



18. Corporate Governance

18-1 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.

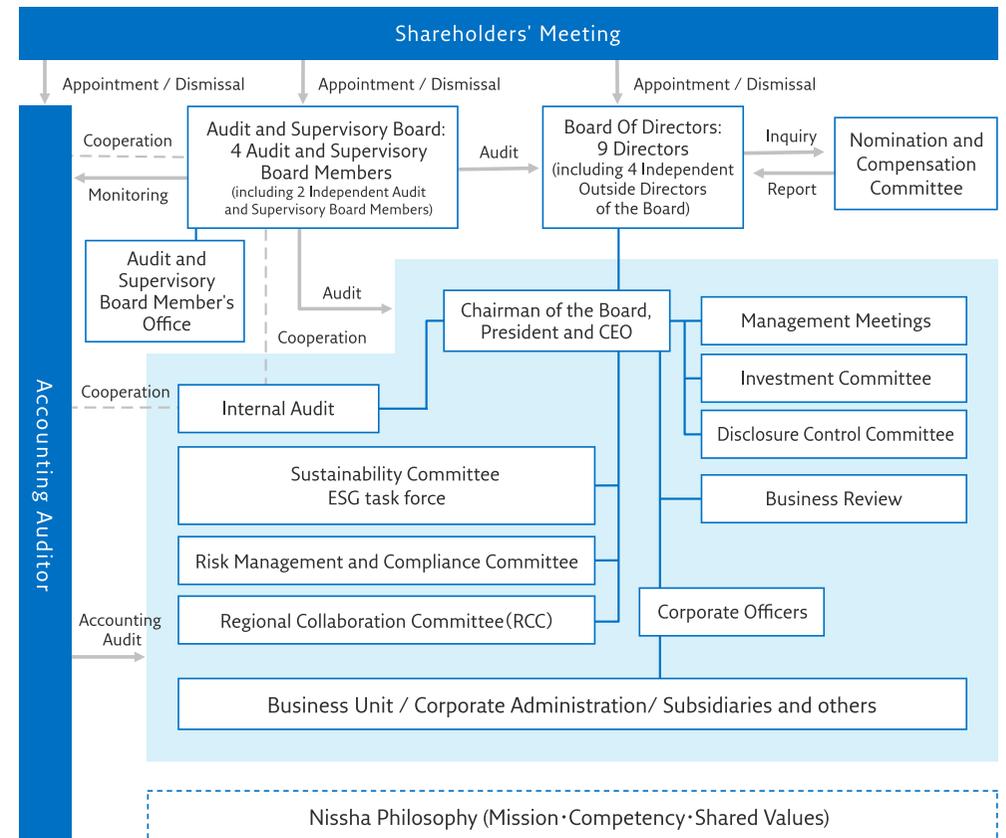
Based on this recognition, the Company places corporate governance as one of the key management issues, strives to maintain and improve it, and seek out sustainable corporate growth and an increase in corporate value over the medium- to long-term. In an effort to clarify the Nissha Group's basic approach 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 \(PDF\)](#)

18-2 Overview of Corporate Governance

We have established a corporate governance structure as shown in the figure below (as of June 1, 2022).





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 Meetings

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 en-

hance 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 the president and CEO and vice-chaired by the Director of the Board, Executive Vice President in charge of sustainability. Based on the Sustainability Vision, the Sustainability Committee is comprised of the ESG task force, business organizations, and departments related to the various themes of corporate governance and risks that hamper business continuity as well as business opportunities and management infrastructure for the long-term continuance and growth of the Nissha Group. The ESG task force is established on themes considered to be particularly important from the aspects of the environment, society, and corporate governance, and plays a role in accelerating activities in each of these at Nissha.

Risk Management and Compliance Committee

This committee is chaired by the Director of the Board, Senior Executive Vice President, Legal Affairs, with the Senior Vice President, Chief Supply Chain Officer as deputy chair. The Risk Management and Compliance Committee comprehensively grasps risks that could hamper the Nissha Group's business, assesses them, selects and revises key risks, monitors them, and avoids or mitigates these risks.

Disclosure Control Committee

Chaired by the President. Discusses the necessity of timely disclosure of corporate information and the contents of disclosure.

Internal Audit

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.

18-3 Directors of the Board and the Board of Directors

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

The Board of Directors of Nissha is comprised of an appropriate number of Directors, up to twelve. The selection of Directors is done with respect to the diversity and balance of skills that the Board requires. In addition, Independent Outside Directors of the Board comprise at least one third of the Board, and these Independent Outside Directors are those who satisfy the "Standards for Independence of Independent Officers" set out by the 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 \(PDF\)](#)



■ Skills and Diversity Required of Directors of the Board

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

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

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

Our views on the required fields

Internationality	We are a company with a global reach, and our Directors of the Board must have experience of management and business overseas, an awareness of the global business environment, and expertise in them.
Corporate management, Management strategy / Business development, Business strategies, M&A / Sales, Marketing / Production, Quality, Technology, Research and development	To effectively debate growth strategies at the Board of Directors meetings, it is necessary to have practical experience and knowledge of the fields to the left.
Experience and knowledge in priority markets	To effectively debate growth strategies at the Board of Directors meetings, it is necessary to have practical experience and knowledge of priority markets (Medical Devices, Mobility, Sustainable Materials, IT Devices) stipulated in the 7th Medium-term Business Plan.
Finance / HR strategies / Legal, Risk management	The Board of Directors must have members with practical experience and knowledge in each of the fields to the left that form the basis for all judgments, in order to make important management decisions and exercise high levels of effectiveness in supervising the execution of the Company's business.

Skills Matrix

	Term	Generation	Gender	Independence *Outside Directors	Careers at other companies *Inside Directors	Areas of particular specialty								
						Internationality	Corporate management, Management strategy	Business development, Business strategies, M&A	Sales, Marketing	Production, Quality, Technology, Research and development	Experience and knowledge in priority markets	Finance	HR strategies	Legal, Risk management
Junya Suzuki	22 years and 9 months	50s	Male	—	○	○	○	○	○		○	○		
Daisuke Inoue	4 years	50s	Male	—	○	○	○	○			○	○	○	○
Wataru Watanabe	4 years	50s	Male	—		○	○	○	○		○	○		
Yutaka Nishimoto	1 year	50s	Male	—		○	○			○				
Hisashi Iso	1 year	50s	Male	—		○		○	○		○			
Kazuhito Osugi	5 years and 9 months	60s	Male	○	—	○						○		○
Asli M. Colpan	3 years	40s	Female	○	—	○	○	○						
Kazumichi Matsuki	3 years	70s	Male	○	—	○	○	○						○
Juichi Takeuchi	—	60s	Male	○	—	○	○	○	○		○			

*Term and generation are at the conclusion of the general meeting of shareholders in March 2022.

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



■ Role of the Board of Directors

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 judgments, 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.

■ 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.

■ 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 2021, we conducted a questionnaire from January to February 2022 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 March 2022.



Reasons for Appointment and Board of Directors Meeting Attendances in FY ended December 2021

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% (17/17 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 establish and implement marketing-based strategies for winning new orders while showing strong leadership from the perspective of the Nissha Group as a whole as responsible for 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% (17/17 meetings)
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 and verifying their effectiveness as Executive Vice President, Chief Strategy Officer and Director of Corporate Strategy Planning, he shows strong leadership in accelerating the reorganization of the business portfolio of the Company and expanding business performance by creating new businesses as Senior Director of New Business Development Office. 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% (17/17 meetings)
Yutaka Nishimoto	Mr. Yutaka Nishimoto 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. 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. 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% (13/13 meetings) *After he assumed office as Director of the Board of the Company
Hisashi Iso	Mr. Hisashi Iso 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. He assumes responsibility for business management in the global consolidation of the Industrial Materials Business Unit as Executive Vice President and General Manager of Industrial Materials Business Unit and is showing strong leadership in establishing and implementing marketing-based strategies for winning new orders. 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% (13/13 meetings) *After he assumed office as Director of the Board of the Company

Name	Reason for appointment	Attendance at meetings of the Board of Directors
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 and other companies. Mr. Kazuhito Osugi 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 because we expect that he will continue to give his valuable counsel and strive to enhance management supervisory functions from an independent point of view across the whole range of the Company's management.	100% (17/17 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 for the Company, an outside director for another company and an independent auditor for another company. Ms. Asli M. Colpan 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 because we expect that she will continue to give her valuable counsel and strive to enhance management supervisory functions from an independent point of view across the whole range of the Company's management.	100% (17/17 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. Mr. Kazumichi Matsuki 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 because we expect that he will continue to give his valuable counsel and strive to enhance management supervisory functions from an independent point of view across the whole range of the Company's management.	100% (17/17 meetings)
Juichi Takeuchi	Mr. Juichi Takeuchi has broad experience and extensive knowledge in the medical devices market, a priority market of the Company. Mr. Juichi Takeuchi has been engaged in management strategies, alliances, sales and marketing in a medical devices company, where he led its global strategies and assumed responsibility for its overseas subsidiaries over the years. We appointed him as an Independent Outside Director of the Board because we expect that he will give his valuable counsel and strive to enhance management supervisory functions from an independent point of view across the whole range of the Company's management.	Appointed in FY ending December 2022

18-4 Nomination and Compensation Committee

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.

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

Membership (as of April 1, 2022)

- (1) Four independent members:
 - Kazuhito Osugi (Independent Outside Director of the Board and Committee Chair)
 - Asli M. Colpan (Independent Outside Director of the Board)
 - Kazumichi Matsuki (Independent Outside Director of the Board)
 - Juichi Takeuchi (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)

Nomination and Compensation Committee meetings held and attendance in FY ended December 2021

During the fiscal year ended December 2021, there were five meetings of the Committee, and all members attended all five meetings.

18-5 Audit and Supervisory Board Members and the Audit and Supervisory Board

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.

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 stan-



dards 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.

Full-time Audit and Supervisory Board Members regularly hold the Group board of auditors' meetings with the Audit and Supervisory Board Members of the Nissha Group companies in Japan, at which they share information and exchange opinions, as well as work to strengthen and enhance auditing in the Group companies, such as by holding joint site visits.

Reasons for Appointment and Board of Directors/Audit and Supervisory Board Meeting Attendances in FY ended December 2021

Name	Reason for appointment	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Board
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% (17/17 meetings)	100% (14/14 meetings)
Kenji Imai	Mr. Kenji Imai is well-versed in the Group's businesses and has broad experience and deep insight cultivated through his long career of engaging in sales and business strategies in the Industrial Materials and Devices businesses of the Company by leading the formulation and implementation of performance and investment plans. In light of such experience and insight, we appointed him as an Audit and Supervisory Board Member since we believe that he can appropriately execute his duties as an Audit and Supervisory Board Member.	Appointed in FY ending December 2022	Appointed in FY ending December 2022

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 priority 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 Independent 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% (17/17 meetings)	100% (14/14 meetings)
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 Independent 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% (17/17 meetings)	100% (14/14 meetings)

18-6 Compensation of Directors of the Board and Audit and Supervisory Board Members

■ Basic Policy on 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.



■ Policy for determining the details of individual compensation for Directors of the Board (hereinafter, the “determination policy”)

Method of determining the determination policy

The Company resolved the determination policy at the meeting of the Board of Directors held on February 19, 2021. The Company consulted the Nomination and Compensation Committee in advance regarding the details of the resolution made at the meeting of the Board of Directors and received its report.

Outline of the details of the determination policy

The Company’s compensation plan for Directors of the Board was designed to lead to the sustainable growth of the Nissha Group and the improvement of corporate value over the medium to long term and to ensure that their respective duties are duly performed.

The basic policy on compensation for Directors of the Board who are responsible for business execution is to promote the sharing of value with shareholders and contribute to the improvement of corporate performance and corporate value. The compensation consists of a base salary (monetary compensation), which is fixed compensation, bonus (monetary compensation), which is short-term performance-linked compensation, and stock compensation, etc., which is medium- to long-term performance-linked compensation. The base salary (monetary compensation) is fixed monthly compensation and determined based on the importance of duties each Director of the Board is responsible for and their positions. The bonus (monetary compensation), which is short-term performance-linked compensation, is based on periodic profit or loss, such as consolidated net sales and consolidated operating profit, as indicators to function as an incentive to achieve performance targets for each fiscal year and to encourage appropriate management. The Company determines the amount of the bonus by evaluating the level of achievement of the performance targets and pays it at a fixed time each year. Stock compensation, etc., which is medium- to long-term performance-linked compensation (non-monetary compensation, etc.), was designed to function as an incentive to promote a sense of contribution to the sustainable growth of the Nissha Group and the improvement of corporate value over the medium to long term. Specifically, a Board Benefit Trust (BBT) is used. Under this system, the Company awards points to Directors of the Board, etc. according to their titles and the attainment levels of consolidated performance targets as well as medium-term performance targets for each fiscal year during a three-year period covered by the medi-

um-term business plan. On a fixed date in every final fiscal year of the medium-term business plan, the Company grants or pays shares in the Company and cash equivalents of such shares at their market value (hereinafter together, “Company Shares”) through the trust according to the number of points awarded. As for indicators for awarding points, consolidated net sales and operating profit are used for the consolidated performance targets for each fiscal year, while the level of achievement of ROE, one of our key business management indicators set forth in a medium-term business plan, is used for the medium-term performance target.

The ratios of compensation by type are determined based on the compensation level of companies of a similar scale to the Company and those in related industries and general trends.

Compensation for Independent Outside Directors of the Board does not include performance-linked compensation as they supervise management from a standpoint independent from business execution. It consists solely of a basic salary, which is fixed compensation, and is determined by considering the career and responsibilities of the relevant Independent Outside Director of the Board.

The Company has established a Nomination and Compensation Committee as an advisory panel for the Board of Directors of the Company. The Nomination and Compensation Committee is chaired by an Independent Outside Director of the Board and the majority of its members are Independent Outside Directors of the Board. The Chairman of the Board, President and CEO prepares proposed compensation amounts for Directors of the Board in accordance with predetermined calculation methods within the range of compensation limits determined at general meetings of shareholders. Upon consultation by the Board of Directors, the Nomination and Compensation Committee deliberates the details of the proposed compensation amounts and submits a report to the Board of Directors. The Board of Directors then determines the compensation amounts based on the report.

Reasons for the Board of Directors’ determination that the details of compensation for Directors of the Board for the fiscal year ended December 2021 are in line with the determination policy

The Nomination and Compensation Committee deliberated on the individual compensation for Directors of the Board for the fiscal year ended December 2021 from various viewpoints and confirmed that the details of compensation for Directors of the Board and the determination process are in line with the determination policy. With respect for the report from the Nomination and Compensation Committee, the Board of Directors determined that the details of compensation are in line with the determination policy.



■ Matters regarding compensation for Audit and Supervisory Board Members

Compensation for Audit and Supervisory Board Members is determined through discussions among Audit and Supervisory Board Members within the range of compensation limit determined at a general meeting of shareholders. It consists solely of a fixed basic salary as Audit and Supervisory Board Members are responsible for auditing the entire Nissha Group from an independent standpoint.

■ Results of FY ended December 2021

Title	Total compensation (Million yen)	Compensation by category (Million yen)			Number of members
		Fixed compensation		Performance-related compensation	
		Base salary	Bonuses		
Directors of the Board (Excluding Independent Outside Directors of the Board)	328	169	113	45	7
Audit and Supervisory Board Members (Excluding Independent Audit and Supervisory Board Members)	28	28	—	—	2
Independent Outside Directors and Independent Audit and Supervisory Board Members	53	53	—	—	6

18-7 Corporate Officers

To respond flexibly to changes in the business environment, Nissha considers it important that the experiences, knowledge, abilities, ages, and so on of Corporate Officers be both the best and distributed without bias. The term of Corporate Officers is one year.

■ Diversity of Corporate Officers (as of April 1, 2022)

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.



19. Initiatives of Internal Audit Office

19-1 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, President and CEO. 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, President and CEO, 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.

19-2 Audit Content

Audits by Internal Audit are broadly classified into "internal control audits" based on the Financial Instruments and Exchange Act and "theme audits". 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. This auditing is aimed at guaranteeing the reliability of financial reporting as a result of assessing the effectiveness and efficiency of the Nissha Group's business activities, determining whether the Group's business activities are in compliance with laws and regulations, and including whether key risks managed by the Risk Management and Compliance Committee, including the prevention of corrupt practices by the Group, are being carried out appropriately and effectively in accordance with internal regulations. On the other hand, theme audits are done for risks that cannot be covered by the above. In these audits, risk analyses are carried out based on the trends at the start of the year, and themes are selected on importance. Refer to 21-4 Risk Assessments

19-3 Initiatives for FY ended December 2021

In the fiscal year ended December 2021, in addition to an internal control audit, a theme audit was carried out on the digitalized work processes constructed to keep pace with the promotion of DX. An audit was also carried out related to the overall business management of domestic and overseas affiliated companies selected through risk analysis. In future, we intend to monitor the status of the development of a global control environment that incorporates new business fields in its scope.

20. Internal Control System

Nissha has established an Internal Control Policy by a decision of the Board of Directors to provide a system to ensure the appropriateness of work as stipulated by the Companies Act. Nissha is working to improve our corporate value by constructing and operating an Internal Control System to guarantee that the work in each of the company's organizations is being done legally, appropriately, and efficiently. 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.



21. Risk Management and Compliance

The Nissha Group established a new Risk Management and Compliance Committee in the fiscal year ending December 2022. The Committee works to understand risks that could impede smooth business operation, and promote activities that reduce risk such as preventing problems before they arise, or minimizing their effects, and preventing their recurrence.

In addition, based on the view that centralized identification, assessment, and management of the Nissha Group's risks on a global basis are important, it revises the risk management system.

Note that the materialities that the Sustainability Committee managed until the fiscal year ended December 2021, namely "promotion of compliance," "promotion of health and productivity management," "occupational health and safety," "advancement of quality control," "continuity of business activities," and "protection and utilization of information assets" are managed by the Risk Management and Compliance Committee as particularly important items for smooth business operation.

Refer to 3. Nissha Group Sustainability

21-1 Risk Management Policy

Risk Management Policy

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, we work to minimize damage, resume business activities as quickly as possible, and prevent recurrence.
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.

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

Established on July 1, 2015 / Revised on January 1, 2022

21-2 Corporate Ethics and Compliance Guidelines

The Group has sets “Act with Integrity” (we shall act with sincerity and remain a trusted company) as one of the Shared Values that are principle of employee behavior. And we declared that each officer and employee should act in good faith and continue to be a trusted company. Based on this, we established the Corporate Ethics and Compliance Guidelines, which sets out the basic ideas concerning corporate ethics and compliance that each officer and employee is expected to follow.

In addition, the Nissha Group has prepared the Corporate Ethics and Code of Conduct Manuals as a way to more clearly embody the Corporate Ethics and Compliance Guidelines and make it more understandable to our employees. Along with distributing this to all employees, it has also been posted on the Nissha intranet. This Manual was prepared in Japanese, English, Chinese, and Vietnamese, and having the entire company study it at the same time is designed to ensure awareness, along with the Corporate Ethics and Compliance Guidelines.

Corporate Ethics and Compliance Guidelines

Nissha Group acts according to the “Principles” in order to realize the enrichment of people’s lives by always creating technology and developing it into economic and social value.

Principles

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, also act according to “Corporate Ethics and Code of Conduct”.
4. If we witness any 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.

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

Established on April 1, 2012 / Revised on January 1, 2022

21-3 Risk Management Structure

Nissha has established a Risk Management and Compliance Committee chaired by Director of the Board, Senior Executive Vice President (in charge of legal affairs) and with a Senior Vice President (Chief Supply Chain Officer, CSCO) as vice chair. The Risk Management and Compliance Committee holds progress confirmation meetings at the annual general meeting and every quarter, and reports to the Board of Directors each year on the status of activities.

The Risk Management and Compliance Committee centrally manages the cross-company risks, business risks, and financial risks of the Nissha Group on a global basis. Of these, the Committee selects key risks at the annual general meeting for the cross-company risks. The selected key risks are set as key performance indicators for the core departments or subcommittees, and minimized through their activities. In addition, the status of these activities is reported in the progress meetings, and the Committee checks whether the KPIs it has set are progressing as planned, using the PDCA cycle (risk items that are materialities have their progress managed by the Sustainability Committee).

The Monthly Business Review (MBR) for each business organization and the corporate finance department, and the Investment Committee manage business risks and financial risks. Progress is reported at the Annual General Meeting, and the Committee checks the contents.

In addition, if a major risk incident arises (including a serious report to the hotline), the Risk Management and Compliance Committee may be convened on an emergency basis.





21-4 Risk Assessments

Nissha selects risks by carrying out risk assessments over the entire Group and selecting from both a business activity perspective and a company-wide perspective. In the business activity perspective, hearings are held with related departments and subcommittees, and, after assessing them based on the frequency of these risks occurring and the severity of their impact, an assessment is made that also takes into account control activities to suppress them happening. Then, assessing them from a company-wide perspective in order to work to integrate the risks selected from a business activities perspective with management strategies, the key risks are selected.

The Risk Management and Compliance Committee, which was established in January 2022, carries out risk assessments on the following 16 items under its purview. The departments or subcommittees that manage the key risks selected through this risk assessment set KPIs, and work to mitigate these risks through their activities.

The following items are also positioned as content for corporate ethics and compliance that officers and employees of the Nissha Group should follow.

1. Fair business practices (corruption and bribery, antitrust or anti-competitive practices, insider trading, etc.)
2. Labor and human rights (discrimination, harassment, forced labor, workplace safety and health, etc.)
3. Ensuring personnel (employment, training, etc.)
4. Ensuring quality and safety of products/services (quality falsification, etc.)
5. Ensuring quality and safety of medical products/services (recalls, serious complaints)
6. Intellectual property rights (respect and protection of intellectual property)
7. Supply chain management (improprieties in supply chain, etc.)
8. Environmental protection (climate change, waste emissions, chemicals management, etc.)
9. Trade management (import/export management)
10. Information systems (leaks of confidential/personal information, etc.)
11. Asset management (theft or loss of company assets)
12. Business continuance (natural disasters such as earthquakes, typhoons, floods, etc.)
13. Business strategies (changes in competitive/market environments)
14. Business development (development delays, interruption in technology)
15. Production activities (design defects, release of defective products)
16. Finance (failure of capital planning, exchange rate fluctuations)

*Items in parenthesis are examples of risks.



21-5 Promotion of Corporate Ethics and Compliance

The Risk Management and Compliance Committee promotes corporate ethics and compliance activities throughout the entire Nissha Group. All Nissha Group bases in Japan and overseas appoint managers and group leaders in charge of promoting corporate ethics and compliance.

Promotion Structure

The managers and group leaders in charge of promoting corporate ethics and compliance not only implement initiatives to improve the awareness of corporate ethics and compliance in their respective divisions but also implement corporate ethics and compliance on a day-to-day basis through organizational management, serve as handy consultants for their workplace, and, should an incident arise, work with Corporate Legal Affairs to deal with it.

Awareness-raising activities

Corporate Legal Affairs also publishes Corporate Ethics and Compliance News as a way to further boost awareness among these managers and group leaders. In the fiscal year ended December 2021, it created content on the theme of issues with labor management (including harassment) in teleworking and an outline of the Anti-Monopoly Act.

In addition, the "OK or Not? Corporate Ethics and Compliance Consultation Desk" section on the Nissha Group intranet features timely points about areas of particular concern, using cases that happened both within Nissha and outside as examples. In the fiscal year ended December 2021, "OK or Not" explained how to handle copyright when using photos or illustrations.

Training

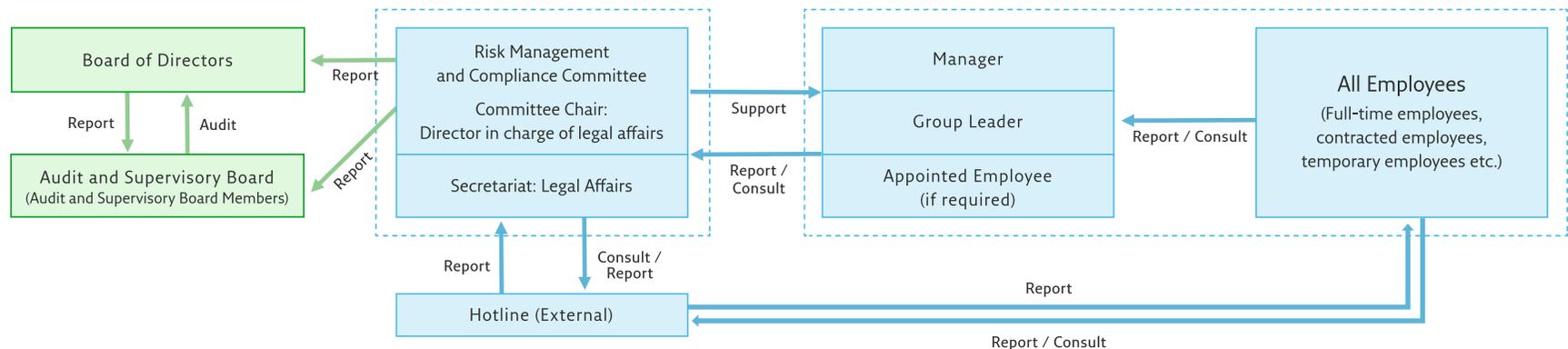
The Group designates every October and November as Corporate Ethics and Compliance Months, and provides groupwide training at all bases in Japan and overseas. This simultaneous training is provided not just for full-time, contract, and temporary employees, but for managers of subcontractors and even part-timers.

In the fiscal year ended December 2021, we included harassment, the appropriate handling of information, and the quality and safety of products as training themes at our domestic bases. At our bases in Europe and North America, we created videos about the Corporate Ethics and Code of Conduct Manual, which was watched by employees at each base. At Asian region bases, online training is provided by personnel in charge of administrative divisions. Thus, for all Nissha Group bases, training is tailored to the laws, regulations, and customs related to local business operations.

Questionnaires are sent out after each company-wide simultaneous training session to collect a wide range of information and opinions from all employees about concerns and actions that need to be improved in the workplace from the perspective of corporate ethics and compliance. Examples and results of improvements based on this information are reported to management, along with reports on training implementation.

In addition to the above, to enable us to promote this particularly in the Medical Devices field, one of our priority markets, in the fiscal year ended December 2021 we set up a legal compliance system for the Pharmaceutical and Medical Device Act at our domestic bases, and opened a Medical Healthcare Consultation Desk.

Corporate Ethics and Compliance Structure



21-6 Hotline

The Nissha Group has in place an Internal Reporting Code and a hotline based on the Whistleblower Protection Act for the purposes of quickly identifying the facts about illegal, unfair, or unethical conduct by an organization or individual, minimizing the risk of a crisis, promoting ethical and legal compliance, and ultimately enhancing our corporate value.

We are working to disseminate information about the hotline through the Corporate Ethics and Code of Conduct distributed to all employees, the Labor and Human Rights Handbook, the Nissha Group intranet, and in-house training. All employees working for the Group in Japan and overseas can use this service, and in the fiscal year ended December 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 Legal Affairs. The Corporate Legal Affairs 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 Risk Management and Compliance Committee, where it is discussed

as necessary, after which, measures are taken according to the results of the investigation and discussion.

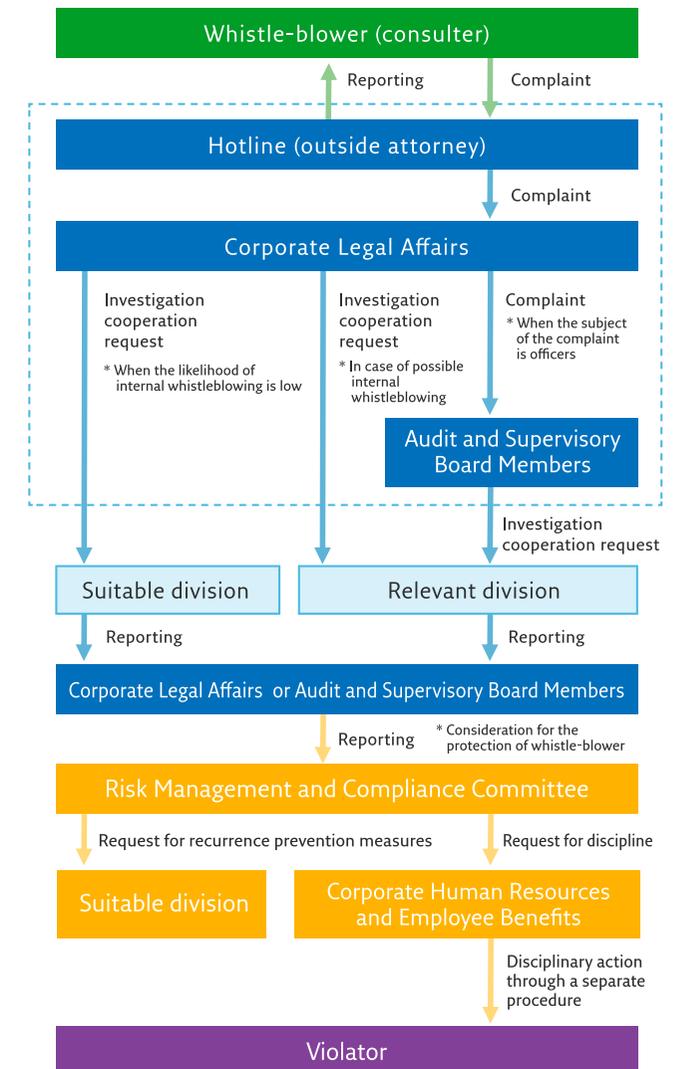
The number and main content of consultations received during the fiscal year ended December 2021 are shown below.

- Hotline (for employees): 7 cases (mainly related to work-place environments and human relations)
- Supplier hotline: 0 cases

21-7 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.

Hotline Organizational Chart



22. Initiatives Related to Anti-corruption

22-1 Anti-Corruption Guidelines

For the bribery, back-scratching relationships with business partners issue that is one of the key risks managed by the Risk Management and Compliance Committee, the Nissha Group has formulated the Nissha Group Anti-Corruption Guidelines, and made our bases in Japan and overseas aware of the content.

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.

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

Established on April 1, 2017 / Revised on January 1, 2018

22-2 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.

In addition, as bribery is a deeply-rooted practice in some countries and regions, internal audits on anti-corruption are conducted on a regular basis.

The Group has not identified any cases of corruption in the fiscal year ended December 2021.

23. Business Continuity

23-1 Policy and Principles

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

Business Continuity Plans Policy

Nissha Group formulates business continuity plans to minimize damage and work towards prompt business recovery, while ensuring the safety of human life first, in the event of a major natural disaster, fire, power cut, epidemic, or other major event that interrupts business. In addition, we carry out regular revisions and drills to ensure the effectiveness of these plans, and promote business continuance management.

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

Business Continuity Plans Principles

1. In the event of a major interruption of our business, we shall ensure the safety of human life as our top priority while preventing secondary disasters.
2. We shall define buildings, equipment, information systems, human resources, and suppliers as key management resources/ stakeholders, and formulate business continuity plans. In addition, we shall consider changes in the business environment and regularly revise these plans.
3. We shall clarify which businesses are to be prioritized for continuance/ recovery, and achieve this recovery within the target timeframe.
4. We shall regularly conduct training and drills related to business continuance, and work to improve our organizational capacity to respond to risks.
5. We shall contribute to society through working with local communities to support recovery and rebuilding.
6. We shall comply with laws, policies in Japan and overseas, and other norms with regards to business continuance.

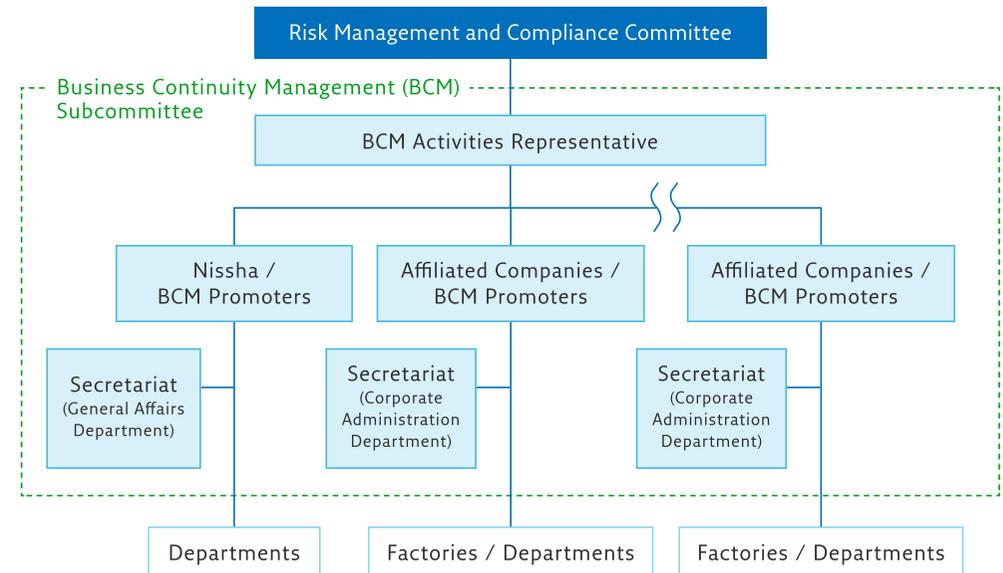
Daisuke Inoue
Director of the Board, Senior Executive Vice President, General Affairs
Nissha Co., Ltd.

Established on September 28, 2006 / Revised on May 1, 2022

23-2 Structure

The BCM Subcommittee has been set up under the Risk Management and Compliance Committee as a system for operating BCM in the Nissha Group.

The person responsible for BCM activities is the President. Our secretarial office holds BCM Subcommittee meetings on a regular basis. These are used to confirm initiatives and the status of improvement of BCM measures for the Nissha Group overall, training persons in charge, and planning and carrying out BCM drills.



23-3 Initiatives

Nissha has 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. 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.

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.

In the fiscal year ended December 2021, like the previous fiscal year, to ensure that the novel coronavirus disease (COVID-19) did not spread within the company, we worked on business continuity by taking measures in response to changes in the government, local authority, or company status, revising the Guidelines as a policy to follow, while also preparing individual manuals.

Response to Preventing the Spread of COVID-19

On the same day that the state of emergency was declared, April 7, 2020, we set up a response task force headed by the President (the Response Task Force). At the Response Task Force, to fulfill our duty of supply to our customers, we carried out a range of initiatives to prevent infection spreading, in order to ensure there were no clusters in the company. Specifically, we achieved a balance between work performance and preventing the spread of infections by minimizing travel and avoiding the “Three Cs” through things like telework and web conferencing, and by ensuring that employees are made aware of information about infection prevention and health management, and put these into practice. In addition, in July and August 2021, and March 2022, we organized workplace vaccinations at the Kyoto Global Headquarters to ensure employees could be vaccinated as soon as possible. Many employees took advantage of this measure.



Workplace vaccinations

Training at Major Bases

We hold BCP (Business Continuity Plan) drills annually in accordance with the BCP Subcommittee Action Plan. These drills are simulations to check that BCP functions adequately in the event of an incident such as an earthquake.

The drill in the fiscal year ended December 2021 was based on Nissha FIS, Inc. being damaged by an earthquake along the Uemachi Fault, Osaka, with a maximum seismic level of 7 on the Japanese intensity scale.

In this drill, task forces were quickly set up at the Headquarters and FIS, and damage reports and specific instructions were issued for buildings and equipment, information infrastructure, employees, suppliers, and so on. The drill was very realistic, with the safety status of employees, effects on production, recovery status, delivery status, supplier stock checks and so on being reported moment by moment as their situation changed, and appropriate instructions given on a case-by-case basis. Issues for the future were also discussed once the drill was over.

The construction and operation of BCP/BCM is considered important for improving the company’s competitiveness and also leads to improved corporate value, which is why these drills will be carried on each year henceforth.



Headquarters task force



FIS task force



Risk Surveys

The Nissha Group carries out annual risk surveys at affiliated companies in Japan and overseas. These surveys draw on the expertise of specialists in risk consulting. For the fiscal year ended December 2021, the surveys covered the Nitec Precision and Technologies, Inc. Himeji Factory and Kaga Factory.

The risk of fire or explosion was assessed in terms of fire management, building and motive power, use and processes, fire-fighting equipment, and fire hazards, while for natural hazards, disaster prevention measures for lightning, earthquakes, flooding and so on were also confirmed.

While the results were good overall regarding measures, some areas for improvement were noted, so we are increasing the disaster prevention level by quickly dealing with these in detail.



NPT Himeji Factory



NPT Kaga Factory



24. Tax Principle

Nissha Group will compliance with tax laws and regulations in each country and each region based on Tax Principle, in order to fulfill our corporate social responsibilities (CSR).

Tax Principle

Basic Principle

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 Profit Shifting (BEPS) project and make properly responses to such changes as a 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 Principle 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 of Nissha Group to risk management and governance arrangements in relation to taxation in each country and region

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.

Hitoshi Koya
Senior Vice President, Chief Financial Officer
Nissha Co., Ltd.

Established on December 25, 2017

Revised on May 1, 2022

25. Initiatives Related to Conflict Minerals

25-1 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.

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

Established on March 12, 2014 / Revised on January 1, 2018

25-2 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.

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 are 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 initiatives, we found no cases of the use of conflict minerals related to human rights violations in our products in the fiscal year ended December 2021. 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.



26. Management System and other Certification Acquisitions

(as of June 2022)

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

*1. Administration departments of domestic sites are not included in the scope of certification (excluding Nissha FIS, Inc.).

*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 departments and design and product development departments have obtained certification.

*6. For paper purchasing departments at Nissha Printing Communications, Inc.

*7. RB Business and Product Development and Nitec Precision and Technologies, Inc. (Kyoto) were newly certified on June 1, 2022.

*8. Certification is included in the Kameoka Factory of Nissha Co., Ltd.

Subject Areas (Domestic)	Standards								
	ISO9001 ^{*1} Quality	ISO13485 Medical devices	ISO22716 Cosmetics	IATF16949 Automotive	ISO14001 Environment	ISO50001 Energy	ISO45001 Occupational health and safety	ISO27001 Information security	Others
Nissha Co., Ltd.									
Global Headquarters	○	○ ^{*2}	○ ^{*3}	○ ^{*4}	○ ^{*5}			○	FSC COC ^{*6}
Tokyo Division Headquarters	○							○	
Nagoya Sales Office								○	
Kameoka Factory	○ ^{*7}			○ ^{*4}				○	
Nitec Industries, Inc.									
Headquarters / Koka Factory	○				○			○	
Kameoka Factory	○							○ ^{*8}	
Nitec Precision and Technologies, Inc.									
Headquarters / Himeji Factory	○			○	○			○	
Kaga Factory					○			○	
Tsu (production base)					○			○	
Kyoto (production base)	○ ^{*7}			○	○			○	
Nissha FIS, Inc.	○				○			○	
Nissha SiMICS, Inc.									
Nissha Printing Communications, Inc.									
Headquarters / Kyoto	○							○	FSC COC
Osaka Sales Office	○							○	FSC COC
Tokyo Sales Office	○							○	FSC COC
Kameoka Factory	○							○ ^{*8}	FSC COC
Nissha F8, Inc.									
F8 Studio								○	
NISSHA Studio	○							○	
M crossing Co., Ltd.									
Nissha Business Service, Inc.	○				○			○	



(as of June 2022)

Subject Areas (Overseas)	Standards								
	ISO9001	ISO13485	ISO22716	IATF16949	ISO14001	ISO50001	ISO45001	ISO27001	Others
	Quality	Medical devices	Cosmetics	Automotive	Environment	Energy	Occupational health and safety	Information security	
Nissha Eimo Technologies				○					
Nissha PMX Technologies, S.A. de C.V.				○	Scheduled to obtain in November 2022				
Nissha Metallizing Solutions N.V. (Belgium)	○								FSC COC
Nissha Metallizing Solutions S.r.l. (Italy)	○				○	○	○		FSC COC PEFC
Nissha Metallizing Solutions GmbH (Germany)	○				○	○			EN15593 FSC COC PEFC
Nissha Metallizing Solutions Ltd. (U.S.A.)	○								FSC COC
Nissha Metallizing Solutions Produtos Metalizados Ltda (Brazil)	○				○				FSC COC
Nissha Medical Technologies Group Corporate Headquarters		○							
Lead-Lok, Inc.		○							
CEA Medical Manufacturing, Inc.		○							
Sequel Special Products, LLC		○							
Nissha Medical Technologies (Ohio), Inc.		○							
European Headquarters Nissha Medical Technologies Ltd.		○							
Nissha Medical Technologies SAS		○			○				
Graphic Controls Acquisition Corp.		○							EC93/42/EEC
Nissha Medical Technologies GmbH & Co. KG									EC93/42/EEC
CEA Global Dominicana, S.R.L.		○							
Nissha Schuster Group Nissha Schuster Kunststofftechnik	○			○	○	○			
Nissha Back Stickers	○				○	○			
Nissha Back Stickers International	○								
Nissha (Kunshan) Precision IMD Mold Co., Ltd.	○			○	○				
Guangzhou Nissha High Precision Plastics Co., Ltd.	○			○	○				
Nissha Precision Technologies Malaysia Sdn. Bhd.	○			○	○				