to learn about local culture so that they can become familiar with Japanese culture as soon as possible. After they start working, signs showing evacuation routes and the location of the medical office, notices about harassment and other consultation desks, pay slips, and training materials, for example, are prepared and provided in both Japanese and Vietnamese so that both employees and technical interns can understand them. Our employees work with interpreters to ensure that the technical interns from Vietnam understand what we are doing, and we try to explain things in ways that are understandable in Vietnamese culture. Even during the COVID-19 pandemic in the fiscal year ended December 2020, we accepted six technical interns, and in addition to the above initiatives, we are also providing mental support.

EMPOWERING YOUR VISION

#### Những khác biệt về Tuổi tác · Giới tính · Thai sản (trang 1/2)

- Tuổi tác**
  - Ở độ tuổi trung niên- người cao tuổi thì dễ có sự thay đổi về sức khỏe và những biến đổi trong gia đình
  - Vì phải đảm trách công việc nhà và chăm sóc con cái, chăm sóc bố mẹ già, có khả năng vì hoàn cảnh không thể làm việc đúng thời gian đã quy định
- Giới tính · Thai sản**
  - Đối với phụ nữ việc sinh con · vừa chăm sóc con cái vừa đi làm là một vấn đề lớn
  - Gần đây dần ông tích cực tham gia vào công việc nhà và chăm sóc con cái để phụ nữ có thể đi làm, tạo ra một nguồn thu nhập cho gia đình



NISSHA

NISSHA CONFIDENTIAL, PROPRIETARY

4

Training materials in Vietnamese



Workshop

### 10-3 Harassment Prevention

We at the Nissha Group establish a set of Harassment Prevention Regulations, which prescribe measures to prevent various forms of harassment in the workplace, with the aim of realizing sound workplace environments in which all employees can live up to their full potential. As a structure for promoting harassment prevention, we designate a chief promoter of harassment prevention and hotline staff at each base. The chief promoters organize a liaison meeting twice a year, in May and November as a rule, where they share information about cases of harassment that have occurred at one another's base, introduce their responses, and discuss practical harassment prevention, problem solving, and measures for improvement.

We have also established an internal harassment consultation service available to all employees, and an external hotline consultation service for any and all types of consultation. The contact information for each service is provided through the Nissha Group intranet, guidebooks, and e-learning, and employees are assured that their privacy will be fully respected and that they will not be treated unfairly or be disadvantaged for making use of these services. We are committed to ensuring that our employees can discuss issues with confidence. There were 8 consultations with the internal harassment consultation service during the fiscal year ended December 2020. The external hotline received 12 inquiries regarding things like workplace environments or human relations, but all of these have been addressed. (Please refer to 25-4 Hotline Consultation for details.)

We use an e-learning system to provide annual harassment prevention training for all employees. In addition, we conduct supervisor training for managerial staff and training for hotline staff. During the fiscal year ended December 2020, in addition to conducting e-learning training for all employees based on specific examples of harassment, we took a top-down approach to preventing harassment which included posting a message from the director in charge of human resources on the Nissha intranet regarding the eradication of harassment in accordance with the enforcement of the Law on Measures to Prevent Power Harassment.

### 10-4 Fair Evaluation and Treatment

The Nissha Group considers rewarding employees for their achievements to be the foundation of our human resources system. In the semi-annual personnel evaluation, and based on the target management system, employees are evaluated on the two axes of "performance evaluation," which evaluates KPIs related to the company's management strategy and the mission of the organization to which they belong, and "behavior evaluation," which evaluates the actions and abilities expected by the company to create results. The results are reflected in bonuses, salary increases, promotions, and other benefits. Employees meet with their supervisors to receive feedback when setting goals at the beginning of the term and when conducting evaluations at the end of the term. We place emphasis on dialogue for mutual understanding, and devise ways to ensure fair and convincing evaluations and treatment.

### 10-5 Wage Management

Wages and other compensation for labor are appropriately stipulated in the wage rules of each affiliated company and in individual contracts in accordance with the laws and regulations of each country. The Nissha Group makes no distinctions based on age, gender, or other factors.

### 10-6 Relationship with Labor Union

#### ● Basic Concept

Our Basic Policy on Labor and Human Rights contains the provision, "4. Freedom of association and the right to collective bargaining. In Japan, the labor contract concluded between company and labor union confirms, "the Company and the Union shall respect each other's position and maintain a peaceful relationship between labor and management as well as strive for the maintenance and improvement of labor conditions and the growth of the Company." In the fiscal year

ended December 2020, there were no significant violations of freedom of association.

The Nissha Group used to have three labor unions: the Nissha Labor Union, the Nitec Industries Labor Union, and the Nissha Printing Communications Labor Union. In January 2021, these three unions merged to form the Nissha Crew Alliance, a single labor union for the Nissha Group in Japan, to which all employees, excluding managerial staff, belong. (As of January 2021, there were 1,114 members, with a membership ratio of approximately 65%). The vision of the Nissha Crew Alliance is “realizing new happiness” through “new ways of working (workplace sphere),” “new lifestyles (social sphere),” and “new union activities (individual sphere).” It aims to support all employees of the Nissha Group in Japan by expanding the old one-company-one-union system.

### ● Labor-Management Relations

Both labor and management engage in regular negotiations and discussions based on the above concept to build stable labor-management relations as a way to resolve common issues in the Nissha Group in Japan.

To revise the personnel system for general employees, in the fiscal year ended December 2020 Nissha held a series of discussions with the labor union from the conceptual stage, working together to create a new system. Also, labor and management worked together to change commuting allowances and introduce telework allowances in response to the changes in working styles brought about by the spread of COVID-19. During the fiscal year ending December 2021, we are continuing to cooperate and promote initiatives related to new ways of working and diversity.

Nissha Co., Ltd. holds regular Management Council meetings with the Nissha Crew Alliance. In addition to negotiating and discussing employee working conditions, the Council shares information on the management of the Nissha Group. When changing important labor conditions of the Nissha Group in Japan, the company carries out dialogues with the union with the aim of reaching an agreement satisfactory to both. Furthermore, the labor and management offices strive to prevent labor problems by regularly sharing employees’ opinions on the working environment and the working hours situation.

Affiliated companies Nitec Industries, Inc. and Nissha Printing Communications, Inc. have also established labor-management liaison meetings at the company and office level to provide forums for labor and management to exchange opinions. Moreover, Nitec Precision and Technologies, Inc. has established the Workplace Improvement Committee, with members from both labor and management, to work on promoting improvements in the workplace environment and in welfare benefits.

In fiscal year ended December 2020, the Nissha Group had no report either of a strike or lockout. We will continue to respect the mutual positions of both company and union, and build a sound relationship between labor and management.

## 11. Human Resources System

### 11-1 Basic Human Resources Policy

We at Nissha Group recognize that our employees are our most important management resources.

With the start of the 7th Medium-term Business Plan, we have formulated and started to roll out a new Basic Human Resources Policy. The policy outlines our fundamental approach to human resources measures, and our human resources-related systems and development are implemented based on this policy.

#### Basic Human Resources Policy

- We respect diversity and utilize the individuality and strengths of our employees.
- We appropriately respond to employees who grow with the company and are highly motivated to contribute.
- We encourage proactive action and unconventional changes when adapting.
- We emphasize global teamwork to achieve results.
- We provide a full training system and challenging growth opportunities.
- We develop human resources who can contribute to society through our business activities.

### 11-2 New Human Resources System

Based on the idea that company growth leads to employee growth, and employee growth to company growth, the Group has overhauled its human resources system, which still had elements of seniority-based hierarchy, and started operating a new system focused on *roles* and *abilities* in line with the 7th Medium-term Business Plan.

In this new system, the required skills are clearly stated, and employees demonstrating the skills required by the company will be given a fair chance to be promoted, regardless of age or length of service. In the human resources system for general employees, we have greatly improved the treatment of employees who hold key positions and introduced a multi-track human resources system based on expected roles. In addition, the actions expected of the managers who direct these employees have been clarified as managerial competencies consisting of the ability to change (leadership) and the ability to execute (management).

Each employee carries out their duties with an awareness of the abilities required based on their position, and receives feedback from their supervisor on the gaps with the abilities actually demonstrated in the semi-annual performance review. This encourages the growth of each employee, which in turn leads to further growth for the company.

## 12. Human Resources Development

The Nissha Group regards the source of the company's strengths as "employees", and are working to systematically develop our human resources.

### 12-1 Initiatives

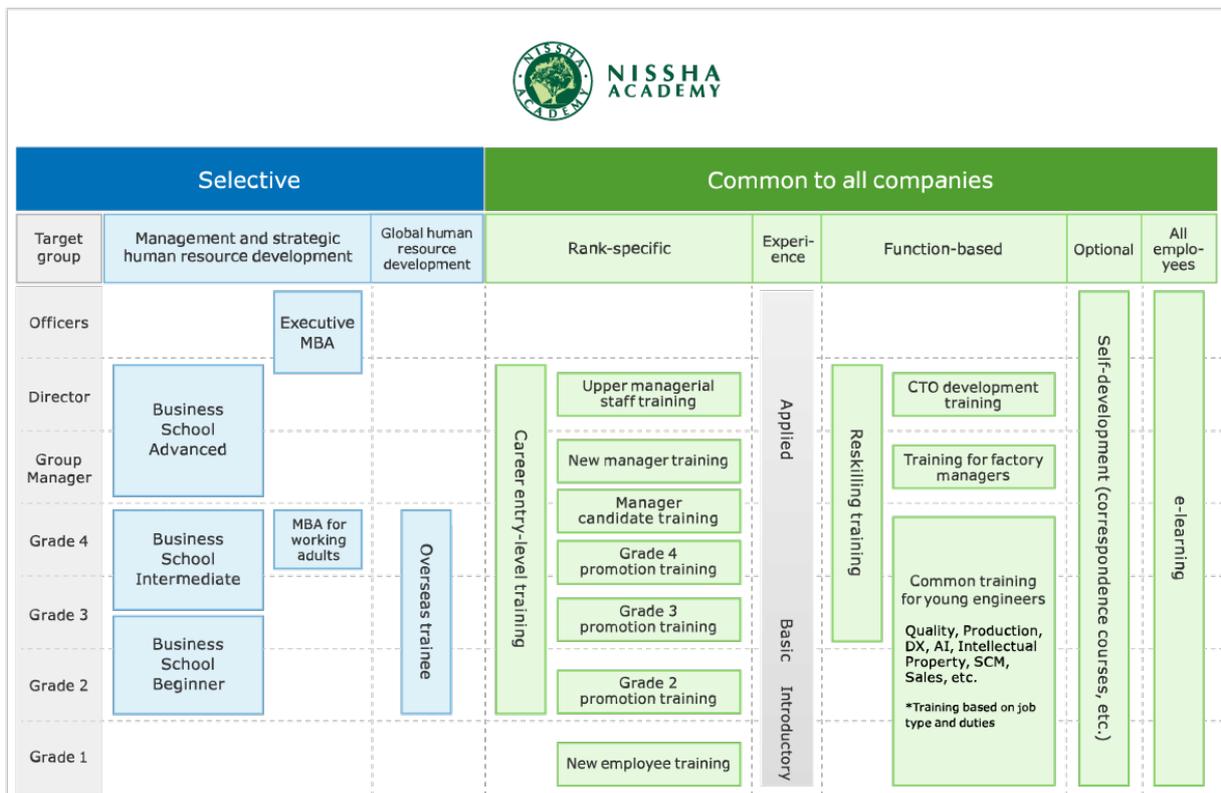
The Nissha Group has identified the improvement of human resource capabilities and the activities carried out by a diverse talent pool as materialities. We are working to develop human resources by setting the enhancement and rotation of management and strategic human resource training as strategic items, making the selection rate of candidate leaders\* a KPI, and setting the target for 2023 as 36% for Nissha on a non-consolidated basis.

To achieve our medium- to long-term growth strategy, the Nissha Group in Japan has established a training system based on the following pillars: selective training to develop the next generation of management, rank-specific training that matches the employee's stage, and function-based training to provide specialized knowledge according to job type. Overall, this training is called the Nissha Academy.

Moreover, we will introduce reskilling training as a strategy to reconfigure the skills of employees who can play an active role in the growth areas of the 7th Medium-term Management Plan, namely medical devices, mobility (automotive and transportation equipment), and sustainable materials.

For human resources training at overseas bases, the Human Resources department plans to expand successful examples of educational programs to overseas bases, and to allow overseas bases to take the initiative in training local management. Through these human resource development programs, the Group aims to see the company and our employees grow together.

\* Number of participants in the Business School (beginner and intermediate) shown below / Number of general employees



## 12-2 Training Systems

### 12-2-1 Rank-specific training

Human Resources takes the lead in providing rank-specific training according to qualification grade, age, position, and experience.

- **New employee training**

At Nissha, the first three years after new graduates enter the company are positioned as the initial training period. After joining the company, new graduates undergo a six-month training program before being assigned to a business division. Three years after joining the company, new employees are rotated across job categories and divisions to gain a wide range of experience, helping them to grow step by step.



After joining the company in April, employees take group training (about one month), business unit training (about two months), and factory training (about three months).

Group training	Employees learn how to act as members of society, business manners, and the basic skills for carrying out their work. In addition, through lectures and group work, employees learn the Nissha Philosophy, strategies, businesses, technologies, basic manufacturing concepts, and company rules that they should understand as employees of the Nissha Group.
Business unit training	Employees learn how to build up core technologies and corporate values tied to business. Through lectures and group work, employees deepen their understanding of the roles and work of the divisions (functions) that make up a business unit.
Factory training	Employees visit actual factory production sites to train in manufacturing under the guidance of senior employees. Through hands-on work, employees learn to understand technology and production processes, as well as quality, safety, and other important aspects of a manufacturing company.

### 12-2-2 Function-based training

Training is provided to employees to allow them to acquire the knowledge and skills required for their job type (function), such as engineering, production, purchasing, etc.

- **Common training for young engineers**

The technical knowledge required to meet the needs of global customers is taught from the dual aspects of the “core technologies” that are our strengths, and the science-based “common engineering” knowledge (quality, statistics, intellectual property, etc.) that all engineers, regardless of where they work, should be aware of. Employees are taught all this, from introductory to applied fields, in line with their individual experience and knowledge levels.



In order for us to continue to grow while changing our target markets and products, we train engineers who can create products that come with “Nissha’s unique strengths” beyond the boundaries of business units.

### 12-2-3 Global human resource development

Nissha is also carrying out a range of measures to ensure more global human resources can play active roles in our company.

### ● Overseas trainee system

We have an overseas trainee system for developing young human resources (from both liberal arts and science backgrounds) who can flourish in global business settings regardless of their job type. Employees are selected internally from their third year on and spend about one year in a local subsidiary. By working at overseas subsidiaries in Europe, America, or Asia, they can improve their specialized skills, language abilities, and intercultural adaptability with the goal of becoming global leaders, including candidates for overseas postings, in the future.

### 12-2-4 Selective training

We carry out selective training with the object of systematically training the human resources necessary to achieve our medium- to long-term growth strategy, including training candidates for the next generation of management executives.

### ● Business School

Nissha operates a Business School to systematically train human resources who will lead the management of the entire company and its businesses. This program covers the knowledge and skills involved in developing and implementing business strategies. After graduating from the School, employees will be actively provided with opportunities to put what they have learned into practice, including participating in projects and formulating medium-term management plans.

### 12-2-5 Training for temporary employees

When dispatch staff, contract staff, and other temporary employees are accepted, they are given the same training as full-time employees to ensure that they have a thorough knowledge of our business, as well as the rules and regulations for working at the company and for daily operations.

Training content

- Company profile
- Labor and human rights, employment regulations, working hours management, safety and health
- Corporate ethics and compliance, protecting corporate secrets, trade management
- Environmental initiatives, waste separation

### 12-2-6 Post-training surveys (employee engagement surveys)

Questionnaires are administered at times such as training for promotion by grade for general employees, training for those promoted to managerial staff positions, training for upper managerial staff positions (general managers and above), and career training. Surveys are conducted on participants' motivation and satisfaction, and their work satisfaction and acceptance. These surveys encourage employees to self-start their work with a strong sense of contributing to the company.

### 12-2-7 Company-wide e-learning

Our in-house e-learning system (introduced in FY2018.12) covers the knowledge and key topics that all employees of our Group should know. In the fiscal year ended December 2020, e-learning covered four themes, including corporate ethics and compliance; labor and human rights, and harassment prevention; and information security. For employees who work in factories and do not have access to their own computers, we provide training using video materials of the same content in an effort to raise and equalize the knowledge of all domestic employees of the Group.

### 12-2-8 Support for employees' voluntary desires to learn and grow

The Group has established a system to support self-study for the purpose of encouraging employees to voluntarily seek opportunities for study, and to enhance their education or gain knowledge about the Company's business. Employees are free to choose from a variety of distance learning and e-learning programs that match what they want to learn. Moreover, this voluntary self-study is supported through subsidies of half the fees for those who complete their courses.

### 12-2-9 Career planning support

As of the fiscal year ended December 2019, we have been providing career design training for employees aged 50. By learning about changes in the external environment, the company's systems, and their own values and strengths, they have the opportunity to consider their future career plans. In the fiscal year ended December 2020, 116 eligible employees took this course.

### 12-3 Training Records

The total number of hours dedicated to major training programs in the Nissha Group in Japan and training hours per employee (by gender) are given in the table below.

		FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Annual training hours	Male	19,573	17,768	16,740
	Female	7,277	4,497	5,565
	Total	26,850	22,265	22,305
Training hours per employee	Male	10.2	9.6	10.6
	Female	16.8	10.0	13.8
	Average	11.4	9.7	11.2

\* Training hours per employee are calculated based on the number of full-time employees of the Nissha Group in Japan.

\* There was an emphasis on training to encourage the advancement of women in the fiscal year ended December 2018, so more training time was allotted for women.

## 13. Respect for Diversity

The Nissha Group has a set of Shared Values that serve as the principle of employee behavior seeking to realize our mission. One of those values, Diversity and Inclusion, declares, “We welcome diverse capabilities interacting as equals and enhancing our organizational performance.” To grow as a global company, we respect diverse work styles by diverse human resources, and aim to create workplaces in which all employees can perform to their full potential.

### 13-1 Nissha Group Employee Composition

The diversity of the Nissha Group shows in our employee composition in terms of gender, age, and employment status. With the expansion of our activities across the globe, about 60% of permanent employees work at Nissha Group companies outside Japan. We hire a diverse range of people on a global basis. Locally hired employees are appointed to upper management positions such as CEO at eight of Nissha Group’s overseas bases, where they are deeply involved in management.

Composition by region (Nissha Group, as of the end of December 2020)

	Male	Female	Total
Japan	1,587	401	1,988
North America	841	668	1,509
Central and South America	216	323	539
Asia	310	364	674
Europe	478	202	680

\* Figures exclude temporary employees and directors by a delegation agreement.

Composition by employment status (Nissha Group, as of the end of December 2019)

		Male	Female	Total
Permanent	Number	3,432	1,958	5,390
	Composition	63.7%	36.3%	—
Temporary	Number	1,429	583	2,012
	Composition	71.0%	29.0%	—

\* Figures exclude directors by a delegation agreement.

Employee Composition (Nissha Co., Ltd.)

Fiscal Year	Gender	Directors of the Board* <sup>1</sup>	Corporate officers	Nissha fellows	Managerial staff	Employees* <sup>2</sup>	Average age	Average years of employment
FY ended Mar. 2017	Male	7	18	1	154	619	41.5	13.9
	Female	1	0	0	7	183	35.4	10.2
FY ended Dec. 2017	Male	7	15	1	165	603	41.8	14.1
	Female	1	0	0	9	188	35.9	10.7
FY ended Dec. 2018	Male	8	12	1	161	616	42.1	14.5
	Female	1	0	0	11	203	36.5	10.7
FY ended Dec. 2019	Male	8	12	1	162	609	42.9	15.3
	Female	1	0	0	10	210	36.7	11.0
FY ended Dec. 2020	Male	8	11	2	145	531	43.0	15.4
	Female	1	0	0	8	189	37.3	11.5

\*1. Directors include Independent Outside Directors of the Board.

\*2. Employees exclude temporary employees.

Composition by age (Nissha Co., Ltd., as of the end of December 2020)

	10-19	20-29	30-39	40-49	50-59	60-69
Male	0	54	133	214	129	1
Female	0	40	84	48	16	1

\* Figures exclude temporary employees.

Number of employees (Nissha Group)

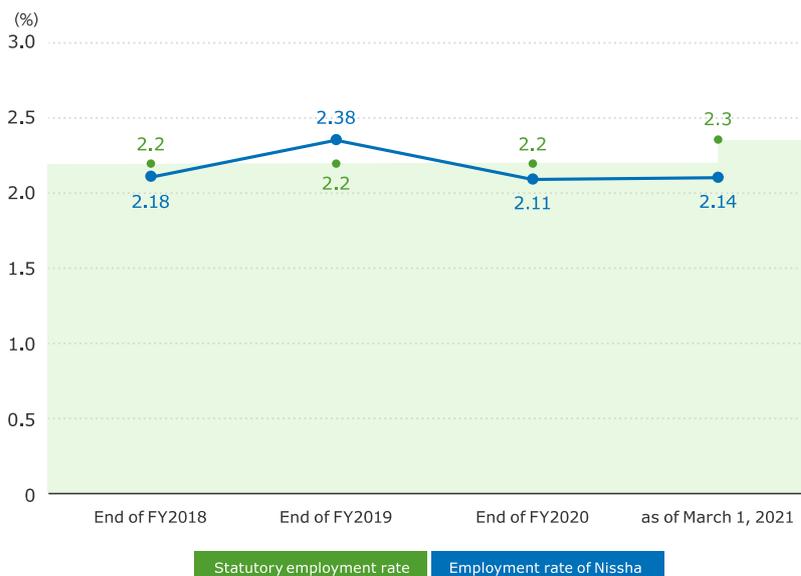
	Male	Female	Total
FY ended Mar. 2017	3,449	1,684	5,133
FY ended Dec. 2017	3,597	1,725	5,322
FY ended Dec. 2018	3,832	2,012	5,844
FY ended Dec. 2019	3,692	2,026	5,718
FY ended Dec. 2020	3,432	1,958	5,390

\* Figures exclude temporary employees.

Of all permanent employees who left Nissha Group companies in Japan in the fiscal year ended December 2019, 3.57% left for personal reasons.

### 13-2 Persons with Disabilities Employed at Nissha

The Nissha Group is working to achieve the employment rate for people with disabilities at companies with the number of employees that are subject to the employment rate system for people with disabilities set by the government. To ensure that employees with disabilities can work with peace of mind, we provide support from outside specialists such as job coaches, help them develop their skills, and hold regular interviews with Human Resources at least once a year.



The figure on the right shows changes in the percentage of persons with disabilities employed at Nissha. Although the percentage of persons with disabilities employed was low in 2020 due in part to retirements, we will continue to work systematically to achieve and maintain our target for percentage of persons with disabilities employed and thus achieve diverse working styles with diverse human resources by creating opportunities to hire and employ persons with disabilities through strengthening cooperation with special-needs schools and other external organizations, introducing internships that include persons with disabilities, and creating a comfortable work environment.

### 13-3 Foreign Employees in Active Roles

We hire people regardless of nationality in accordance with the “Diversity and Inclusion” part of our Shared Values. In our Group, where a diverse range of people play active roles, foreign nationals account for 63.1% company-wide.

Hiring of new graduates and mid-career employees at Nissha is shown below.

	Total number of hires	New graduates		Mid-career		Country
		Total number	Foreign nationals	Total number	Foreign nationals	
FY2018.12	45	24	1	21	1	Uzbekistan, Malaysia
FY2019.12	21	18	4	3	0	Malaysia, Indonesia, Vietnam, Iran
FY2020.12	20	12	0	8	0	—

We have set up a worship room in our Kyoto Head Office that can be used by people of any religion or sect. There is also a small purification facility to purify the body before worship, which is used regularly every day.

### 13-4 Promotion of Women's Advancement

The Nissha Group aims to be a company where all employees, regardless of nationality, gender, age, and more, can exercise their abilities to the full.

Starting in the fiscal year ending December 2021, our Group has identified the improvement of human resource capabilities and finding active roles for a diverse range of people as a materiality. To that end, we have made promoting female advancement a strategic item and the ratio of female managerial staff a KPI, for which we have set targets of 21% for global consolidated companies and 8% for Nissha on a non-consolidated basis by 2023.

We opened a career counseling office in 2021, where women can get support for career planning that accommodates their life events.

Over the 7th Medium-term Business Plan (3 years; FY2021.12 to FY2023.12), we will provide challenging growth opportunities for female employees by enhancing selective training and company-wide common training items for each grade, and systematically develop candidates for upcoming managerial staff positions through personnel rotation.

- **Action Plan for the Japanese Act on Promotion of Women's Participation and Advancement in the Workplace**

The Japanese Act on Promotion of Women's Participation and Advancement in the Workplace requires companies with 301 or more employees to draft an action plan for promoting women's participation in business. In the Nissha Group, three companies fall under this category: Nissha Co., Ltd., Nitec Industries, Inc., and Nitec Precision and Technologies, Inc. One more company, Nissha Printing Communications, Inc., has voluntarily formulated an action plan.

In line with the action plans based on the Women's Participation Act, moving forward, we will continue to upgrade our initiatives so that all employees can live up to their full potential.

## 14. Support for Diverse Work Styles

The Nissha Group has established Diversity and Inclusion as one of the Shared Values, which is the principle of employee behavior, and is working to create a workplace where human resources with diverse values and diverse backgrounds can maximize their abilities. At Nissha Group in Japan, we are implementing work style reforms with the aim of improving productivity, along with enhancing various support systems and promoting the creation of a workplace that supports diverse and flexible work styles. These are some of the ways we provide support to help our employees achieve a work-life balance.

### 14-1 Flexible Work Hours

We have introduced a flextime system to promote work-life balance, as well as to flexibly accommodate the time difference between Japan and overseas, enabling working styles that meet both the needs of our customers and variations in business demands. Many employees, not only in sales divisions, but also in the engineering, development, and administration divisions, make use of this system.

### 14-2 Telework System

A telework system was introduced in the fiscal year ended March 2015 to promote effective and flexible working styles for employees. In the fiscal year ended December 2020, its scope was expanded from employees with child-rearing and family care responsibilities to any employee who can perform the same level of work at home as at the office. During April and May 2020, when the State of Emergency Declaration for the spread of COVID-19 was issued, the sales and back office divisions at Nissha and its Group companies in Japan transitioned to working from home in principle. About 60% of employees were working from home during this period. In the fiscal year ending December 2021, we began providing telework allowances to employees who worked from home for the entire day.

#### Responses to the novel coronavirus disease (COVID-19)

With the spread of the novel coronavirus disease (COVID-19) and the Japanese government expanding its state of emergency declaration nationwide, in April 2020, Nissha and its Group companies in Japan switched sales divisions and back office divisions primarily to teleworking. In order to facilitate working from home, we promoted the digitization of paper-based documents such as approval forms and other internal approval processes, and simplified the approval procedure for teleworking. For employees who need to come to the office, we allow the use of alternative public transportation routes that are relatively less congested.

We continue to devise flexible work systems and support structures so that employees can feel safe and secure while working, and live up to their full potential. We allow employees to use special leave or saved expired leave for suspected infections, and special paid leave when their child's kindergarten or school is closed.

For female employees who are pregnant or have given birth less than a year previously, we allow increased amounts of telework or changes to jobs that can be worked from home in light of the anxiety or stress they may feel about the possibility of infection.

### 14-3 Child-rearing and Family Care Support

We are enhancing the support system for child-rearing and family care for the flexible working styles of employees at various life stages.

#### 14-3-1 Major child-rearing support system

By drafting an action plan and executing a range of measures based on the Act on Advancement of Measures to Support Raising Next-generation Children, many of our efforts in child-rearing support exceed statutory guidelines.

Support system	Nissha Group in Japan	Statutory coverage
Shorter hours during pregnancy	During pregnancy (up to maternity leave before childbirth) Up to 3 hours per day	—
Child-rearing leave	Up to 2 years old	As a rule, up to 1 year old (2 years old when certain conditions are met)
Days off for spouse's childbirth	5 days at the time of spouse's childbirth (Special paid leave)	—
Shorter hours for child-rearing	Up to completion of elementary school Up to 3 hours per day	Up to 3 years old By effort: Start of elementary school
Days off for child nursing	1 child: 5 days 2 or more children: 10 days Up to start of elementary school: paid From the first to sixth grade: unpaid	1 child: 5 days 2 or more children: 10 days Either paid or unpaid Up to start of elementary school
Child-rearing support fund	Amount: 150,000 yen (for each occasion below) Period: • Birth • Start of elementary school • Start of junior high school • Start of senior high school • Start of technical college	—

In addition to the above, we have introduced a system for supporting early reinstatement after childrearing leave by covering part of the expenses of a non-registered nursery. The system is designed to subsidize employees who could not enroll their child in a publicly funded authorized nursery, and while the child is on the waiting list, temporarily opt to use the services of a more costly non-registered facility. To date, two employees have been reinstated using the system.

We also have in place a program in which employees may save up to 30 days of expired annual paid leave to be used in the event of illness or injury, either of the employee or a family member, and for child-rearing, family care, school events, and closure of kindergarten or school.

#### 14-3-2 Number of employees who used child-rearing Support

The number of employees who used child-rearing leave, worked shorter hours for child-rearing, and took days off for child nursing are as the table below. In order to help employees make effective use of our support systems, we notify both the employee and his or her manager of the various systems immediately after birth registration is filed. Thanks to improved recognition of the systems available, the number of male employees using child-rearing systems is increasing year after year.

Support system	Gender	FY ended Mar. 2017	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Child-rearing leave	Male	12	7	14	18	19
	Female	45	40	45	43	50
	Total	57	47	59	61	69
Shorter hours for child-rearing	Male	9	9	8	7	2
	Female	69	75	81	90	93
	Total	78	84	89	97	95
Days off for child nursing	Male	60	62	67	79	56
	Female	63	67	78	78	64
	Total	123	129	145	157	120

The reinstatement rate and retention rate (1 year) after child-rearing leave are given below. Many employees are reinstated after taking leave and continue to work in the Nissha Group.

Fiscal Year		FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Reinstatement Rate* <sup>1</sup>	Male	100.0%	100.0%	100.0%
	Female	100.0%	95.0%	100.0%
Retention rate* <sup>2</sup> (one year)	Male	83.3%	100.0%	92.0%
	Female	100.0%	90.0%	88.6%

\*1. Number of employees reinstated after child-rearing leave in the current fiscal year ÷ Number of employees expected to be reinstated after child-rearing leave in the current fiscal year x 100

\*2. Number of employees remaining at the end of December in the current fiscal year after being reinstated after child-rearing leave in the previous fiscal year ÷ Number of employees reinstated after child-rearing leave in the previous fiscal year x 100

### 14-3-3 Major family care support systems

Support system	Nissha Group in Japan	Statutory coverage
Family care leave	Total 240 working days	Total 93 days
Shorter hours for family care	Until the reason for home care has passed 3 hours per day	At least 3 years from start of use
Days off for family care	1 family member: 5 days 2 or more family members: 10 days Paid	1 family member: 5 days 2 or more family members: 10 days Either paid or unpaid

In order to appropriately respond to inquiries and offer consultation about certification of needed long-term care and long-term care insurance, we have established a help desk that connects to an external specialist.

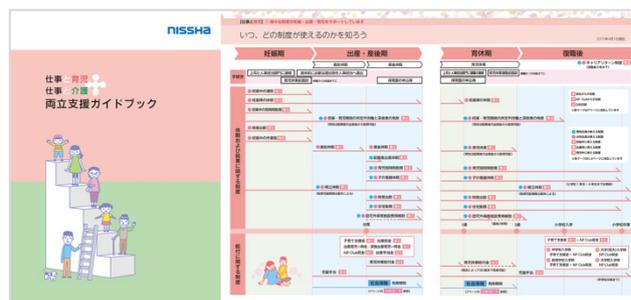
### 14-3-4 Number of employees who used family care leave

The table below shows the number of employees who used the support system for family care leave, shorter hours for family care, and days off for family care.

Support system	Gender	FY ended Mar. 2017	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Family care leave	Male	0	0	1	3	1
	Female	0	1	0	1	0
Shorter hours for family care	Male	1	0	0	0	0
	Female	0	1	1	1	0
Days off for family care	Male	7	9	8	12	8
	Female	5	7	8	5	7

### 14-3-5 Distribution of Work-life Balance Support Guidebook

To support our employees in achieving work-life balance, we created a Work-life Balance Support Guidebook containing information on both in-house and outside systems for child-rearing and family care and distributed to all employees. The guidebook is published on the Nissha Group intranet and swiftly revised in the event a system changes, enabling our employees to access up-to-date information at all times.



### 14-3-6 Kurumin Certification

Nissha has received “Kurumin” certification for three consecutive terms since the fiscal year ended March 2010, for a total of 11 years, and in March 2019 we were certified with Platinum Kurumin.

Based on the Act on Advancement of Measures to Support Raising Nextgeneration Children, “Platinum Kurumin” is a system to certify companies that have already obtained Kurumin certification in recognition of their measures to support employees with children and are carrying out initiatives at an even higher level. This certification was in recognition of our introduction of systems to support a balance between work and childrearing for both men and women, our initiatives to reduce overtime work, our ongoing seminars on topics related to the promotion of women in the workplace, and so on.



Within the Nissha Group, Nissha Business Service Co., Ltd. received Kurumin certification in 2015, followed by Nitec Precision and Technologies, Inc. in 2016.

We shall continue aiming to create a workplace where each employee can work energetically, enjoying a rich life where work and child-rearing are balanced.

### 14-4 Promotion of the Use of Annual Paid Leave

We have a program designed to encourage employees to plan taking four days of paid leave a year, two days each in the first and second halves; and offer a further two days in which employees may request to take paid leave on their birthday or wedding anniversary, or that of a family member. The average number of days of annual paid leave taken in the fiscal year ended December 2020 exceeded 11 days, thanks to ongoing efforts to promote its use, including spreading the word via the Nissha intranet.

In October 2019, we introduced annual paid leave by the hour as a system for facilitating more flexible use of annual paid leave and supporting our employees’ efforts to balance child-rearing and family care with work.

Average days and percentage of annual paid leave used (Nissha Group in Japan)

Fiscal Year	FY ended Mar. 2017	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Average days	11.3	10.2	11.0	12.2	11.4
Percentage of use	61.3%	55.9%	60.4%	65.9%	61.4%

### 14-5 Outpatient Sick Leave System

In fiscal year ended March 2016, we introduced an outpatient sick leave system with the aim of supporting employees who require long-term outpatient treatment to continue working. The system enables employees with specified disorders to take 12 days off per year for treatment. Four employees used the system in fiscal year ended December 2020.

Fiscal Year	FY ended Mar. 2017	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Male	1	2	1	1	2
Female	0	1	1	2	2
Total	1	3	2	3	4

### 14-6 Support for Reinstatement after Long-term Leave

For employees reinstated at work after long-term leave due to illness or injury, we have introduced rehabilitation work to prevent recurrence and support a smooth return to work. After returning to work, we ask employees to submit periodic reports to check on their status, and they also have interviews with our industrial physicians to check on anything that requires special allowances in employment. For employees to whom paid leave was not granted during long-term leave, three days of paid leave are granted when the employee's attendance at work is at least 95% for a period of three months after reinstatement.

### 14-7 Managing Overtime Work

Nissha Group companies in Japan promote the reduction of overtime work as a way to improve productivity and help our employees achieve a work-life balance. In the middle of each month, we notify all division heads of overtime hours recorded. Divisions that recorded a large amount of overtime work are questioned as to the causes and the physical condition of employees, and we send out e-mail alerts from the attendance system when overtime hours in a day or month exceed a given amount. In this way, we are continuing our efforts to reduce overtime.

### 14-8 Internal Job Posting System

The Nissha Group introduced an internal job posting system in fiscal year ended March 2012 with the aim of providing employees with the opportunity to choose their own career path as well as appointing employees to positions that reflect their aptitude and thereby enhancing our organizational strength. Under this system, we first recruit the human resources needed for specific divisions and operations from the perspective of management strategies such as medium-term business plans, and then employees who meet the requirements apply on their own initiative. Those that pass the selection are transferred to the relevant division. Employees transferred through internal recruitment are playing active roles in their new divisions.

Fiscal Year	FY ended Mar. 2017		FY ended Dec. 2017		FY ended Dec. 2018		FY ended Dec. 2019		FY ended Dec. 2020	
Number of job posting	No offering		No offering		15		9		No offering	
Successful applicants (transferees)	Male	Female								
	–	–	–	–	2	1	4	1	–	–

### 14-9 Awarding system

Nissha Group has in place various awarding systems that aim to reward praiseworthy endeavors and create a setting in which the employees responsible for the endeavors influence and motivate the company and organizations as a whole.

Awards won in the fiscal year ended December 2020 are as follows.

- President's Award (not awarded): For employees who have made a significant contribution to management by embodying the corporate philosophy.
- General Manager's Award, CFO Award (34 recipients): For employees who have made significant contributions to the business unit's financial performance.
- Passion Award (61 recipients): For employees who boldly take on challenges with enthusiasm towards the success of a project.
- Nissha People Award (111 recipients): Celebrating workplace stars who epitomize our Shared Values.

This system is used throughout the entire Nissha Group, with recipients including employees at overseas bases. As part of the company's efforts to create synergy, we encourage movement across business units and divisions, so many employees who have contributed to cross-sectional projects have been selected.

### 14-10 Career Resumption Program

In January 2018, we introduced a career resumption program for re-hiring employees who have once had to quit for specified reasons, such as marriage, childbirth, childcare, or spousal transfer, and wish to be reinstated at work. As of January 2021, this has been expanded to include all employees who quit for their own reasons.

This program enables us to draw on the range of experiences, knowledge and skills that they acquired outside, such as at other companies. It allows them to play active roles again as human resources with diverse values and careers, as well as to have people hit the ground running as they are already familiar with our corporate culture and business.

### 14-11 Employee Stock Ownership Plan & J-ESOP

As part of our efforts to provide employees with incentives to increase the corporate value of the Group and to support medium- to long-term asset formation, we operate an employee stock ownership plan for full-time and contract employees of the Nissha Group in Japan.

In addition, we introduced a Stock Benefit Trust (Employee Shareholding Purchase-type) in the fiscal year ended December 2020. This will enable us to return the benefits of increases in the share price of our stock over a three-year period to all full-time and contract employees in the stock ownership plan.

As of the end of December 2020, 26.0% of the employees have joined, and together hold 0.8% of the Company's shares.

Year	Number of eligible subscribers	Number of subscribers	Subscription rate
2016	2,530	584	23.1%
2017	2,387	585	24.5%
2018	2,413	598	24.8%
2019	2,353	625	26.6%
2020	2,089	543	26.0%

In addition, in the fiscal year ended December 2020, we introduced a Stock Benefit Trust (J-ESOP) for employees of the Company and some of its subsidiaries.

### 14-12 Retirement Pay System

To help employees build their assets, we have introduced a defined contribution pension plan in addition to a defined benefit pension plan to support our employees' life money planning. In addition to the Company's contributions, employees can voluntarily add their own contributions, which are then invested by the employees themselves. Employees can also choose the age when they start to receive benefits (between 60 and 70 years old) and the method of receipt (lump-sum payment or a pension from a financial institution).

## 15. Safety and Health of Employees

### 15-1 Safety and Health

#### 15-1-1 Occupational Safety and Health Policy

The Nissha Group has established an Occupational Safety and Health Policy and informed all employees of its contents in order to ensure the safety and health of all people involved in our business activities.

#### Occupational Safety and Health Policy

Nissha Group recognizes that ensuring the safety and health of all people engaged in our business activities is a top management priority for the continuity and development of our operations, and to this end, commits to the following practices.

1. We promote the participation of all in creating comfortable workplace environments and developing sound physical and mental health.
2. We pursue Co-existence with society in compliance with relevant laws and regulations, and with the requirements agreed upon by Nissha of local communities, public institutions, and our customers.
3. We strive for continuous improvement in occupational safety and health standards through the operation of management system.

This policy will be distributed widely to all people in the Nissha Group as well as released to the general public.

November 6, 2014

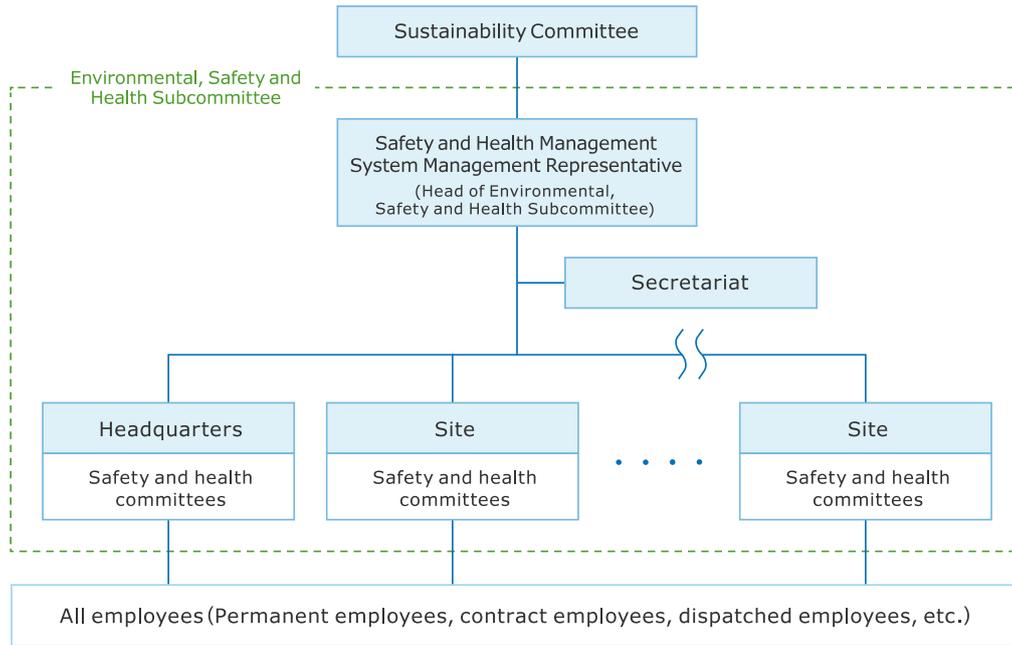
Junya Suzuki  
Chairman of the Board  
President and CEO  
Nissha Co., Ltd.

#### 15-1-2 Safety and Health Management System

Safety and health activities of the Nissha Group in Japan are overseen by the Environmental, Safety and Health Subcommittee of the Sustainability Committee, which works to continuously improve the level of health and safety. The Safety and Health Committees established at each base are formed from representatives from the base, such as the safety manager and the health manager, along with employee representative members selected from the Nissha Crew Alliance (labor union) and workplaces. The Committee is responsible for responding to occupational accidents and implementing corrective measures, as well as bringing about safe and comfortable workplaces.

The Nissha Group in Japan manages the progress of health and safety targets, conducts health and safety risk assessments at workplaces, takes measures to prevent the recurrence of occupational accidents, monitors the number of accidents and the results of working environment measurements, and conducts internal audits and takes corrective actions. The progress of these activities is reported at the quarterly meetings of the Environmental, Safety and Health Subcommittee. At the end of the fiscal year, a review is held on whether the management system is functioning effectively and to link it to activities for the next fiscal year as part of the PDCA cycle.

Safety and Health Management Structure



**15-1-3 Initiatives for FY2020.12**

The Nissha Group in Japan has set health and safety targets in line with our Occupational Safety and Health Policy, and has developed a range of occupational accident prevention activities with the goal of zero occupational accidents over the three-year period (FY2018.12 to FY2020.12) linked with the 6th Medium-term Business Plan.

In addition, we have set “occupational safety and health” as one of our materialities (material issues). In the fiscal year ended December 2020, we collected data on specific safety and health statuses for key overseas bases and affiliated companies that were newly added to the Group through M&A. Starting in the fiscal year ending December 2021, we will analyze this information and promote initiatives to understand and reduce the safety and health burden on the Group as a whole.

● **Workplace risk reduction - Risk assessment**

The Nissha Group in Japan conducts risk assessments on an ongoing basis to evaluate on a scale the risk of hazards and harm to workers posed by chemical substances handled in production facilities and workplaces, and takes countermeasures on a priority basis, starting with those with the highest risk. In addition, residual risks based on this risk assessment are reflected in the operation of the management system. When selecting materials to be used in our products, we evaluate the health hazards of chemical substances based on the Nissha Control Criteria for Chemical Substances in Purchased Products at the design review stage to ensure the health of workers during mass production. (Please refer to 9. Management of Chemical Substances and Environmental Risks.)

● **Safety Patrols**

A team led by the safety manager, health manager, industrial physician, and Nissha Crew Alliance (union) members conducts safety patrols of workplaces. In addition to checking for potential hazards and unsafe work practices in the workplace, and whether chemical substances are being managed appropriately, the patrols also try to raise workplace safety awareness by incorporating the perspective of customer requirements.

### 15-1-4 Occurrence of Occupational Accidents

The following table shows the occurrence of occupational accidents in the Nissha Group in Japan. The number of occupational accidents in the fiscal year ended December 2020 increased by two from the previous year, and both the frequency and severity worsened. To follow up, we are working on correcting the issues that became apparent from these accidents by renovating equipment and reviewing work procedures.

Occurrence of Occupational Accidents (Nissha Group in Japan)

Item	FY ended Mar. 2017	FY ended Dec. 2017	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020
Occupational accident frequency* <sup>1</sup>	1.99	1.45	0.84	0.49	0.98
Occupational accident severity* <sup>2</sup>	0.02	0.01	0.01	0.00	0.01
Fatal accidents	0	0	0	0	0

\* Figures include accidents involving temporary employees.

\*1. Refers to the number of injuries and casualties resulting from occupational accidents (one or more days of leave) per one million working hours.

\*2. Refers to the severity of occupational accidents in terms of the number of working days lost per one thousand working hours.

#### ● Number of Occupational Accidents by Region (Nissha Group in Japan and major overseas production bases)

The number of occupational accidents at the Nissha Group in Japan and major overseas production bases in the fiscal year ended December 2020 are given in the table below. Overseas figures represent accidents that resulted in days of leave.

Region	Number
Japan	15
North America	10
Central and South America	2
Europe	19
Asia	2

\* The count for the number of accidents is based on the standard of each region.

### 15-1-5 Safety and Health Education and Training

We provide education and training required in workplaces based on our Safety and Health Education and Management Regulations. While some curriculums had to be postponed in the fiscal year ended December 2020 due to the novel coronavirus disease (COVID-19), we are working to reduce the number of injuries and accidents by maintaining and improving safety awareness through remote education and e-learning.



General lifesaving training

Training participation

Category	Lesson/Session	Number of attendees in FY2020
General training	New employee training (safety and health)	15
	Special training for handling low-voltage electricity	11
Safety training	Health training (occupational health and health hazards)	106
	Health training (prevention of heatstroke)	359
	Risk assessment training (safety and health)	335
	Foreman education	3
	Chemicals training (risk assessment of chemicals)	80
	Safety training (using utility knives safely)	30
	General lifesaving training	30

**15-1-6 Safety Slogan**

In 2009, we created a safety slogan to raise awareness of safety with the aim of eradicating occupational accidents. This slogan is displayed at all of our production bases in Japan and overseas.



**15-1-7 External Assessment**

The Nissha Group in Japan received the following awards in the fiscal year ended December 2020.

Award target	Award name	Awarding body
Nissha Co., Ltd.	Excellent Voluntary Fire Prevention Office	Director, Kyoto City Fire Department
Safe Driving Supervisor, Kaga Factory, Nitec Precision and Technologies Inc.	Excellent Safe Driving Manager	Ishikawa Prefecture Association of Safe Driving Managers

**15-2 Health and Productivity Management**

**15-2-1 Health Declaration**

Nissha Group sees its mission as to 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. To achieve this, we believe that it is important for each and every employee to be healthy in mind and body and to be highly motivated in their work, as this will help the company's performance. This is why we formulated our Health Declaration.

## Health Declaration

The Nissha Group aims to create new values through our diverse capabilities and passion. We consider the maintenance and improvement of mental and physical health to allow employees to fully exercise their abilities to be an important management issue, and promote a range of measures to that end.

Established on September 3, 2018

Revised on July 1, 2021

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

### 15-2-2 Promotion of Health and Productivity Management

Since our establishment, the Nissha Group has grown by changing our target markets and products from a foundation of advanced technological capabilities. We will continue to keep pace with changes around the world, providing the products and services required by growth markets.

To that end, we are focused on the development of human resources based on the idea that the growth of the company is the growth of its employees, and the growth of employees is the growth of the company. In addition, we believe that how we maintain and improve the physical and mental health of our employees, and how we keep them motivated to work, will become key management issues. That is why Nissha considers these to be materialities within our management, and is carrying out the following measures.

1. The monthly Wellness Day is held to raise health awareness among employees

Everything we do is built on the physical and mental health of each and every employee. Also, with the COVID-19 pandemic still going on since last year, there have been changes in lifestyles such as the promotion of teleworking and refraining from going out. This has brought physical and mental issues into the spotlight. To reduce the health risks of employees and their families, we will educate them on improving their lifestyles, including exercise, diet, sleep, smoking, and drinking.

2. Boost the rate of detailed testing in medical checkups to catch and treat diseases at an early stage

We will also work to improve the rate of detailed testing after medical check-ups to prevent, detect and treat lifestyle diseases at an early stage

3. Work on improvements based on the results of the workplace stress check analysis

Based on the results of the Stress x Motivation workplace analysis, we aim to create an even more comfortable workplace by increasing the involvement of workplace leaders in addition to existing activities by insurance staff.

A director in charge of health and productivity management has been appointed as a system to promote this health and productivity management. We have established a Health and Productivity Management Subcommittee under the Sustainability Committee, which reports directly to the President, to plan and promote health measures for the entire Group under the leadership of the director in charge.

Health and Productivity Management Promotion System



● **Lifestyle Improvements**

Our plan was to hold monthly on-site yoga group lessons and "Health Up Seminars for Mind and Body" as a continuation of the promoting and boosting exercise habits program implemented in the fiscal year ended December 2019. However, this had to be put on hold in the fiscal year ended December 2020 due to the novel coronavirus disease (COVID-19). We shall make use of webcasts to provide more opportunities for employees to get into the habit of exercising.

We are going to set up a monthly Wellness Day company-wide. On each Wellness Day, the entire company will promote a non-smoking policy, as well as carry out initiatives such as promoting walking or other exercise, and provide information on diet and sleep to improve lifestyle habits. The goal is to encourage changes in employee awareness and behavior.

● **Promoting Non-Smoking and Prevention of Passive Smoking**

To stop smoking, we provide smokers with distance-learning stop-smoking programs, and in the fiscal year ended December 2020, 47% of the 15 participants successfully quit smoking. These will be continued in the fiscal year ended December 2021, and the company plans to offer subsidies for them.

We closed all smoking areas at all domestic locations on World No Tobacco Day in May as a way to raise awareness of quitting smoking. We shall continue to set up a non-smoking day once a month to continue as a way to raise health awareness among our employees and their families.

● **Creating a Lively and Comfortable Workplace (Improving Employee Engagement)**

Nissha has been carrying out stress checks since the fiscal year ended March 2013, ahead of the mandatory requirement, in order to create a comfortable workplace. Starting in the fiscal year ended December 2019, we introduced a web-based system which allows people to check their results immediately after a survey. This has led to people being more aware of their own stress and being able to take better care of themselves. In addition, the results of the workplace stress checks are passed on to the workplace leaders in each organization, providing opportunities to learn the correct way of interpreting the results and how to apply them.

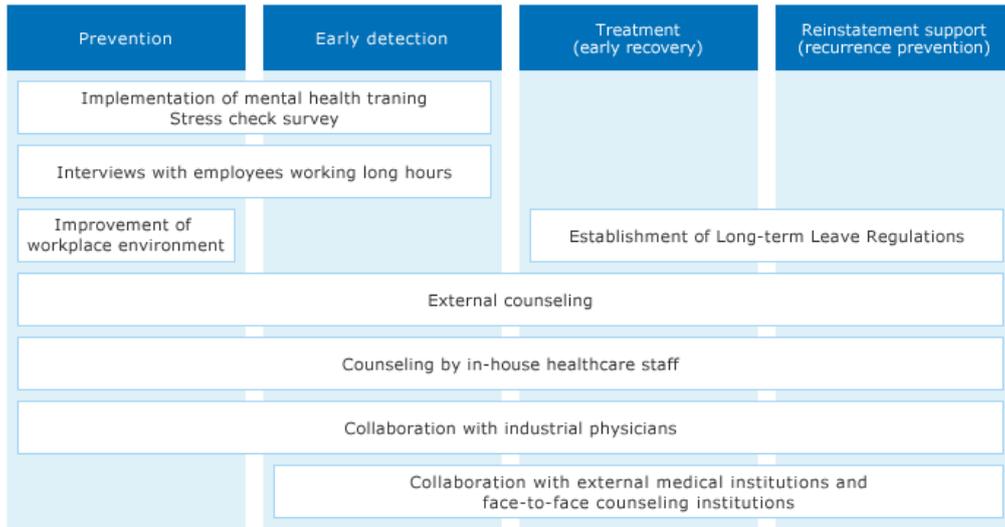
We are also working on a program called Workplace Environment Improvement: Workplace Doc, which aims to create a comfortable workplace through a bottom-up approach by providing line care education to learn how to support the process of workplace environment improvement and soliciting pilot workplaces. Furthermore, the Health and Productivity Management Subcommittee will support the use of stress checks from a more management-focused perspective to strengthen measures in the workplace. Through activities such as this, we shall continue to promote more comfortable workplaces.

To support individuals, we have set up an external 24-hour health consultation service, where mental health counseling

by professional counselors is readily available. There are a given number of people who use it each year because privacy is assured and it offers the convenience of being accessible via phone or the internet, even when it is hard to find time due to work.

Other mental health support includes yearly mental health education (self-care, line care, etc.) by clinical psychologists. In 2020, in response to the COVID-19 pandemic, we held a self-care web seminar, "Mental Health Management in the COVID-19 Pandemic," which was seen by 124 employees. We have also started regular activities by a clinical psychologist, and have enhanced individual interviews and consultations regarding different policies.

Mental health support structure



**15-2-3 Other Efforts to Maintain and Improve Health**

We continue to implement a variety of health promotion initiatives, including preventing the onset of lifestyle diseases. We will continue to work to maintain and improve the health of our employees, while always keeping the necessity of living in a pandemic in mind.

● **Cancer Measures**

We held a web-based seminar, "Curing Cancer While Working," viewed by 255 employees, as a way to improve the cancer screening uptake rate as well as the rate of employees who get more detailed examinations after their health check-ups.

● **Specific Health Guidance**

We are switching our specific health guidance carried out as part of our high-risk approach to remote interviews as a response to the COVID-19 pandemic.

● **Support for Balancing Work and Treatment**

As of the fiscal year ended March 2010, we have formulated and implemented regulations regarding support for returning to work, and in the fiscal year ended December 2020, we revised the Leave of Absence Regulations to introduce rehabilitative work. We will support our employees so as to ensure their health and allow them to balance treatment and work without aggravating their illness.

## 16. Initiatives Related to Information Security

### 16-1 Basic Policy

The Nissha Group has established an Information Security Policy. All employees are required to comply and implement on a constant basis. We are constructing and maintaining an information security management system (ISMS) to protect highly confidential information assets from threats. The information assets include key information provided by customers and suppliers, or strictly managed within the company, particularly information about new products or advanced technologies, and personal information.

#### Information Security Policy

Nissha and its subsidiaries committed to establish, maintain, and improve highly reliable and secure an information security management system to protect our own business information and the information assets, which we acquire from customers, suppliers and employees, etc., through our business activities performed, from any kinds of threat. And we take internal and external information security requirements into consideration and reduce all risks below the acceptable levels.

1. We continually improve an Information security management system by establishing, implementing, and reviewing the information security objectives, so that the confidentiality, integrity, and availability of information can be maintained and improved.
2. We comply with legal and regulatory requirements for information security and with contractual security obligation.
3. We establish and improve the criteria for reasonably evaluating risks concerning information security as well as the risk assessment methods, to mitigate risks and to maintain the information security levels which contributes to the corporate developments.
4. We make Information Security Policy known to all employees working in the premises of Nissha Group and its subsidiaries to raise their awareness of the issues related to information security.

July 1, 2013

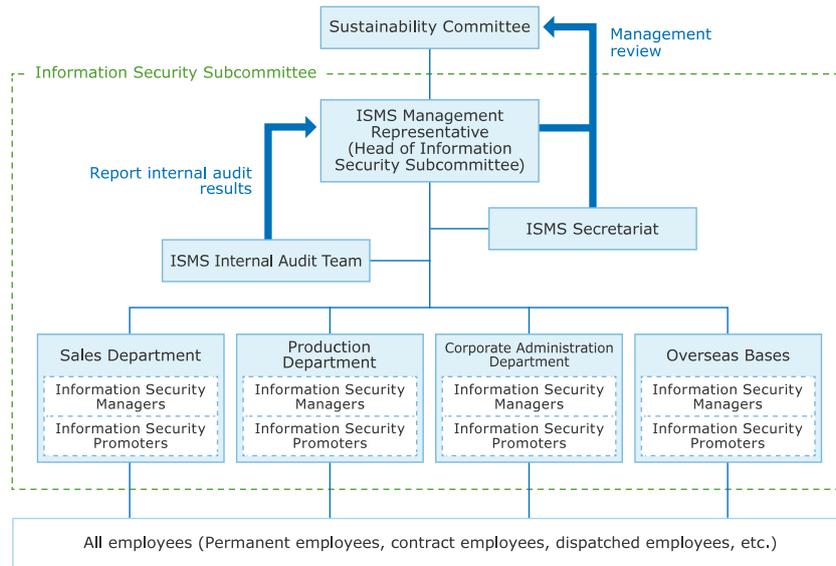
Junya Suzuki  
 President and CEO  
 Chairman of the Board  
 Nissha Co., Ltd.

### 16-2 Management Structure

As an organization to promote information security within the Group, the Information Security Subcommittee was established under the Sustainability Committee, and works on maintaining and improving the ISMS.

Under the CIO (Chief Information Officer), the head of the Information Security Subcommittee is the ISMS management representative, and the ISMS secretariat has been established in the IT Department to oversee all IT environments in the Group. The ISMS covers all bases within the Group, including those overseas. For each affiliated company and department, an information security manager and an information security promoter is appointed, and ensures the system operates in each workplace. In addition, the ISMS secretariat plays a central role in conducting reviews for top management, internal audits of the ISMS, and regular ISO27001 audits by external examiners to provide opportunities for improvement.

Management Structure



Domestic	251 employees	Information Security Managers	86 employees
		Information Security Promoters	165 employees
Overseas	39 employees	Information Security Managers	15 employees
		Information Security Promoters	24 employees

### 16-3 Deployment of the Management System

The Nissha Group operates the ISMS at all its bases, both in Japan and overseas.

In Japan, we have obtained ISO27001 certification, the international standard for ISMS.

Overseas, we have been rolling out ISMS as a unified standard globally, including for corporations that have newly joined our Group as a result of M&A and so on. This rollout was completed in the fiscal year ended December 2019. At present, in addition to an annual ISMS internal audit, we are working to maintain and improve ISMS operations through the PDCA cycle.

### 16-4 Efforts for Risk Reduction

“Protection and utilization of information assets” is included in our Group’s materiality. In the fiscal year ended December 2020, we worked on appropriate management of trade secrets and operation. Information assets are important information that differentiates us from our competitors and increases our competitiveness, so it is essential to reduce risks such as information leaks. We ensure management is done in accordance with importance, and carry out ISMS internal audits for departments that handle trade secrets.

In addition, with the rapid progress of IT and the diversification and spread of devices, we are working on measures to reduce the risk of our corporate image and brand being affected or information leaks through social media postings. We are also working on information security measures for personal information devices as used for BYOD (Bring Your Own Device), in addition to company-supplied computers and terminals.

### Responses to the novel coronavirus disease (COVID-19)

The Nissha Group has introduced IT services to support the diverse working styles of our employees. These services automate or streamline operations, or make them paperless. We also completed conversion of our IT infrastructure to the cloud in 2019. In response to the risk of information leaks, we are constructing a system that allows almost all IT services provided by our companies to be safely accessed from outside. By creating an environment where employees can work anytime, anywhere, we were able to smoothly transition to telework to prevent the spread of COVID-19, achieving seamless business continuity.

### 16-5 Training

Cyber attacks are becoming increasingly sophisticated day by day, so merely strengthening systems will not prevent all of them. To prevent damage, we consider it essential for each and every employee to be fully aware of information security and act with discipline so that they can learn about threats and methods, and recognize issues as soon as possible.

The Group holds training sessions for all employees, using e-learning, based on training materials that reflect our internal information security policies. We have been striving to ensure a thorough understanding of information security among employees, such as by reaching 100% attendance for the fiscal year ended December 2020 as well.

## 17. Trade Management

The Nissha Group's ratio of overseas sales is 85.8% in the fiscal year ended December 2020. As the Group's businesses expand globally, disciplined trade management is becoming an essential issue from the perspective of business continuity.

### 17-1 Basic Policy

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

#### Trade Management Policy

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

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

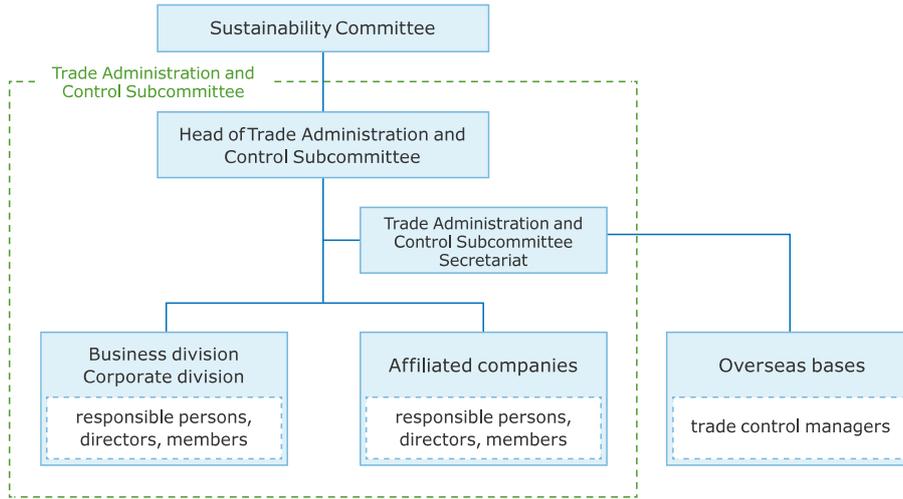
Established on October 1, 2016

Revised on January 1, 2018

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

### 17-2 Management Structure

The Group's trade management is overseen by the Trade Management Subcommittee under the Sustainability Committee. At Nissha Group in Japan, a trade management supervisor is appointed in accordance with the Trade Management Policy and the Basic Rules of Trade Management. Trade Management Subcommittee members (responsible persons, directors, members) are appointed in business divisions, corporate management departments, and affiliated companies to create a management system. At the same time, at Nissha Group bases overseas, the varying laws, regulations, and business practices of each country or region mean that we assign a trade control manager to each base.



At Nissha Group in Japan, a range of operational regulations and rules for trade-related operations required of AEO businesses have been established, while each department is preparing work standards and manuals to ensure export and import operations are carried out appropriately. At Nissha Group bases overseas, we are working on disseminating the Trade Management Policy and Basic Rules of Trade Management as well as preparing management documents.

### 17-3 AEO Approval

Nissha Co., Ltd. obtained approval as an AEO Exporter in June 2014, and as an AEO Importer in June 2015. Their second post-audits were conducted in October 2019, and we maintain all approvals. As of December 10, 2020, 60 companies in Japan are approved as both AEO Importer and AEO Exporter. Being one of these companies with dual approval, we have in place a system for safe and smooth international logistics.

Nissha Precision Technologies Malaysia Sdn. Bhd., based in Malaysia, obtained approval as both an AEO Exporter and an AEO Importer in October 2014, and maintains both approvals.

### AEO Approval Form



### **Authorized Economic Operator (AEO) Program**

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

### **17-4 Initiatives for FY2020.12**

In the fiscal year ended December 2020, we identified compliance as a materiality, setting proper and lawful operations during importing and exporting as one of its strategic items, and with the following two items as KPIs.

- “Zero incidents of illegal/unlawful declarations”: There were 8 incidents in the fiscal year ended December 2019, but 7 in the fiscal year ended December 2020. We are working on increasing awareness about recurrence: starting in the fiscal year ending December 2021, steps are being taken to reconfirm on site whether preventive measures are functioning effectively within 6 months of an incident occurring as a way of checking that these preventive measures are effective in the workplace at fault.
- “Zero omitted declarations of charge factors”: Thanks to reinforcing management by creating a system of follow-up checking within the company, there was no incident occurred.

### **17-5 Training**

We have prepared new theme-based educational materials for training import/export workers, and carried out training for about 550 people actually involved in trade operations in Japan, regardless of their department.

Themes



## 18. Initiatives Related to Intellectual Property

### 18-1 Views on Intellectual Property

The use of intellectual property is essential for the Nissha Group to appropriately protect and provide customers with products obtained as a result of our R&D and business activities. In order to contribute to our business performance and to securing a competitive edge for new businesses, the Nissha Group emphasizes the three areas of “rights acquisition,” “risk management,” and “training,” under the leadership of the Intellectual Property Management.

### 18-2 Major Initiatives

#### ● Rights acquisition

We use the intellectual property system to properly safeguard the results of our research and development. Rights acquisition is not limited to patents, but covers a wide range of other rights, including designs, trademarks, and copyrights. In addition, as the Group's products are sold globally, we are working to obtain rights in other countries as well as Japan. The Intellectual Property Management comprehensively manages from application to rights expiration, and intellectual property rights we have obtained are utilized strategically throughout the Group.

#### ● Risk management

To prevent inadvertent use of the intellectual property of other companies or the unauthorized use of our intellectual property by third parties, we have established a SDI (Selective Dissemination of Information) system that constantly monitors whether these intellectual properties are being used appropriately.

In addition, to prevent problems related to intellectual property, we also check contracts for things like joint research and joint development that are related to intellectual property.

#### ● Training

Training employees is important for promoting intellectual property initiatives. To that end, the Group is enhancing its various training programs so that each and every employee can understand and implement intellectual property right acquisition and usage.

The Intellectual Property Management provides instructors for basic training such as how to read patent gazettes and the procedures for obtaining a patent. In the fiscal year ended December 2020, 27 employees took this training course.

In mandatory training for employees in engineering fields, we invited an outside specialist instructor to teach about intellectual property systems, how to search for other companies' patents, how to understand and brush up on inventions, steps in determining infringements, and so on. These trainings were designed to continuously improve employees' skills and knowledge regarding intellectual property. In the fiscal year ended December 2020, a total of 26 employees took the basic and advanced courses.

## 19. Partnership with Our Suppliers

### 19-1 Basic Policy

The Nissha Group procures the raw materials, components, equipment, and services necessary for making our products from suppliers in various regions. We work fairly and equally with all suppliers to promote CSR procurement based on our Basic Purchasing Policy in order to share awareness of our social responsibility and enhance mutual corporate value.

#### Basic Purchasing Policy

For the achievement of our Mission, the Nissha Group build relationships of trust with our suppliers through mutually fair procurement.

We evaluate our suppliers fairly, impartially, and comprehensively based on the following criteria.

1. Stable business foundation and reliable management principles
2. Excellent technology development, stable supply, and quality servicing capabilities
3. Adaptability to changes in the business environment
4. Safety of products and services, consistency of quality, and competitiveness of prices and lead times
5. Effective business continuity management

We promote CSR procurement by working with our suppliers in the following areas.

1. Labor and human rights
2. Health and safety
3. Environment
4. Ethics
5. Information security

Established on April 2, 2009

Revised on January 1, 2018

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

### 19-2 Nissha Group Supply Chain

We at the Nissha Group collaborate with various suppliers through our business activities. Our supply chain is expanding globally.

Main Entities of the Nissha Group Supply Chain



**19-3 CSR Audit and SAQ**

In order to build a safe and secure supply chain, we have been conducting CSR audits of particularly important suppliers and new suppliers since the fiscal year ended March 2015. We have conducted audits at a total of 19 companies. The audits detected 187 instances of noncompliance (88 related to labor and human rights, 53 to safety and health, 29 to the environment, 12 to ethics, and 5 to management systems). Recently, with a focus on risks to the human rights of employees at production bases, we are conducting audits at suppliers such as temporary employment agencies. In addition to on-site audits, we continue to conduct regular annual surveys using our own Self Assessment Questionnaire (SAQ).

At the request of our customers, in the fiscal year ended December 2020 we conducted a SAQ survey of 41 companies (from materials suppliers to assembly contractors) in Europe and Asia, including China, in addition to Japan. Nitec Precision and Technologies (NPT), the Group's main production base, also conducted a survey of existing suppliers, mainly temporary staffing agencies, as well as new suppliers. There were no particular points of concern found in the responses to the 2020 SAQs. We will continue to conduct these surveys, and if any concerns are identified in the responses, Nissha employees qualified as internal auditors will visit suppliers and conduct on-site audits in accordance with the procedures.

Note that the CSR audits and SAQs are based on our CSR Procurement Guidelines, which we request our suppliers to comply with. These Guidelines are based on the Responsible Business Alliance (RBA), a code of conduct for the electronics and automotive industries, and on other codes of conduct that our customers request we follow. The items are listed below.

Items of CSR Procurement Guideline and SAQ (Self Assessment Questionnaire)

<p><b>1. Labor and human rights</b></p> <ul style="list-style-type: none"> <li>(1) Freely chosen employment</li> <li>(2) Young workers</li> <li>(3) Working hours</li> <li>(4) Wages and benefits</li> <li>(5) Humane treatment</li> <li>(6) Non-discrimination</li> <li>(7) Freedom of association</li> </ul>	<p><b>2. Health and safety</b></p> <ul style="list-style-type: none"> <li>(1) Occupational safety</li> <li>(2) Emergency preparedness</li> <li>(3) Occupational injury and illness</li> <li>(4) Industrial hygiene</li> <li>(5) Physically demanding work</li> <li>(6) Machine safeguarding</li> <li>(7) Sanitation, food, and housing</li> <li>(8) Health and safety communication</li> </ul>	<p><b>3. The environment</b></p> <ul style="list-style-type: none"> <li>(1) Environmental permits and reporting</li> <li>(2) Pollution prevention and resource reduction</li> <li>(3) Hazardous substances</li> <li>(4) Wastewater and solid waste</li> <li>(5) Air emissions</li> <li>(6) Materials restrictions</li> <li>(7) Storm water management</li> <li>(8) Energy consumption and greenhouse gas emissions</li> </ul>
<p><b>4. Ethics</b></p> <ul style="list-style-type: none"> <li>(1) Business integrity</li> <li>(2) No improper advantage</li> <li>(3) Disclosure of information</li> <li>(4) Intellectual property</li> <li>(5) Fair business, advertising and competition</li> <li>(6) Protection of identity and non-retaliation</li> <li>(7) Responsible sourcing of minerals</li> </ul>	<p><b>5. Information Security</b></p> <ul style="list-style-type: none"> <li>(1) Building of information management system</li> <li>(2) Prevention of leakage of confidential information about our customers and third parties</li> <li>(3) Defense against a computer and network threat, and management of electronic device and recording medium</li> <li>(4) Prevention of leakage of personal information.</li> </ul>	

## 19-4 Development of Procurement Personnel

Since 2008, the Nissha Group in Japan has been continuously providing training to develop procurement personnel (basic procurement education, training for technical and development departments, procurement training by external instructors, etc.). To date, a total of more than 800 people have taken this training.

In the fiscal year ended December 2020, we provided basic and intermediate procurement education to 47 participants. We organize basic procurement education for employees newly engaged in procurement work, such as in procurement divisions. It is designed to teach them the basic knowledge about procurement required for their work as well as to enhance their awareness of compliance. In addition, intermediate procurement education is provided to employees who took the basic procurement education in the previous year, with the aim of helping them acquire more specialized procurement knowledge.

In future, we plan to expand the scope of this education to include mid-level employees and managerial staff, as a way to provide systematic procurement education.

## 20. Quality Management · Improving Productivity

### 20-1 Quality Management

#### 20-1-1 Quality Policy

The Nissha Group is constantly striving to improve quality under our Quality Policy in order to satisfy our customers and contribute to society by providing high-quality, safe, reliable products and services.

**Quality Policy**

Nissha and its subsidiaries are committed to contributing widely to society through customer's trust and satisfaction of quality, cost, delivery, services and speed.

1. We aim for quality that stands up to the customer's expectations.
2. We pursue Zero Defects in our products.
3. We provide products which satisfy customer requirements and conform to relevant legislation and regulations.
4. We establish and maintain a quality management system, and continually improve its effectiveness.

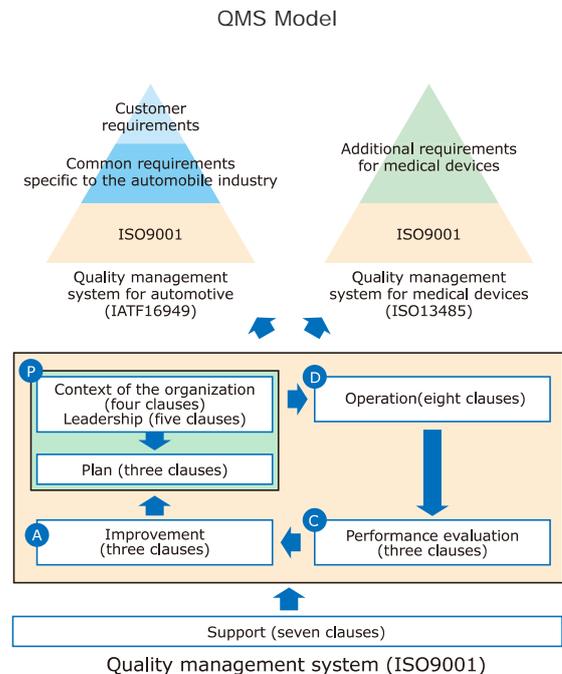
April 1, 2011

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

#### 20-1-2 Quality Management System (QMS)

Our Group believes that improvements to quality leads to improvements to profits, which is why we have set all KPIs as quality targets and aim to integrate the quality management system with management. The Group's quality management system is designed to prevent problems from occurring by standardizing operations. We determine quality targets in line with our Quality Policy, formulate plans to achieve these targets, and manage the achievement with PDCA cycle. Our quality management system is based on the international standard ISO9001 (2015 version), and we are constantly working for the improvement.

Also, we are steadily building a quality assurance system tailored to the priority markets of medical, mobility (automotive and transport equipment), and sustainable materials. These markets are positioned as priority markets in our Sustainability Vision (long-term vision), which describes where we want to be in 2030.



To meet the licensing requirements for the manufacturing and sales of medical devices in Japan, in 2017, Nissha Co., Ltd. obtained a Class 2 medical devices marketing and manufacturing license and a manufacturing license, and our

affiliated company Nissha FIS, Inc. became a registered medical devices manufacturer. Moreover, some bases of the Nissha Group in North/Central America and Europe have obtained ISO13485 certification, the international standard for quality management systems in the medical devices industry. Our Global Headquarters in Kyoto obtained the same certification in October 2019.

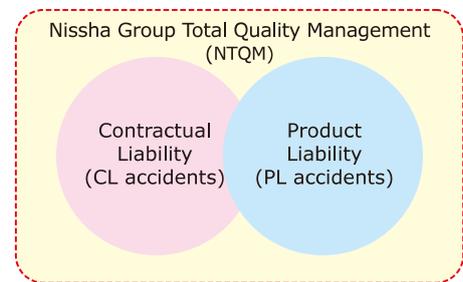
In businesses targeting the mobility market, Nitec Precision and Technologies, Inc. (NPT) Kyoto Factory, which manufactures touch sensor modules, and multiple other bases have obtained IATF16949 certification for quality management systems in the automotive industry. The NPT Himeji Factory is also planning to obtain certification during the fiscal year ending December 2021, and we are aiming to obtain certification for even more sites this year.

The fields of healthcare (ISO13485) and mobility (IATF16949) require even stricter quality management systems than ISO9001, so we will further improve our management systems to meet these requirements.

**20-1-3 Nissha Group Total Quality Management (NTQM)**

The Nissha Group promotes quality improvements through NTQM (Nissha Group Total Quality Management), our unique approach to total quality assurance built on a quality management system based on ISO9001 (2015 version).

In order for our customers to use our products with peace of mind, they must not only meet with our customers' requirements, but they must also comply with applicable laws and regulations, as well as be safe. NTQM is a system that establishes and operates the necessary frameworks, from customer inquiries to design and mass production, and helps prevent serious problems such as claims and lawsuits related to contractual liability (CL) and product liability (PL).



### 20-1-4 Five Musts for the Systematization of Work

We set forth Five Musts for the Systemization of Work, a concept we are working to communicate companywide through training and our company magazine.

#### Five Musts for the Systematization of Work

1. Standardize work.  
Standardization clarifies the required input, as well as the work you have to perform.
2. First of all, check the input.  
Begin your work by checking for any fault in input.
3. Incorporate the customer viewpoint into the output.  
Not only customers for the Company, but your immediate customers, internal and external. In your work, you must aim at an output that meets QCDS from all your customers.
4. Reinforce the system using human factors.  
Human factors should be used to cover those areas of work which cannot be covered by the system alone. Your communication and teamwork will reinforce the system.
5. Make continuous efforts to improve the system.  
The system must be established and implemented continuously. Continuous implementation results in further improvement of the system, as well as that of the quality of our work and the Company.

\*QCDS: Initial of Quality, Cost, Delivery, Service, the index for product evaluation.

### 20-1-5 Quality Slogan

For the quality improvement, it is essential to take actions with a strong awareness of customers, including the next process. All Nissha Group employees are required to perform their daily duties with a sense of responsibility, and create quality in the eyes of the customer.

To this end, in April 2017, we established the quality slogan given here. The Japanese have a maxim that reads, "The next process is the customer." The "me" in the slogan says each employee should take on a leading role in delivering quality to the customer. And this "customer" may be external customers of the Nissha Group or internal workers

in the production process following one's own. The slogan is communicated thoroughly across Nissha Group companies both in and outside Japan, along with a sense of "responsibility to all customers, internal or external."



### 20-1-6 Company-wide Optimization and Continuous Improvement

We define the ties between one's own department and others, and even ties between work processes across the Nissha Group, as "input" and "output." Hence we stress the importance of recognizing links between internal processes and the orderly division of roles. By having all employees stand in the customer's shoes, we aim to break free of department-based optimization and strive for company-wide optimization. We believe that basic concepts like this and the sorting out of functions will build Nissha Group's foundation as a manufacturing company.

The accumulation of bits of insight and ingenuity from all employees is the source of great improvements in work processes. This approach forms the foundation of Nissha Group's "small-group activities" and "improvement proposal system". We recognize these as important mechanisms to work on and develop across the Nissha Group. Moreover, based on the idea that the quality of people plus the quality of work equals the quality of the company, and employees are our most important management resource, we are actively engaging in the development of human resources, such as through the continuous planning and implementation of a range of education. Through these activities, we are implanting the concepts of (1) always interweaving ingenuity into your work, (2) judging based on data (facts), and (3) using the PDCA (Plan, Do, Check, Act) Cycle to continuously improve, so that we can further improve our customers' satisfaction.

**Training**

- General quality training (for new employees, promoted employees, new managerial staff, managers, and overseas assignees)
- Management system training (ISO9001, IATF16949, core tools, internal quality auditor)
- Quality control training (QC Exam levels 3 and 4, QC Seven Tools, New QC Seven Tools, basic statistics)
- Quality methodology training (statistical methods, experimental design, Taguchi methods, reliability engineering, etc.)
- Other training (electric/mechanical basic education, equipment maintenance, etc.)

**Practical education**

- Support for small-group activities

**Information sharing / reciprocal learning**

- Company-wide Presentation Meeting of Small-group Activities
- AI activity results report meetings
- Improvement proposals, AI activities, automation examples, small group content, and so on are shared among all employees through our improvements database

**20-1-7 Quality and Safety of Products**

Information on product handling and safety is clearly stated in the delivery specifications, etc. to customers. In the unlikely event that an incident involving a defect in our products or services leads to a violation of laws and regulations or a serious accident related to quality assurance, we will establish a CPL\* Committee to quickly resolve the situation. In addition to providing the appropriate reports to government agencies in accordance with the law, we have a system in place to inform our customers of any necessary information as soon as possible. Employees are made aware of the importance of ensuring product quality and safety through corporate ethics and compliance training and other programs.

In the fiscal year ended December 2020, there were no CPL Committee meetings, no violations, and no CPL incidents (no fines). We will continue striving to maintain the number of violations and CPL cases at zero.

\* Combination of contractual liability (CL) with product liability (PL)

## 20-2 Improving Productivity

The Nissha Group believes that digital technology will not only improve our own productivity, but also enhance the added value we provide to our customers and help solve social issues. To that end, we are working to promote DX. We have also set productivity improvement as a materiality, and are moving ahead with the use of automation and efficiency tools such as RPA and the digitization of value creation processes.

We are gradually moving ahead with DX in the following three steps, as well as working to develop the environment and human resources needed to support it.

	Contents	Examples of initiatives
STEP 1	Improve productivity of internal operations by creating and digitizing databases (DB) for specific departments and operations. Resources secured by this will be reallocated to high value-added businesses.	<ul style="list-style-type: none"> <li>• Effective use of data through DB construction</li> <li>• Automation of production, design, and indirect operations through the use of AI and RPA</li> <li>• Sales Force Automation (SFA) and marketing tools to improve the efficiency of sales activities</li> </ul>
STEP 2	Extend digitization to the entire value chain to increase the added value we provide to our customers.	<ul style="list-style-type: none"> <li>• Using AI in the quotation process</li> <li>• Creating customer value (QCDS) through the use of AI in business operations</li> <li>• Building digital platforms</li> </ul>
STEP 3	Create new business models that help solve social issues through digitization.	<ul style="list-style-type: none"> <li>• External sales of in-house systems and expertise</li> <li>• Establishment of a data business and business collaboration (ecosystem) using accumulated data</li> </ul>

### 20-2-1 Initiatives through FY2020.12

The Nissha Group is also working to improve productivity in manufacturing. This involves making IoT and AI integral parts of production bases, and is mainly being done through "Smart QC," a project that aims to improve quality and productivity through IT, and "Smart Factory" activities that promote robotization and labor-saving in production processes. We are establishing quality control methods that use IT such as IoT and AI.

In the fiscal year ended December 2020, we worked on productivity reforms using IoT and AI technologies at three of our major production bases: the Himeji Factory and Kaga Factory of Nitec Precision and Technologies, Inc. (NPT) and the Kameoka Factory of Nitec Industries, Inc. (NII)

In terms of quality, we have launched a system for film touch sensor production that automatically analyzes trends in data obtained from automatic visual inspection equipment and feeds it back to upstream processes. We have also introduced AI into the visual inspection process to save manpower. In terms of production, increasing robotization of operations, which we call Smart Factory, has saved manpower.

Furthermore, productivity improvements have not been limited to manufacturing sites, but have also made significant inroads in a range of deskwork areas. A prime example is the automation of business operations through Robotic Process Automation (RPA), an initiative that began rolling out full-scale in 2019. RPA has automated many tasks that used to be done manually, such as data input and output, aggregation, and report generation. In addition to RPA, we have also introduced electronic approval systems and AI-based chatbots, and expanded the combined results and scope of application of these systems. As of the end of 2020, the work that used to be done manually has been reduced by approximately 70,000 hours per annum.

## 20-2-2 Initiatives for FY2021.12 and beyond

From the fiscal year ending December 2021 onwards, from the perspective of improving the productivity of internal operations (STEP 1), we are aiming to improve the efficiency of design operations and build quality at the upstream stage through the digitalization of design. This is in addition to the existing digitalization of production in production divisions, such as Smart QC and Smart Factory, and signifies our move into the full-scale use of AI.

Also, we will expand the number of departments globally using services such as RPA that have already been introduced. We will also introduce new services, such as AI-OCR, in order to expand and upgrade tasks that can be applied automation, creating further benefits.

In parallel with the above, STEP 2 aims to create new added value for existing businesses, and will promote efforts to digitize and upgrade the entire process of business operations, including marketing, sales operations, R&D, and logistics.

In addition, in order to create new value through the use of AI, we are also promoting the development of AI human resources through both classroom-based and practical training.

## 21. Along with Local Communities

### 21-1 Basic Policy

The Nissha Group, which operates globally, promotes activities that meet the needs of society through communication in each region. In Japan, these initiatives are carried out in accordance with our Basic Social Contribution Policy.

#### Basic Social Contribution Policy

Nissha and Nissha People contribute to society under the spirit of global citizenship by using their management resources effectively toward the achievement of our Mission.

Main fields of contribution: "Environmental Protection", "Support for Future Generation", "Promotion and Support of Arts and Culture", and "Humanitarian Support".

### 21-2 Initiatives in FY2020

The following initiatives were carried out in the fiscal year ended December 2020.

1. Environmental protection / support for future generation
  - Participated in the activities for company's environmental workshops at elementary schools organized by the Kyoto Chamber of Commerce and Industry's environmental measures special committee
    - ◇ Carried out the workshop at Kyoto Municipal Suzaku Dairoku Elementary School
2. Support for future generation
  - Participated in Children's Monodzukuri Project run by the Kyoto City Board of Education
    - ◇ Exhibited a corporate booth at the Kyoto Monodzukuri Hall of Fame, Kyoto City Inquiry Learning Center for Career Education
    - ◇ Provided materials for learning programs for elementary school students
    - ◇ Supported the "Making Supreme Moving Toys" Toy Contest Grand Prix in Kyoto
  - Collaborated with NPO Kids Meet Artists
    - ◇ Carried out the Machikusa Mikke workshop at Kyoto Municipal Suzaku Daishichi Elementary School
3. Promotion and support of arts and culture
  - Sponsorship of arts and crafts exhibitions
    - ◇ Special Exhibition "Horyuji Kondo Mural and Baekje Kannon" (Tokyo National Museum)
    - ◇ "Oshii Ukiyo-e: The Roots of Japanese Cuisine" exhibition (Mori Arts Center Gallery)
    - ◇ NHK Taiga Drama Special Exhibition "Kirin ga Kuru" (Gifu City Museum of History)
    - ◇ KYOTOGRAPHIE International Photography Festival
    - ◇ KYOTO STEAM - International Arts × Science Festival
  - Became museum partner
    - ◇ Kyoto National Museum

## 21-3 Membership in Community Organizations

Nissha participate in various activities in the region.

Organization / host	Position / membership status	Company registered
Kyoto Chamber of Commerce and Industry	Permanent member	Nissha Co., Ltd.
Kyoto Employers' Association	Councilor	Nissha Co., Ltd.
Kyoto Association of Corporate Executives	Special secretary	Nissha Co., Ltd.
Kyoto Industrial Association	Director	Nissha Co., Ltd.
The Japan Kanji Aptitude Testing Foundation	Director	Nissha Co., Ltd.
Kyoto Institute of Technology	Joint management council member	Nissha Co., Ltd.
Kyoto University Graduate School of Business Administration	Member of External Evaluation Committee	Nissha Co., Ltd.
Ritsumeikan University Business School	Advisory board member	Nissha Co., Ltd.
Nissha Foundation for Printing Culture and Technology	Representative Director	Nissha Co., Ltd.



## Governance

Nissha, since its foundation, has been executing strategies that promptly address external challenges, under committed leadership. The Company believes that strengthening corporate governance along with such leadership will promote agile and decisive decision making, as well as ensuring management transparency and fairness, and we work to maintain and enhance them.

In order to remain a trust placed in us, all of our executives and employees work to promote and thoroughly implement corporate ethics and compliance.

## 22. Corporate Governance

### 22-1 Basic Approach to Corporate Governance

Nissha, since its foundation, has been executing strategies that promptly address external challenges, under committed leadership. The Company believes that strengthening corporate governance along with such leadership will promote agile and decisive decision making, as well as ensuring management transparency and fairness.

Based on this recognition, the Company places corporate governance as one of the key management issues, strives to maintain and improve it, and seek out sustainable corporate growth and an increase in corporate value over the medium- to long-term. In an effort to clarify the Nissha Group’s basic approach to and policy for implementing corporate governance, in October 2015 we established a Corporate Governance Policy.

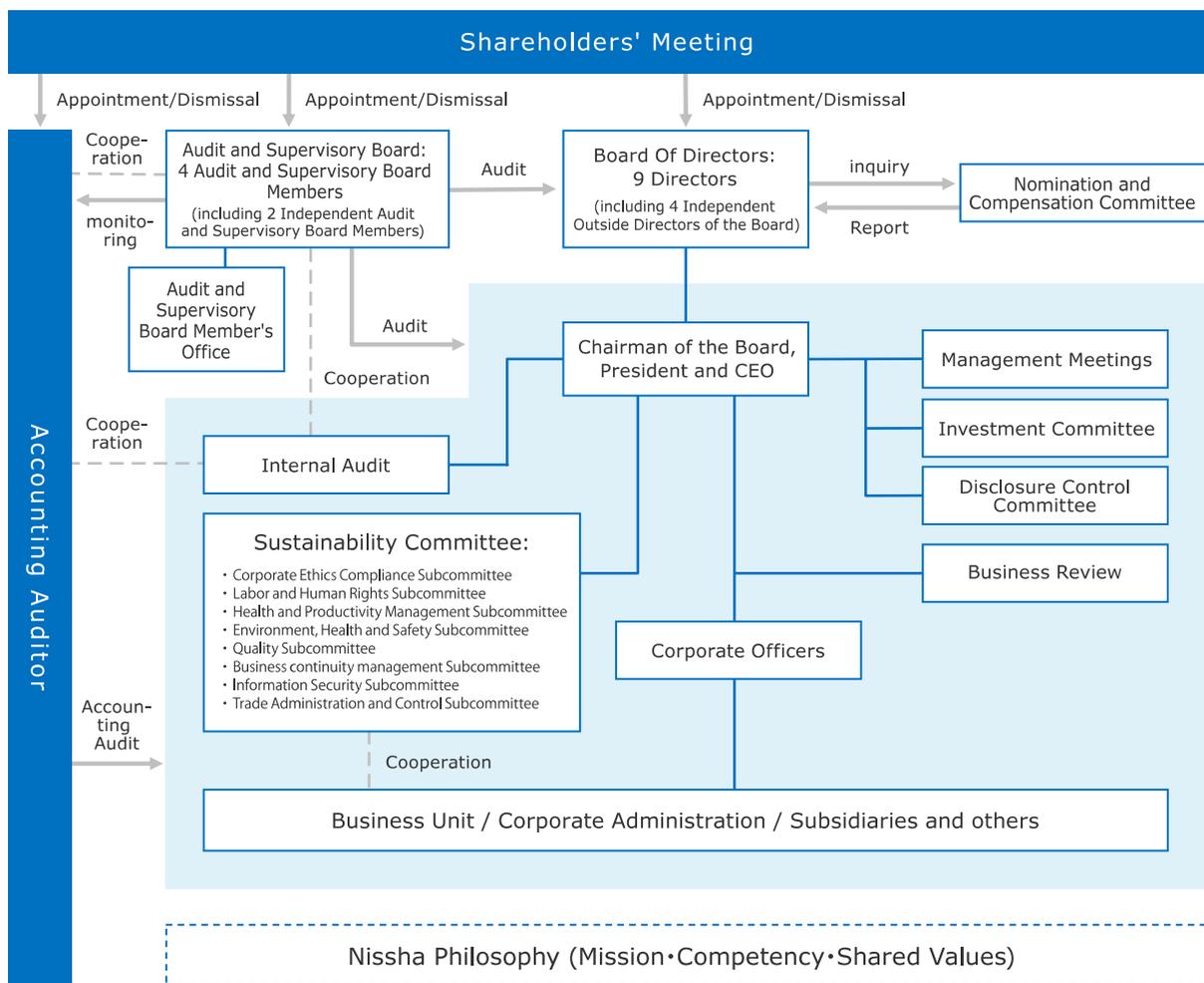
\* For further information, please follow the link below.

[About>Corporate Governance](#)

Corporate Governance Policy (PDF)

### 22-2 Overview of Corporate Governance

We have established a corporate governance structure as shown in the figure below (as of April 1, 2021).



We make major business judgments and oversees the execution of the duties of the Directors of the Board at meetings of the Board of Directors, and as a company with an Audit and Supervisory Board, will strive to maintain and improve the oversight and checking functions by Audit and Supervisory Board Members and an Audit and Supervisory Board which are independent from the Board of Directors. We adopt a corporate officer system in an effort to clarify the powers and authority in the speedy decision making and the implementation of decisions, under which the Board of Directors will be in charge of the formulation of strategies and business oversight, and the Corporate Officers will be in charge of the execution of business.

The President chairs the following meetings toward appropriate and efficient business execution.

- **Management Meeting:** Comprises Inside Directors of the Board as core members. Deliberates on matters relating to the direction of important managerial issues within the scope of the President's authority.
- **Investment Committee:** Ensures discipline in investment decisions by discussing the strategic rationale for investments and the appropriateness of investment recovery plans prior to submitting particularly important investment matters to the Board of Directors, and by monitoring investments after they are made.
- **Business Review:** Monthly and quarterly meetings to review the progress of business strategies based on key performance indicators (KPI) and determines actions to take over the short term. The purpose of the MBR is to monitor business execution by Corporate Officers and quickly respond to changes in the business environment.

We also have in place the following organizations in order to enhance the management monitoring function, ensure that business execution complies with laws and regulations as well as our Articles of Incorporation, and to manage risks.

- **Sustainability Committee:** Chaired by Chairman of the Board and vice-chaired by the Senior Director of Sustainability. The Sustainability Committee identifies materialities (material issues) by prioritizing social issues that represent business opportunities for the Group, activities that form the basis of management, and risks that jeopardize corporate sustainability. Based on this, business organizations and the Sustainability Committee's subcommittees then establish strategy items, KPIs, and target values for each material issue and apply the PDCA cycle.
- **Disclosure Control Committee:** Chaired by the President. Discusses the necessity of timely disclosure of corporate information and the contents of disclosure.
- **Internal Audit Office:** Under the direct control of the President, audits the internal control systems of the Nissha Group, analyzes and evaluates their status of establishment and operation, and offers suggestions for improvement.

## 22-3 Directors of the Board and the Board of Directors

### 22-3-1 Policy and Procedures for Appointment/Dismissal of Directors of the Board

Our Board of Directors comprises an appropriate number of 12 or fewer members, taking into account diversity and balance between the knowledge, experience, and skills of the individual to ensure that the Board fulfills its role of making important management decisions and overseeing the execution of duties by Directors of the Board and Corporate Officers. Inside Directors of the Board are elected for their acquaintance with our operations and suitability for carrying out growth strategies and overseeing business execution. Multiple Independent Outside Directors of the Board are elected who satisfy the requirements of not only the Companies Act but also the Standards for Independence of Independent Officers, established by our Board of Directors.

In the event that a Director of the Board damages the trust or honor of the company, markedly diminishes our corporate value, or gives rise to grounds that he or she is unfit to perform his or her duties, the Board of Directors confirms the presence of a valid reason and makes the Director of the Board subject to a proposal for dismissal. To ensure clarity in

management responsibilities for each fiscal year, the term of office of Directors of the Board is set at one year.

Having received reporting from the Nomination and Compensation Committee, based on the policy above, the Board of Directors makes decisions on proposals for the appointment/dismissal of a Director of the Board to be deliberated at the general meeting of shareholders.

\* For further information, please follow the link below.

[About > Corporate Governance](#)

Standards for Independence of Independent Officers (PDF)

### **22-3-2 Diversity of the Board of Directors**

As of April 1, 2021, our Board of Directors consists of nine members, of which four are Independent Outside Directors of the Board with one being a woman of foreign nationality. The Board includes individuals with experience abroad or at other companies, or holding a master's degree in business administration. Each of our four Independent Outside Directors of the Board has experience into corporate and business management in the manufacturing industry, specialized knowledge in corporate governance, business strategies, management strategies, legal affairs and compliance, and broad insight into monetary economics.

We consider that the four Independent Directors satisfy standards for independence of outside officers by the Tokyo Stock Exchange, hence they have sufficient independence and there is no risk of conflict of interest with general shareholders. Therefore, we have designated them as Independent Officers.

### **22-3-3 Role of the Board of Directors**

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

In order to ensure flexibility and expertise in business judgements, we have in place a system in which matters to be resolved at the general meeting of shareholders, such as distribution of surpluses and acquisition of treasury stock, can be decided by the Board of Directors.

The Board of Directors makes decisions on matters that require resolution by the Board as stipulated by laws and regulations and our Articles of Incorporation as well as on important managerial matters as stipulated by the Regulations of the Board of Directors, and oversees business execution by Directors of the Board and Corporate Officers.

We confirm an investigation into the existence of any transactions between the Company and related parties such as the Directors of the Board and Audit & Supervisory Board Members, Corporate Officers, and their relatives, and if any material facts exist, they will be resolved by the Board of Directors, which will make a decision after duly deliberating the reasonableness of the transaction. In addition, we must obtain the approval of the Board of Directors when engaging in conflict of interest transactions as prescribed by laws and regulations with the Directors of the Board.

### **22-3-4 Initiatives to Enhance the Content of Discussions**

Our Board of Directors meetings involve brisk, substantive discussions. Independent Outside Directors of the Board draw on deep insight into their respective fields of specialty to provide accurate advice and opinions, contributing to the enhancement of both management transparency and the Board's oversight functions.

Toward improving the quality of discussions, we distribute a meeting agenda and related materials in advance, and explain particularly important matters to Independent Outside Directors of the Board and Independent Audit and

Supervisory Board Members beforehand. In addition, in order to ensure full discussion, key agenda items such as the medium-term business plan and corporate acquisitions above a certain size are discussed as reporting items before being put on the agenda for resolution. On the other hand, it aims to operate at a suitably balanced pace by allocating time for explanation and deliberation based on the importance of each agenda item.

Also, in order to further improve the monitoring function of the Board of Directors, the status of corporate acquisitions above a certain size and the establishment of subsidiaries and joint ventures are regularly reported to and confirmed by the Board of Directors.

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.

**22-3-5 Evaluation of Effectiveness of the Board of Directors**

Since April 2016, our Board of Directors has been working on continuous improvements to enhance the effectiveness of corporate governance by conducting an annual analysis and evaluation of the composition and operation of the Board of Directors in the previous year.

For the Board of Directors meetings held in the fiscal year ended December 2020, we conducted a questionnaire from January to February 2021 to evaluate the effectiveness of the Board of Directors. The results were analyzed and evaluated, and an outline of the results was disclosed in a Corporate Governance Report submitted to the Tokyo Stock Exchange in April 2021.

**22-3-6 Reasons for Appointment and Board of Directors Meeting Attendances in FY ended December 2020**

Name	Reason for appointment	Attendance at meetings of the Board of Directors
Junya Suzuki	Mr. Junya Suzuki has duly performed his duties as Chairman of the Board, President and CEO, such as decision-making on important managerial issues and the supervision of the execution of operations. He has also committed to management from medium- to long-term perspectives and has shown strong leadership and decisiveness toward the realization of the Nissha Group's Mission since he assumed office as Chairman of the Board, President and CEO in 2007. We appointed him as a Director of the Board because we believe that he is an appropriate talented person who will continue to carry out sound growth strategies for the Company and supervise the execution of operations.	100% (18/18 meetings)
Daisuke Inoue	Mr. Daisuke Inoue has duly performed his duties as a Director of the Board, such as decision-making on important managerial issues and the supervision of the execution of operations. In addition, he assumes responsibility for business management as Senior Executive Vice President and General Manager of Devices Business Unit, working to create company-wide synergies while showing strong leadership from the perspective of the Nissha Group as a whole as Senior Director of Human Resources, General Affairs and Legal Affairs. We appointed him as a Director of the Board because we believe that he is an appropriate talented person who will continue to carry out sound growth strategies for the Company and supervise the execution of operations.	100% (18/18 meetings)

Name	Reason for appointment	Attendance at meetings of the Board of Directors
Wataru Watanabe	Mr. Wataru Watanabe has duly performed his duties as a Director of the Board, such as decision-making on important managerial issues and the supervision of the execution of operations. As well as promoting medium-term business plans as Executive Vice President, Chief Strategy Officer and Director of Corporate Strategy Planning, he shows strong leadership in executing reorganization of the business portfolio of the Company by creating new businesses as Senior Director of New Business Development Office. In addition, he is working to build a management framework that will contribute to the sustainability of the Company and society as an officer in charge of sustainability. We appointed him as a Director of the Board because we believe that he is an appropriate talented person who will continue to carry out sound growth strategies for the Company and supervise the execution of operations.	100% (18/18 meetings)
Yutaka Nishimoto	Mr. Yutaka Nishimoto has been in charge of development, design, quality control, production technology and production in the Company's core businesses of industrial materials and devices. He has been involved in the management of domestic and overseas subsidiaries, and has contributed to the startup of factories and the improvement of production in important projects implemented by production subsidiaries in the Devices Business Unit. Currently, he assumes responsibility as Executive Vice President, Chief Quality and Production Officer and is showing strong leadership in the establishment of a comprehensive quality assurance system and in the design and implementation of the optimum deployment of production capacity in accordance with our business strategy from the perspective of the Nissha Group as a whole. In light of such broad experience and deep insight, we appointed him as a Director of the Board because we believe that he is an appropriate talented person who will carry out sound growth strategies for the Company, engage in decision-making on important managerial issues and supervise the execution of operations.	Appointed in FY ending December 2021
Hisashi Iso	Mr. Hisashi Iso has for many years been in charge of sales in the Company's core businesses of industrial materials and devices. He has been in charge of the supply chain in areas such as procurement in the Devices Business Unit and led the diversification strategy of the Company's business model, and has also been involved in the management of overseas subsidiaries. Currently, he serves as Senior Vice President and General Manager of Industrial Materials Business Unit, and is showing strong leadership in business management in the global consolidation of the Industrial Materials Business Unit. Taking his experience and deep insight into consideration, we appointed him as a Director of the Board because we believe that he is an appropriate talented person who will carry out sound growth strategies for the Company, engage in decision-making on important managerial issues and supervise the execution of operations.	Appointed in FY ending December 2021
Kazuhito Osugi	Mr. Kazuhito Osugi has given valuable advice and opinions across the whole range of the Company's management, making the most of the deep insight in the field of finance he has cultivated in the Bank of Japan over the years and broad experience fostered by participating in corporate management as an Independent Outside Director of the Board for the Company, as an outside director for another company or as an advisor of an operational division for another company. He has duly performed his duties, such as the supervision of the execution of operations. We appointed him as an Independent Outside Director of the Board since we believe that he will continue to give his valuable counsel from an independent point of view across the whole range of the Company's management.	100% (18/18 meetings)

Name	Reason for appointment	Attendance at meetings of the Board of Directors
Makoto Ando	Mr. Makoto Ando has given valuable advice and opinions across the whole range of the Company's management, making the most of a broad perspective cultivated through his long career of prominent positions regarding technology and business management at an electronics manufacturer, experience as a corporate manager, and deep insight as demonstrated by his suggestions as an expert member of conferences held by government ministries and agencies. He has duly performed his duties, such as the supervision of the execution of operations. We appointed him as an Independent Outside Director of the Board since we believe that he will continue to give his valuable counsel from an independent point of view across the whole range of the Company's management.	100% (18/18 meetings)
Asli M. Colpan	Ms. Asli M. Colpan has given valuable advice and opinions across the whole range of the Company's management, making the most of her global perspective and excellent expertise practiced in her research on management strategies and corporate governance and broad experience and insight cultivated by participating in corporate management as an independent outside director of the board or an independent auditor of other companies. She has duly performed her duties, such as the supervision of the execution of operations. We appointed her as an Independent Outside Director of the Board since we believe that she will continue to give her valuable counsel from an independent point of view across the whole range of the Company's management.	100% (18/18 meetings)
Kazumichi Matsuki	Mr. Kazumichi Matsuki has given valuable advice and opinions across the whole range of the Company's management, making the most of his experience in proactive and broad business development and deep insight concerning its governance as he assumed important posts regarding legal affairs and compliance at a company globally developing business while participating in corporate management at manufacturers. He has duly performed his duties, such as the supervision of the execution of operations. We appointed him as an Independent Outside Director of the Board since we believe that he will continue to give his valuable counsel from an independent point of view across the whole range of the Company's management.	100% (18/18 meetings)

**22-4 Nomination and Compensation Committee**

**22-4-1 Purpose**

We establish a Nomination and Compensation Committee as an advisory panel for the Board of Directors in order to ensure the objectiveness and fairness of the appointment/dismissal of Directors of the Board and the appointment of Audit & Supervisory Board Members, and incorporate the knowledge of Independent Outside Directors of the Board, as well as the compensation of the Directors of the Board. The chair and the majority of the members are selected from Independent Outside Directors of the Board.

**22-4-2 Role**

With consultation from the Board of Directors, the Nomination and Compensation Committee deliberates on and provides a response regarding the following matters.

- (1) The appointment/dismissal standards for Directors of the Board and the appointment standards for Audit & Supervisory Board Members
- (2) Proposals for candidates for Directors of the Board and Audit and Supervisory Board Members, and proposals for dismissal of Directors of the Board

- (3) Proposals for the appointment/dismissal of the Chairman of the Board, titled directors, and the CEO
- (4) Matters related to the succession plan for the President
- (5) Policy on compensation of Directors of the Board
- (6) Compensation of Directors of the Board

### **22-4-3 Membership (as of April 1, 2021)**

- (1) Four independent members:

Kazuhito Osugi (Independent Outside Director of the Board and Committee Chair)

Makoto Ando (Independent Outside Director of the Board)

Asli M. Colpan (Independent Outside Director of the Board)

Kazumichi Matsuki (Independent Outside Director of the Board)

- (2) Two inside members:

Junya Suzuki (Chairman of the Board, President and CEO)

Wataru Watanabe (Director of the Board and Executive Vice President)

## **22-5 Audit and Supervisory Board Members and the Audit and Supervisory Board**

### **22-5-1 Policy and Procedure for Electing Auditors**

Our Audit and Supervisory Board comprises an appropriate number of four or fewer members.

Inside Audit and Supervisory Board Members are elected for the wealth of experience required in auditing. Independent Audit and Supervisory Board Members are elected from attorneys and certified public accountants with a focus on specialized knowledge in legal affairs, financial matters, and accounting, who satisfy the requirements of not only the Companies Act but also the standards for independence of independent officers, established by our Board of Directors.

Having received reporting from the Nomination and Compensation Committee, and with prior approval of the Audit and Supervisory Board, based on the policy above, the Board of Directors makes decisions on proposals for the appointment of Audit and Supervisory Board Members to be deliberated at the general meeting of shareholders.

At present, our Board consists of four members, of which two are Full-time Audit and Supervisory Board Members and two are Independent Audit and Supervisory Board Members. All two Independent Audit and Supervisory Board Members have been designated as independent officers, as they meet the standards of independence established by the stock exchange and are judged not to have a conflict of interest with general shareholders.

### **22-5-2 Role of Audit and Supervisory Board Members and the Audit and Supervisory Board**

Our Audit and Supervisory Board Members and Audit and Supervisory Board audit the execution of duties by Directors, Members of the Board and Corporate Officers as stipulated by laws and regulations, our Articles of Incorporation, and internal regulations, and make appropriate decisions from an independent, objective standpoint on electing and dismissing accounting auditors and exercising their authority relating to audit fees, etc. Independent Audit and Supervisory Board Members draw on their highly specialized knowledge as attorneys and certified public accountants to contribute to the maintenance and improvement of our corporate governance structure.

Our Audit and Supervisory Board determines the duties of Audit and Supervisory Board Members, the audit structure, and the audit standards that describe the evaluation basis for audits and the action guidelines. In accordance with these, the Board develops auditing policies and Nissha Group's Corporate Governance auditing plans.

In compliance with the above, Audit and Supervisory Board Members attend Board of Directors' meetings and other important meetings, review approval documents and other important documents, perform visiting audits at major

offices and affiliated companies, and regularly exchange views with the President and CEO, Directors of the Board, and General Managers. In order to increase the effectiveness of audits, Audit and Supervisory Board Members hold regular meetings and coordinate closely with the Accounting Auditor, Internal Audit, and corporate divisions such as Corporate Finance and Corporate Legal Affairs. In addition, full-time Audit and Supervisory Board Members hold regular group meetings with the auditors of Nissha Group companies in Japan in efforts to monitor the management status of each company, and enhance and strengthen audits.

**22-5-3 Reasons for Appointment and Board of Directors/Audit and Supervisory Board Meeting Attendances in FY ended December 2020**

Name	Reason for appointment	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Board
Yasuro Nonaka	Mr. Yasuro Nonaka has abundant experience and insight as he has long been engaged in operations of the general affairs division and has successively held various posts, including Vice President, Senior Director of Human Resources, General Affairs and Legal Affairs, having been involved in compliance and risk management. In light of the above experience and insight as well as his performance of duties as an Audit and Supervisory Board Member, we appointed him as an Audit and Supervisory Board Member, since we believe that he is an appropriate talented person who will audit the execution of operations by Directors of the Company.	100% (18/18 meetings)	100% (14/14 meetings)
Tetsuya Taniguchi	Mr. Tetsuya Taniguchi engaged in operations of corporate communications, investor relations and corporate social responsibility, after having been in charge of operations in the general affairs, and strived for transparency and clarity in disclose for shareholders and investors. Also, he has extensive knowledge of the Nissha Group's business as a whole. In light of such broad experience and deep insight, we appointed him as an Audit and Supervisory Board Member since we believe that he is an appropriate talented person who will audit business execution of the Company.	100% (13/13 meetings) *After appointed as an Audit and Supervisory Board Member	100% (9/9 meetings) *After appointed as an Audit and Supervisory Board Member
Shigeaki Momo-o	Mr. Shigeaki Momo-o is not only well acquainted with corporate legal affairs as a lawyer but also has broad experience in global business and acquisition of overseas corporations as a pioneering international attorney in Japan as well as deep insight in the medical devices market, one of the focus markets of the Company. He has been auditing the Company from his professional perspective. He has also participated in corporate management as an Independent Audit and Supervisory Board Member of the Company and of other companies. We appointed him as an Audit and Supervisory Board Member since we believe that he will continue to reflect his experience and deep insight in the audit of the Company from an independent point of view.	100% (18/18 meetings)	100% (14/14 meetings)

Name	Reason for appointment	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Board
Yusuke Nakano	Mr. Yusuke Nakano has deep knowledge of finance, accounting and management administration as a certified public accountant and profound wisdom in governing corporate management, and has been auditing the Company from his professional perspective. He also participates in corporate management as an independent outside director of the board of another company, an Independent Audit and Supervisory Board Member of the Company and an independent audit and supervisory board member of other companies. We appointed him as an Audit and Supervisory Board Member since we believe that he will continue to reflect his experience and deep insight in the audit of the Company from an independent point of view.	100% (18/18 meetings)	100% (14/14 meetings)

**22-6 Policy on Determining Compensation of Directors of the Board and Audit and Supervisory Board Members**

We establish a compensation system for Directors of the Board and Audit and Supervisory Board Members based on the individual's role in business execution and management oversight, and so that the role may be fulfilled appropriately, toward linking the compensation with the sustainable growth of the Nissha Group and the enhancement of our corporate value over the medium to long term. In particular, our policy on compensation of Directors of the Board who are responsible for business execution, is to ensure that the system promotes value sharing with our shareholders and contributes to the improvement of our financial results and corporate value.

**22-6-1 Compensation System**

Compensation for Directors of the Board who are responsible for business execution consists of base compensation, bonuses, and stock compensation. Base compensation is established as a monthly base amount according to the individual's position and the scale of his or her role. Bonuses are short-term performance-related compensation, and the amount is determined by evaluating the degree to which targets for each fiscal year have been achieved, using the period profit and loss as an indicator to function as an incentive to encourage achievement of performance targets and appropriate management. Stock compensation is medium- to long-term performance-related compensation, and is designed to function as an incentive to encourage a sense of contribution to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group, specifically through the use of a Stock Benefit Trust (Board Benefit Trust, or BBT). Under this system, the Company assigns points based on position and the degree to which consolidated performance targets and medium-term performance targets for each fiscal year during the three-year period of the medium-term business plan have been achieved. On a given date in the final year of the medium-term business plan, the Trust grants or transfers shares of the Company and cash equivalent to the amount of the Company's shares converted to market value in accordance with the points gained. In addition, the performance targets for each fiscal year and medium-term performance targets based on the medium-term business plan are used as indicators for granting points.

Compensation of Independent Outside Directors of the Board is not linked to performance, since they oversee management from a position independent from business execution, but consists of only base compensation determined according to criteria such as the individual's career and duties.

Compensation of Audit and Supervisory Board Members consists of only base compensation, since their duty is to perform audits of the Nissha Group overall from an independent position.

**22-6-2 Procedure for Determining Compensation**

The policy on compensation of Directors of the Board, compensation system, and framework for linking compensation with performance are deliberated by the Nomination and Compensation Committee and then reported to the Board of Directors. The Board of Directors receives reporting and makes a decision.

Compensation of Directors of the Board is drafted by the President within a limit defined at the general meeting of shareholders in accordance with a predetermined calculation method, deliberated by the Nomination and Compensation Committee, and then reported to the Board of Directors. The Board of Directors receives reporting and makes a decision.

Compensation of Audit and Supervisory Board Members is determined within a limit defined at the general meeting of shareholders through consultation among the Audit and Supervisory Board Members.

**22-6-3 Results of FY ended December 2020**

Title	Total Compensation (Million yen)	Compensation by Category (Million yen)			Number of Members
		Fixed Compensation	Performance-related Compensation		
			Bonuses	Provision for Management Board Benefit Trust	
Directors of the Board (Excluding Independent Outside Directors of the Board)	226	151	52	22	5
Audit and Supervisory Board Members (Excluding Independent Audit and Supervisory Board Members)	26	26	—	—	3
Independent Outside Directors and Independent Audit and Supervisory Board Members	46	46	—	—	6

**22-7 Corporate Officers**

In order to adapt flexibly to changes in the business environment, we appoint Corporate Officers also taking into account diversity and balance between the knowledge, experience, skills, and age of the individual. The term of office of Corporate Officers is set at one year.

● **Diversity of Corporate Officers (as of April 1, 2021)**

At present, we have 16 Corporate Officers, of which two are foreign nationals.

Corporate Officers include persons with experience of working overseas or at other companies, as well as those with expertise such as those with master's or doctoral degrees.

## 23. Internal Control System

Nissha builds and operates an internal control system in accordance with a policy for internal control formulated by the Board of Directors. The system is designed to ensure that the duties of each internal organization are carried out legally, appropriately, and efficiently toward enhancing our corporate value. To ensure reliability of financial reporting, we submit the assessment results of our internal control system in the form of internal control reports to the Prime Minister of Japan and disclose the contents to our shareholders and investors.

## 24. Initiatives of Internal Audit Office

### 24-1 Systems

In order to maintain independence and objectivity, the Internal Audit Office is independent of operating departments and is under the direct control of the Chairman of the Board. It conducts regular annual audits of all Nissha Group operations in accordance with the annual plan. After the audit, the departments concerned are given advice and recommendations, and follow-up audits are conducted to check the status of the improvements. Audit results are reported and advice given at monthly meetings with the Chairman of the Board, and particularly important matters are reported to the Board of Directors. Also, meetings are held with full-time Audit and Supervisory Board Members every three months to ensure mutual cooperation with the Audit and Supervisory Board.

### 24-2 Audit Content

Audits by Internal Audit are broadly classified into "internal control audits" and "theme audits" based on the Financial Instruments and Exchange Act. Internal control audits are conducted jointly with accounting auditors by selecting the scope of evaluation from the perspectives of company-wide controls, financial reporting, business processes, and IT controls. Audits look at whether the business activities of the Group are in compliance with laws and regulations, and whether the Group's Corporate Ethics and Compliance Guidelines, especially the 10 Important Points such as the Prevention of Corrupt Practices, are being carried out appropriately and effectively in accordance with internal regulations. Theme audits, on the other hand, are conducted at the beginning of each fiscal year to identify risks that cannot be covered by the former.

### 24-3 Initiatives for FY ended December 2020

In the fiscal year ended December 2020, as a theme audit, we conducted an audit on information management of trade secrets and management of duties and authorities, which is the Nissha Group in Japan's approach to information security, as well as a follow-up audit on the overall business management of affiliated companies. In the future, we plan to systematically conduct audits of affiliated companies, including those that have newly joined our Group through M&A.

## 25. Corporate Ethics and Compliance

### 25-1 Corporate Ethics and Compliance Guidelines

The Nissha Group has established its Corporate Ethics and Compliance Guidelines to serve as guidelines to be observed by all officers and employees. In line with the Nissha Philosophy, which is the fundamental principle underlying our Group's mission, purpose of existence, and ideas, the Corporate Ethics and Compliance Guidelines present the basic ideas of compliance and corporate ethics that each and every one of us should practice in the form of 4 Foundational Rules and 10 Important Points.

#### Foundational Rules

1. We value and hold on to high ethical standards, integrity in our actions, and act with good common sense through our responsible behavior.
2. We pursue the co-existence with the stakeholders including our customers, shareholders, suppliers, local communities and our employees.
3. We will comply with all laws and regulations, internal corporate regulations, and socially accepted rules and norms.
4. If we witness actions contrary to the "Corporate Ethics and Code of Conduct" or are suspicious of certain behaviors or decisions, we should immediately report to and consult with our supervisors.

#### Ten Important Points

1. Free and Fair Competition
2. Prevention of Corrupt Practices
3. Product Quality and Safety
4. Protection of Intellectual Property
5. Appropriate Handling of Information and Resources
6. Compliance with Import/Export Regulations
7. Proper Disclosure of Information and Compliance with Insider Trading Regulations
8. Environmental Protection and Conservation
9. Creating a Comfortable Workplace, and Community and Social Contribution
10. Respect for Human Rights

To ensure that all employees of the Nissha Group can understand these Guidelines, we compile Corporate Ethics and Code of Conduct Manuals in Japanese, English, Chinese, and Vietnamese, and publish them on the Nissha Group intranet. Employees are also made thoroughly aware of these Guidelines at regular training sessions.

### 25-2 Promotion Structure

The Corporate Ethics and Compliance Subcommittee, under the Sustainability Committee, oversees the entire Group and promotes relevant activities. This Subcommittee is formed of the President and Chairman of the Board, directors responsible for Human Resources, General Affairs, and Corporate Legal Affairs, and directors responsible for management strategies, while Corporate Legal Affairs runs the Secretariat. In addition, all Nissha Group bases in Japan and overseas appoint managers and group leaders in charge of promoting corporate ethics and compliance.



2019, we expanded the scope of users by establishing a contact point for some of our domestic suppliers. This contact point is an outside attorney, an independent and impartial third party.

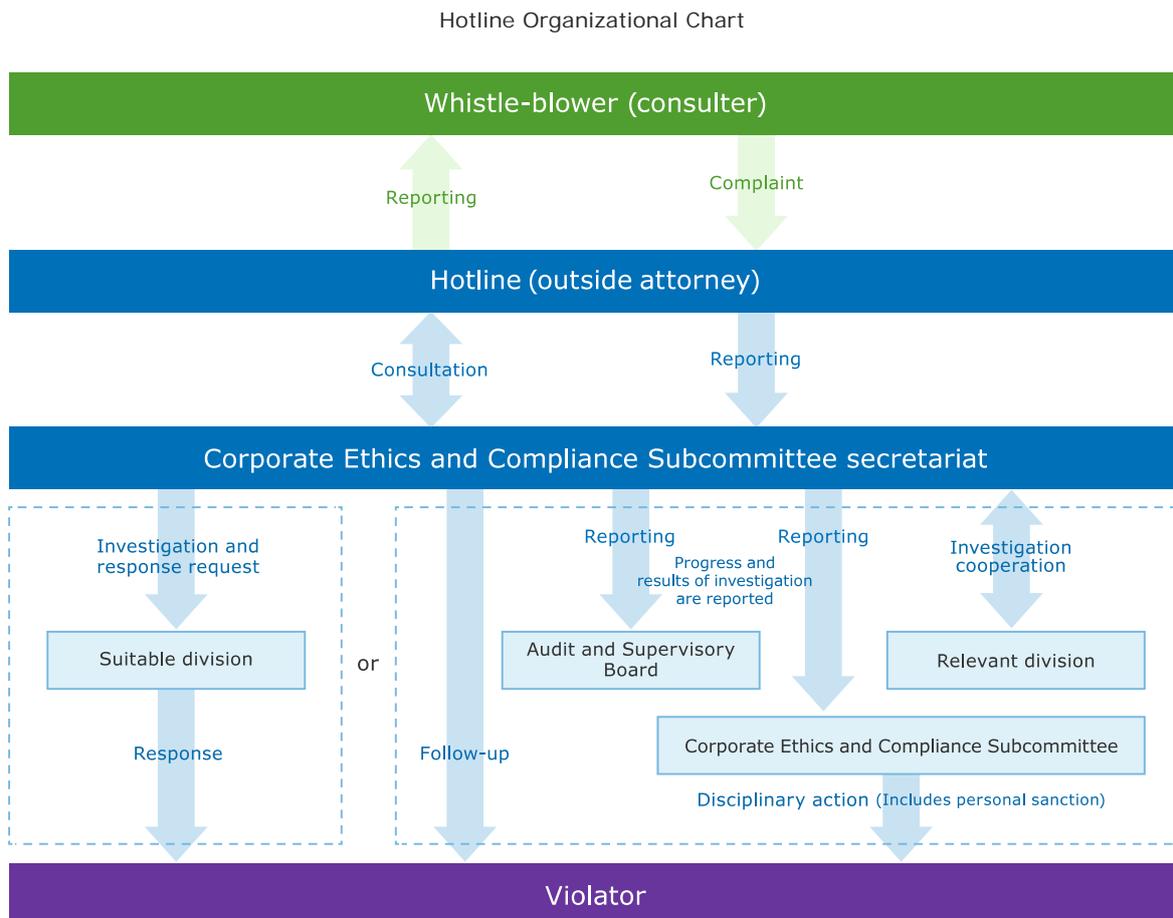
The Internal Reporting Code contains the following.

- The whistleblower shall not be subjected to any disadvantageous treatment by the Company or other employees due to their report.
- Anonymous reporting is also possible.

All complaints received are relayed from the hotline (an outside attorney) to the Corporate Ethics and Compliance Subcommittee Secretariat. The Secretariat liaises with the relevant departments after consulting with the outside attorney about the best way to investigate and confirm the issue. Said investigation and confirmation are then carried out with consideration for the protection of the whistleblower. The content is reported to management at the Corporate Ethics and Compliance Subcommittee meeting, where it is discussed as necessary, after which, measures are taken according to the results of the investigation and discussion.

The number and main content of consultations received during the fiscal year ended December 2020 are shown below.

- Hotline (for employees): 12 cases (mainly related to workplace environments and human relations)
- Supplier hotline: 0 cases



## 25-5 Dealing with Antisocial Forces

In accordance with our basic policy for dealing with antisocial forces and our regulations for dealing with antisocial forces, etc., Nissha has established that it will have no dealings whatsoever with antisocial forces. In principle, we confirm in advance through the prescribed procedures that our existing and new business partners are not members of antisocial forces. This has cut off all possibilities of involvement in money laundering by antisocial forces.

## 26. Initiatives Related to Anti-corruption

### 26-1 Anti-Corruption Guidelines

The Nissha Group cites Prevention of Corrupt Practices as an important point of our Corporate Ethics and Compliance Guidelines. We have also formulated the Nissha Group Anti-Corruption Guidelines, and ensure bases in Japan and overseas are aware of its contents.

#### Nissha Group Anti-Corruption Guidelines

The Nissha Group makes clear that all officers and employees are prohibited from presenting customers, suppliers, and government officials, either directly or indirectly, with gifts or entertainment that may constitute corrupt practice, and observes Japan's Unfair Competition Prevention Act, the United States' Foreign Corrupt Practices Act, the United Kingdom's Bribery Act, and the regulations of other countries and regions regarding anti-corruption.

1. We neither present to nor accept from customers, suppliers, and government officials offers of unfair advantage.
2. We neither present to nor accept from customers, suppliers, and government officials offers with gifts or entertainment that exceed the limit permitted by internal standards, laws, and regulations.
3. We strive to understand the circumstances of the Nissha Group overall, and periodically review our initiatives.
4. We respond with sincerity to requests from our customers for cooperation in investigations, by providing necessary information.

Established on April 1, 2017

Revised on January 1, 2018

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

### 26-2 Efforts to Ensure Awareness and Internal Audits

Training is provided for all operations of the Group to ensure compliance with the relevant laws, regulations, and customs. As face-to-face training could not be held in the fiscal year ended December 2020 due to the COVID-19 pandemic, we created videos of the training to prevent corruption to make employees aware of it. We also posted information on the Nissha Group intranet about what to do if bribery, cartels, or other violations of the law are suspected.

However, as bribery is a deeply-rooted practice in some countries and regions, internal audits on anti-corruption are conducted on a regular basis. In the fiscal year ended December 2020, we reviewed our audit plan for the next fiscal year and beyond in order to continue with more substantial audits. In the future, we plan to conduct operational and thematic audits, including prohibition of corruption, of affiliated companies that have recently joined our group through M&A or other means.

The Nissha Group has not identified any cases of corruption in the fiscal year ended December 2020.

## 27. Tax Policy

Nissha Group will compliance with tax laws and regulations in each country and each region with our group tax policy, in order to fulfill our corporate social responsibilities.

### Nissha Group Tax Policy

#### Basic policy

Nissha Group will strive to minimize tax risks, enhance our corporate value by complying with tax laws and regulations in each country and each region.

Nissha Group will pay close attention to the trends in the international tax framework such as Base Erosion and Profit Shifting (BEPS) project and make properly responses to such changes while aspiring to be a truly global company.

#### 1. Nissha Group's approach to tax planning

Nissha Group will enter into transactions with a business purpose and a business activity and in case we approach to tax planning, we will implement it properly and efficiently in compliance with tax laws and regulations.

Our group will consider taxes as an essential factor in our business planning and make use of available tax incentives within the scope of normal business activities. However, we will not engage in transactions for the primary purpose of tax avoidance and transactions without any actual business activities.

#### 2. The level of risk to taxation that Nissha Group is prepared to accept

Nissha Group's tax policy is to minimize tax risks wherever possible when undertaking tax matters.

We will work to identify, evaluate, and manage tax risks in each country and region to reduce such risks, and where there is significant uncertainty or complexity in relation to tax risks, we will ask for advice from third parties.

#### 3. The approach of Nissha Group towards its dealings with Tax authorities in each country and region

Nissha Group believe that we can build and maintain good relationship with tax authorities in each country and region corresponding with them and disclosing necessary information in a sincere and appropriate manner.

Therefore, We will strive to provide necessary information appropriately and cooperatively in response to requests from tax authorities in each country and region while issuing tax returns properly and paying appropriate amount of tax according to tax laws and regulations in each country and region.

If tax authorities inform us of tax adjustments, we will immediately take appropriate measures to prevent similar issues happen unless we file a petition of objection against their action or interpretation.

#### 4. The approach to risk management and governance systems in relation to tax affairs

Nissha Group's tax policy is reviewed and controlled by our group's Chief Financial Officer who is responsible for our group's tax strategy and policies, and the status is reported to Board of Directors on an on-going basis through our group's Chief Financial Officer.

Where there is significant uncertainty or complexity in relation to application or interpretation of tax laws, we will take appropriate measures after seeking external advices.

Established on December 25, 2017

## 28. Initiatives Related to Conflict Minerals

### 28-1 Policy

Nissha's policy on conflict minerals is outlined in our Basic Approach to Responsible Mineral Procurement. In line with this policy, we are working to ensure that our products do not use materials made from conflict minerals, which are a source of funds for armed groups involved in human rights abuses such as looting, violence and forced labor.

#### Basic Approach to Responsible Mineral Procurement

The Nissha Group is deeply concerned that a portion of the conflict minerals extracted by the Democratic Republic of the Congo and its neighboring countries are being used as a source of funding for militia that through acts of looting, violence and forced labor are infringing on fundamental human rights.

In April 2012, Nissha became a signatory to the "Global Compact" as advocated by the United Nations. We at Nissha Group have fully embraced the Ten Principles stated in the Global Compact as a cornerstone of our Corporate Mission. Based upon our recognition of the importance of these principles and aiming for co-existence with our stakeholders, we are committed to non-use of these conflict minerals, as raw materials in our products as they result in an infringement of basic human rights. Accordingly where our company becomes aware of the use of any conflict minerals, we will immediately implement all measures required regarding that use.

1. Nissha Group is presently implementing ongoing control systems for conflict minerals which we maintain continuously.
2. Nissha Group will promptly provide to its customers conflict minerals information including its smelters, etc.
3. Nissha Group in respect of this issue will publish the relevant information in its sustainability reports.

We will continue to make sincere efforts for the responsible procurement of related minerals in order to fulfill our corporate social responsibilities.

Established on March 12, 2014

Revised on January 1, 2018

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

### 28-2 Initiatives

The only conflict minerals used in the products of our group are the tin used for vacuum metallized foil, one of the transfer foils produced by the Industrial Materials business, the tin used for ITO films for touch sensors and the gold used for FPC plating produced by the Devices business. We do not use any tin or cobalt in molding resin.

The Nissha Group is required by our customers to report using the latest version of the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI). Recently, we began receiving surveys from our customers concerning minerals other than the 3TG (tin, tantalum, tungsten, and gold) such as cobalt.

This is why we use a Safety Data Sheet (SDS) or other methods to check all materials used in our products to identify

those that contain conflict minerals. We also ask our suppliers, who procure materials for our products, not to use any conflict minerals connected with violations of human rights, and that they report using the latest version of the CMRT to allow us to confirm the contents. If there is an inquiry about the region where the conflict minerals are produced after the CMRT is submitted to our customer, we go back through the records to check multiple suppliers. If these checks find any concerns about the use of conflict minerals that may lead to infringement of human rights, we will suspend the use of such minerals and take immediate corrective measures.

Thanks to these checks, we found no cases of the use of conflict minerals related to human rights violations in our products in the fiscal year ended December 2020. Our gold is largely sourced in line with the guidance of the London Bullion Market Association (LBMA), and we have confirmed that other conflict minerals do not involve human rights violations.

## 29. Risk Management

### 29-1 Basic Policy

We at the Nissha Group have in place a Risk Management Policy to clarify our group-wide approach to risk management. We strive to counter risks that may have an impact on business continuity by setting up and making continuous improvements to an internal structure designed to ensure business continuity of the group overall and enhance our corporate value.

#### Risk Management Policy

The Nissha Group strives to accurately identify the risks we face, avoid unexpected loss, and appropriately control risks, thereby ensuring business continuity and enhancing our corporate value toward realizing the enrichment of people's lives by creating technology and developing it into economic and social value.

1. We build and maintain a structure for responding to the various risks present in our business environment.
2. We promote risk management at the managerial level toward conducting organization-wide activities and preserving management resources.
3. In the event of an emergency, such as a situation with critical managerial consequences or a natural disaster, we work to minimize damage, resume business activities as quickly as possible, and prevent recurrence while prioritizing the safety of human lives.
4. We conduct in-house training to enhance awareness of and the ability to respond to risks, and ensure that each employ takes responsible, swift, and appropriate action.
5. We periodically review our risk management structure, including this policy, and make improvements on a continuous basis to ensure effective risk management at all times.

Established on July 1, 2015  
Revised on January 1, 2018

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

### 29-2 Management Structure

We establish a Sustainability Committee, chaired by the President, which works to ensure the long-term continuation of the Nissha Group by prioritizing nonfinancial risks that impede business continuity, and by promoting efforts to minimize those risks through the activities of its subcommittees.

The eight subcommittees under the umbrella of the Sustainability Committee—Corporate Ethics and Compliance; Labor and Human Rights; Health and Productivity Management; Environmental, Safety and Health; Quality; Business Continuity Management; Information Security; and Trade Management—set KPIs and numerical targets for risk factors, implement plan-do-check-act (PDCA) cycles, and submit quarterly reports on their progress to the Sustainability Committee. The Sustainability Committee submits yearly reports on the contents of those activities at Board of Directors meetings.

## 29-3 Major Business Risks

The major risks we have identified that may have a significant impact on the Nissha Group's financial condition, operating results, and cash flow status are given below.

1. Novel coronavirus disease (COVID-19)
2. Business operation risks
  - Progress in growth strategies
  - Fluctuating demand in specific segments or for specific customers
3. Financial risks
  - Losses on goodwill impairment
  - Fluctuations in foreign exchange rates
  - Other financial risks (e.g., decreasing market value of securities, bad debt on trade receivables, obsolescence of inventory)
4. ESG-related risks
  - Response to a decarbonized society
  - Improving human resource capabilities, and utilizing diverse human resources
  - Respect for human rights
  - Occurrence of quality issues
  - Improvement in effectiveness of the Board of Directors
  - Other ESG-related risks (e.g., other improvements in productivity, promotion of compliance, continuity of business activities, protection and utilization of information assets, risks related to workplace safety and health)

\*For more details on these risks, please refer to our [Annual Securities Report](#).

## 30. Initiatives Related to Business Continuity

### 30-1 Basic Policy for Business Continuity Plan

We at the Nissha Group establish a Basic Policy for Business Continuity Plan, which the Business Continuity Management (BCM) Subcommittee of the Sustainability Committee plays a central role in promoting in preparing for and responding to emergencies such as a natural disaster or pandemic.

#### Basic Policy for Business Continuity Plan

We will establish the Business Continuity Plan (emergency response measures and business recovery plans) in order to primarily ensure the safety of life, minimize the damage and earlier recover our business in case of a serious business interruption due to a major natural disaster, fire, blackout, infection disease, etc. The purpose and essential points of the plan are described as follows.

##### 1. Purpose of establishing and operating the Business Continuity Plan

###### (1) For customers

We will make our best effort to fulfill our responsibility to supply Nissha group's products and services in case of emergency.

###### (2) For shareholders

We will control risks properly to minimize the damage of corporate value during peacetime.

In case of a serious business interruption, we will make our best effort to recover the corporate value.

###### (3) For employees

We will ensure the security of our employees including their families as well as try to ensure job security.

###### (4) For suppliers

In mutual maximum cooperation with suppliers, we will maintain appropriate business relationship with suppliers during peacetime, and we will make our best effort to recover earlier our business activity in case of emergency.

###### (5) For the local community

We will contribute to the recovery of the local community and society as a member of the society.

##### 2. Continuous improvement of the Business Continuity Plan

We will respond to changes in our business situation and external environment according to continuous improvement of the Business Continuity Plan.

Established on September 28, 2006

Revised on October 1, 2015

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

## 30-2 Initiatives

### 30-2-1 Emergency response and business recovery response

We have in place a set of Emergency Response Regulations that defines “emergency” and stipulates the action and structure required between initial response to a disaster and the early stages of business recovery. In the event of a serious interruption of business due to emergency over a certain level, such as a natural disaster or pandemic, we set up a response task force headed by the President.

Our Basic Plan for Business Continuity Management (BCM) stipulates in detail the steps to be taken in order to promote early recovery of key business locations. In efforts to verify the effectiveness of these steps, we organize business continuity planning (BCP) exercises on a regular basis for employees including the management. We respond quickly to changes in management environment and reorganization, such as managing the latest editions of relevant documents.

We also stockpile supplies at major bases in Japan, distribute “survival cards” listing information about what to do when an earthquake strikes, educate employees using an e-learning system, and conduct emergency training to promote thorough awareness about the general rules for action and response in an emergency.

In the fiscal year ended December 2020, we verified the contents of BCP documents and confirmed the effectiveness of their use at major overseas affiliated companies engaging in business in focus markets identified by the Nissha Group in the medium-term business plan.

### 30-2-2 Training at Major Bases

Once a year, we conduct business continuity planning (BCP) training to confirm that our BCP will function appropriately in the event of an emergency such as an earthquake. The session in the fiscal year ended December 2020 simulated a situation in which the Nitec Precision and Technologies, Inc. Kaga Factory was devastated by an earthquake.

### 30-2-3 Containment of the COVID-19 Pandemic

On the same day that the Japanese government declared a state of emergency in April 2020, we set up a response task force headed by the President and strengthened measures throughout the Nissha Group. We made use of work-from-home and videoconferencing to minimize travel and avoid the 3C’s—close contact in crowded, confined spaces—and disseminated information about infection prevention and health management to employees.

We also prepared an initial response manual and carried out desktop exercises simulating suspected infection within the company. Thanks to these efforts, we responded appropriately to cases of confirmed infection and experienced no disruptions to factory or business operations.

### 31. Management System and other Certification Acquisitions

The Nissha Group's management system and other certification status is as follows.

(as of April 2021)

Subject Areas	Standards								
	ISO9001	ISO13485	ISO22716	IATF16949	ISO14001	ISO50001	OHSAS18001 ISO45001	ISO27001	Others
	Quality	Medical devices	Cosmetics	Automotive	Environment	Energy	Occupational health and safety	Information security	
Nissha Co., Ltd. Global Headquarters	○*1	○*2	○*3	○*4	○*5			○	
Nissha Co., Ltd. Tokyo Division Headquarters	○*1							○	
Nissha Co., Ltd. Kameoka Site	○			○*4				○	
Nissha Co., Ltd. Nagoya Sales Office								○	
Nitec Industries, Inc. Koka Factory	○				○			○	
Nitec Industries, Inc. Kameoka Factory	○							○*6	
Nitec Precision and Technologies, Inc. Himeji Factory	○				○			○	
Nitec Precision and Technologies, Inc. Kaga Factory					○			○	
Nitec Precision and Technologies, Inc. Tsu Factory					○			○	
Nitec Precision and Technologies, Inc. Kyoto Site	○			○	○			○	
Nissha FIS, Inc.	○				○			○	
Nissha Printing Communications, Inc. Headquarters / Kyoto	○*1							○	
Nissha Printing Communications, Inc. Osaka Division Headquarters	○*1							○	
Nissha Printing Communications, Inc. Tokyo Sales Office	○*1							○	
Nissha Printing Communications, Inc. Headquarters / Kameoka Factory	○*1							○*6	
Nissha F8, Inc.	○*7							○*7	
Nissha Business Service, Inc.	○*8				○			○	
Eimo Technologies, Inc.				○					
Nissha GSI Technologies, Inc.	○	○							
Nissha PMX Technologies, S.A. de C.V.				○					
Graphic Controls Acquisition Corp.		○							EC93/42/EEC
Lead-Lok, Inc.		○							
CEA Global Dominicana, S.R.L.		○							
CEA Medical Manufacturing, Inc.		○							
Sequel Special Products, LLC		○							
Nissha Medical Technologies Ltd.	○	○							
Nissha Medical Technologies GmbH & Co. KG		○							EC93/42/EEC
Nissha Medical Technologies SAS	○	○			○				
Nissha Schuster Kunststofftechnik	○			○	○	○			
Nissha Back Stickers	○				○	○			
Nissha Back Stickers International	○								
AR Metallizing N.V. – Genk, Belgium	○								FSC COC
AR Metallizing Srl. - Casalgrasso, Italy	○					○	○		FSC COC
AR Metallizing Ltd. - Franklin, MA USA	○								FSC COC
AR Metallizing Produtos Metalizados Ltda	○				○		○		FSC COC
AR Metallizing GmbH	○				○	○			EN15593 FSC COC
Nissha (Kunshan) Precision IMD Mold Co., Ltd.	○			○	○				
Guangzhou Nissha High Precision Plastics Co., Ltd.	○			○	○				
Nissha Precision Technologies Malaysia Sdn. Bhd.	○			○	○				

- \*1. Administration divisions are excluded from the scope of certification.
- \*2. For departments related to Medical Technologies (Vermed products).
- \*3. Obtained at the Kyoto Factory in the manufacture of microneedle patch for cosmetics.
- \*4. For the support departments related to the touch sensor module for automotive.
- \*5. Only administration divisions and design and product development divisions have obtained certification.
- \*6. Certification is included in the Kameoka Site of Nissha Co., Ltd.
- \*7. Only Nissha photo studio (Kyoto) has been certified for ISO9001, while NF8 photo studio (Tokyo) and Nissha photo studio (Kyoto) have been certified for ISO 27001.
- \*8. The Hot Stamping Production is excluded from the scope of certification.

## 32. Editorial Policy

The Sustainability Report is published annually to serve as a communication tool between the stakeholders and the Nissha Group. Sustainability Report 2021 covers our initiatives and performance in the fiscal year ended December 2020 (January–December 2020), following the editorial policy given below.

### 32-1 Guidelines Used as Reference

- The GRI Sustainability Reporting Standards
- ISO26000
- Environmental Reporting Guidelines 2018, issued by the Japanese Ministry of the Environment

### 32-2 Period Covered

From January 2020 to December 2020

### 32-3 Publication Dates

Current issue: June 2021 for Japanese, August 2021 for English

Last issue: May 2020 for Japanese, July 2020 for English

Next issue: June 2022 for Japanese, August 2022 for English (planned)

### 32-4 Scope of Reporting

The information and data contained in this report focus mainly on activities conducted by the Nissha Group. Where information for the entire group is not available, the scope of reporting is indicated separately. "Nissha" refers to "Nissha Co., Ltd." alone. "Nissha Group" refer to Nissha Co., Ltd. and its group companies. "Global Headquarters" refers to the global headquarters and associated companies located within the global headquarters premises. The major affiliated companies of each Nissha Group business are given below. Significant activities conducted by companies in our supply chain are also included in this report.

**32-5 Major Affiliated Companies and Businesses**

Companies	Major Businesses
Nitec Industries, Inc.	Industrial Materials
Nitec Precision and Technologies, Inc.	Devices
Nissha FIS, Inc.	Devices
Nissha Printing Communications, Inc.	Others
Zonebodo Pharmaceutical Co., Ltd.	Others
Nissha Business Service, Inc.	Others
Nissha USA, Inc.	Industrial Materials
Eimo Technologies, Inc.	Industrial Materials
Nissha PMX Technologies, S.A. de C.V.	Industrial Materials
Nissha Medical Technologies	Medical Technologies
Nissha Europe GmbH	Industrial Materials
Nissha Schuster Kunststofftechnik	Industrial Materials
Nissha Back Stickers	Industrial Materials
AR Metallizing N.V.	Industrial Materials
Nissha Korea, Inc.	Industrial Materials
Nissha Industrial and Trading (Shenzhen) Co., Ltd.	Industrial Materials
Nissha (Kunshan) Precision IMD Mold Co., Ltd.	Industrial Materials, Devices
Guangzhou Nissha High Precision Plastics Co., Ltd.	Industrial Materials
Taiwan Nissha Co., Ltd.	Industrial Materials, Devices
Nissha Industrial and Trading Malaysia Sdn. Bhd.	Industrial Materials
Nissha Precision Technologies Malaysia Sdn. Bhd.	Industrial Materials
Nissha Vietnam Co., Ltd.	Devices

**32-6 Major Changes in Reporting Scope**

Date	Contents	Impact on reporting scope
January 2020	The molding division of Nissha Co., Ltd.'s Industrial Materials business is transferred to Nitec Industries, Inc. (NII), and NII is reorganized into two factories: the Koka Factory (Koka City, Shiga Prefecture) and the Kameoka Factory (Kameoka City, Kyoto Prefecture).	The content of the Sustainability Report 2021 has not been affected.
January 2020	AR Metallizing N.V. (Belgium), a consolidated subsidiary of Nissha Co., Ltd.'s Industrial Materials business, acquired Eurofoil Paper Coating GmbH (Germany) (currently AR Metallizing GmbH).	The content of the Sustainability Report 2021 has not been affected.
November 2020	Nissha Medical Technologies (USA), a consolidated subsidiary of Nissha Co., Ltd.'s Medical Technologies business, acquired Olympus Group's Norwalk, Ohio Medical Manufacturing Operation, that manufactures medical devices.	The content of the Sustainability Report 2021 has not been affected.

**32-7 Publishing Division and Contact for Inquiries**

Nissha Co., Ltd.

Shareholder Relations

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