

13. Human Rights

13-1 Basic Policy

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

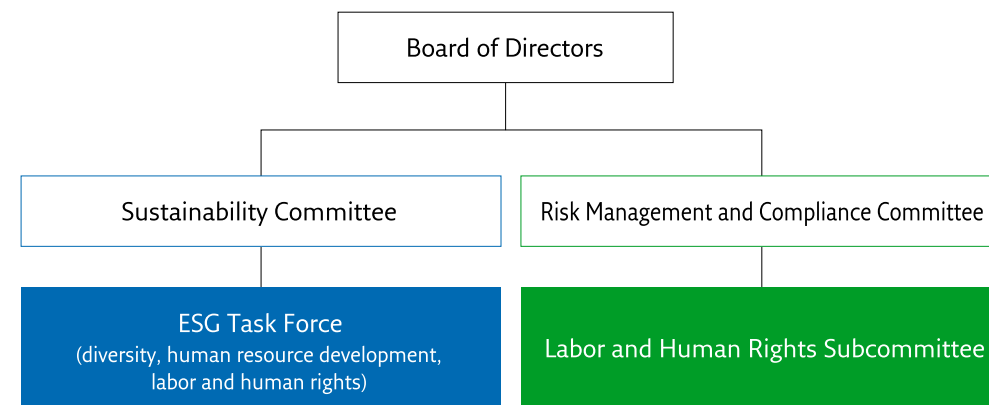
Nissha Group will observe the international norms, laws and ordinances related to human rights and labor standards and will make efforts to continually improve human rights and labor standards.

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.

Junya Suzuki
Chairman of the Board, President and CEO
Nissha Co., Ltd
Established on June 1, 2018

13-2 Structure

The Nissha Group recognizes that human resources are the driving force for improving corporate value, and has identified "respect for human rights" as one of our materiality. A task force has been established under the Sustainability Committee to deal with the themes of "diversity, human resource development, labor and human rights" and is working to address respect for human rights at the Group's suppliers. For other important human rights risks, a Labour and Human Rights Subcommittee has been established under the Risk Management and Compliance Committee, which is working to reduce these risks throughout the Group.



13-3 Initiatives Related to Labor and Human Rights

Our initiatives related to labor and human rights can be broadly classified into initiatives by the ESG Task Force (diversity, human resource development, labor and human rights) to address material issues throughout the Group and initiatives by the Labor and Human Rights Subcommittee to address risks related to compliance with international norms and laws in the area of labor and human rights that apply to the Group.

During the fiscal year ended December 2022, the ESG Task Force worked on the materiality of "respect of human rights" by setting "reduction of labor and human rights risks" as its strategic item and "zero child labor and forced labor at the Group's primary suppliers" as a key performance indicator/action item.

The Labor and Human Rights Subcommittee operates a management system, and its key performance indicators/action items include items related to materiality issues, risk assessments conducted at the Company-wide level, and risk assessments specific to affiliated companies.

Furthermore, we conduct internal audits once a year at major Nissha Group production bases in Japan to check compliance with laws and regulations and the RBA's code of conduct, etc. Specifically, in addition to checking whether the salaries paid irrespective of employment categories such as full-time, contract, or temporary employees, etc. meet the minimum wages set by the prefectural governments, and whether 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 pointed out and corrected in previous audits continue to be complied

with and so on. Internal audit findings are reported through the report line, and the Labor and Human Rights Subcommittee provides support to production bases, as necessary, so that corrective action can be taken. The results of the internal audit conducted during the fiscal year ended December 2022 were favorable, with no major findings relating to issues such as forced labor.

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 employees first join the Company, they are given opportunities to experience Japanese culture and we organize recreational activities so they can learn about local culture.



Strawberry picking at tourist attractions near the workplace

Furthermore, we are preparing and providing signs showing evacuation routes and the location of the medical office, notices about harassment and other consultation desks, pay slips,

and training materials, etc. in both Japanese and Vietnamese so that both all employees and technical interns can understand them easily. In terms of communication, senior trainees and employees work with interpreters to provide detailed explanations and to create an environment where trainees can always ask for help if they have any questions.

Despite the COVID-19 pandemic, six technical interns completed their training in the fiscal year ended December 2022 and returned to their home countries. We hope that many young people will acquire skills and grow as world-class human resources while experiencing different cultures, and we will continue to support them in this endeavor.

13-4 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 chief promoters of harassment prevention at each base and we have established an external hotline consultation service (Refer to 28-6 Hotline Consultation Service). The contact information is provided through the Nissha Group intranet and e-learning, and we are working to ensure that employees understand that the system is set up so they can discuss issues with confidence by assuring them that their privacy will be fully respected and that they will not be treated unfairly or be disadvantaged for making use of these services. There were 4 consultations with hotline consultation service during the fiscal year ended December 2022 and all consultations have been addressed.

We also provide annual e-Learning training to all employees to prevent harassment, in addition to providing training for chief promoters of harassment prevention to solve problems and prevent harassment, and discuss and implement measures for further improvement.

13-5 Relationship with Labor Union

Our Basic Policy on Labor and Human Rights contains the provision, "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 2022, there were no significant violations of freedom of association.

The Nissha Group in Japan has formed the Nissha Crew Alliance, as a single labor union for the Nissha Group in Japan, centered on employees of Nissha Co., Ltd., and two affiliated companies, Nitec Industries, Inc. and Nissha Printing Communications, Inc. (as of January 2023, there were 1,051 members). From April 1, 2023, employees of Nitec Precision and Technologies, Inc. can also join. 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. The Nissha Crew Alliance engages in regular negotiations and discussions based on this concept to build stable labor-management relations while resolving common issues in the Nissha Group in Japan.

The Management Council, whose members are mainly directors and corporate officers of Nissha Co., Ltd., holds regular 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. 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. During the fiscal year ended December 2022, the Management Council met eight times, including regular bi-monthly meetings and ad-hoc meetings. In addition, the labor and management offices strive to prevent labor problems by sharing employees' opinions on the working environment and the working hours situation once a month. Furthermore, when changing important labor conditions of the Nissha Group in Japan, the company engages in communication with the union in addition to regular consultations, with the aim of reaching an agreement satisfactory to both parties. During the fiscal year ended December 2022, we shared opinions on revisions to the retirement pay system based on the new human resources system, the award system, and new and diverse work style initiatives, and we cooperated in improving existing systems and formulating new measures. In January 2023, as the trend in rising prices also became apparent in Japan and the momentum for wage increases grew, labor and management agreed to raise the starting salary for new graduates and salary levels.

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 2022, the Nissha Group in Japan 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.

14. Human Resources System

14-1 Policy

We at Nissha Group recognize that human resources are the driving force for improving corporate value. With the start of the 7th Medium-term Business Plan in the fiscal year ended December 2021, we have formulated and started to roll out a Human Resources Policy. This policy outlines our fundamental approach to human resources measures. Our human resources-related systems and development are implemented based on this policy.

Human Resources Policy

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

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

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

Established on January 1, 2021
Revised on May 1, 2022

14-2 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 (FY2021–FY2023).

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.

14-3 ESG Task Force Initiatives

The Nissha Group has set “utilizing diverse human resources and developing global and management human resources” and “respect for human rights”, as social (S) material issues to realize our Sustainability Vision. In order to accelerate our efforts in these areas, we have established task forces under the Sustainability Committee to address three themes, (1) diversity, (2) human resources development, and (3) labor and human rights. For each theme, we have set key performance indicators on a global basis for where we see ourselves in 2030 (Long-term Vision or Sustainability Vision) and where we want to be in three years (Medium-term Vision), and backcasting from these, we set annual activities targets and work to carry them out.

	Key Performance Indicators and Action Items for 2023	Key Performance Indicators and Action Items for 2030
1. Diversity	Female manager ratio Global consolidated: 21% Nissha non-consolidated: 8%	Female manager ratio Global consolidated: 25% Nissha non-consolidated: 17%
2. Human resources development	Selection rate of leader candidates Nissha non-consolidated: 36%	Selection rate of leader candidates Nissha non-consolidated: 50%
3. Labor and human rights	0 incidents of child labor or forced labor at primary suppliers in regions with high risks of labor and human rights (Central and South America, Southeast Asia and Greater China).	Identify audit targets based on annual purchasing results and continue to perform audits Zero child labor and forced labor

① Diversity

Although the definition of managerial staff varies between countries, we have adopted a new standardized definition of managerial staff on a global basis, and we monitor the situation regularly. At the end of the fiscal year ended December 2022, the ratio of male to female employees in the Group was approximately 6 (male) to 4 (female), but the ratio of male to female managerial staff was approximately 8 (male) to 2 (female), which indicates a discrepancy. We are working on a project to promote the advancement of women on a global basis in order to bring the ratio of female managerial staff, a key performance indicator, closer to the ratio of female employees by 2030.

② Human resources development

As indicated in our Human Resources Policy, the Group is aiming to maximize employee capabilities and achieve sustainable corporate growth by providing full training programs and challenging growth opportunities. In particular, in order to increase our pool of management and strategic personnel who will lead the management of the entire company and its businesses, we have set, as a key performance indicator, the attendance rate of employees at the Nissha Academy Business School (beginner and intermediate levels) as the “selection rate of leader candidates”. We have set a goal of increasing the selection rate of leader candidates to 50% (Nissha non-consolidated basis) by 2030, and are working on systematic training.

③ Labor and human rights

We are working to “understand and reduce human rights risks” at Nissha Group domestic and overseas bases and their primary suppliers. In the fiscal year ended December 2022, we conducted a CSR survey of 95 of our primary suppliers in regions* with high labor and human rights risks, and confirmed that there was no use of child labor or forced labor.

Refer to 13-3 Initiatives Related to Labor and Human Rights

* Areas identified by the ILO (International Labour Organization) as having high labor and human rights risks: Central and South America, Southeast Asia and Greater China

14-4 Talent Management System

We have introduced a talent management system to grasp the abilities of each employee and make the most of their individuality and strengths. The talent management system records employee backgrounds, evaluations, and results of engagement surveys and self-assessment. This data is then used to develop and implement various measures.

In the fiscal year ended December 2022, we began implementing personnel evaluations on the system, which enables us to monitor progress in real time. The system has become a useful information tool for management, allowing supervisors at the new location to inquire about the past personnel evaluations of transferred employees. We will continue to collect and visualize employee information to promote data-based talent management.

14-5 Fair Evaluation and Treatment

The Nissha Group considers rewarding employees for their achievements to be the foundation of our human resources system. In our personnel evaluations, and based on the target management system, employees are evaluated on the two axes of "performance evaluation," which evaluates key performance indicators related to the company's management strategy and the mission of the organization to which they belong, and "behavior evaluation," which focuses on demonstration capabilities required to create results. The results are reflected in bonuses, salary increases, promotions, and other benefits. We present clear evaluation criteria to employees and employees meet with their supervisors to receive feedback on our

expectations and evaluations 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 more fair and convincing evaluations and treatment.

14-6 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.

The gap between male and female in terms of wages in the fiscal year ended December 2022 is shown below. The figures show a comparison of female with a male wage set at 100.

The treatment of full-time workers is the same for male and female. The difference is due to differences in the grade structure due to the different average lengths of service between male and female.

In addition, non-regular workers include employees who are treated differently, such as contract employees who are rehired after mandatory retirement and employees working under individual labor contracts. The main reason for the gap between male and female is the large proportion of male in managerial staff roles despite their non-regular employment.

■ Nissha Co., Ltd.

	Male	Female
All workers	100	76.3
Full-time workers	100	77.7
Non-regular workers	100	56.2

* Wages include bonuses, overtime allowance, commuting allowance, and family allowance, etc.



15. Respect for Diversity

The Nissha Group aims to be a company where all employees, regardless of nationality, gender, or age, can exercise their abilities to the full. One of our Shared Values that serve as the principle of employee behavior is Diversity and Inclusion, and we have declared that we welcome diverse human 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.

15-1 Nissha Group Employee Composition

The diversity of the Nissha Group shows in our employee composition, and a variety of employees of different genders, ages, and nationalities are active. With the expansion of our activities across the globe, about 60% of permanent employees work at Nissha Group companies outside Japan. Nissha Group overseas bases are continuing to hire local employees and locally hired employees have been appointed to upper management positions, such as CEO, at 8 of the 17 major overseas group companies.

■ Composition by region (Nissha Group, as of the end of December 2022)

Number of employees by region and gender

Area	Japan	North America	Central and South America	Asia	Europe
Male	1,500	690	365	319	488
Female	415	461	568	314	205
Total	1,915	1,151	933	633	693

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

■ Composition by employment status (Nissha Group, as of the end of December 2022)

Composition by employment status and gender

	Permanent		Temporary	
	Number	Composition (%)	Number	Composition (%)
Male	3,362	63.1	865	60.2
Female	1,963	36.9	573	39.8
Total	5,325	—	1,438	—

* Figures exclude directors by a delegation agreement.

■ Employee Composition (Nissha Co., Ltd.)

Fiscal Year	Gender	Directors of the Board* ¹	Corporate officers	Nissha fellows	Managerial staff* ²	Total employees* ³	Average age* ⁴	Average years of employment* ⁴
End of FY2018	Male	8	12	1	161	616	42.1	14.5
	Female	1	0	0	11	203	36.5	10.7
End of FY2019	Male	8	12	1	162	609	42.9	15.3
	Female	1	0	0	10	210	36.7	11.0
End of FY2020	Male	8	11	2	145	531	43.0	15.4
	Female	1	0	0	8	189	37.3	11.5
End of FY2021	Male	8	12	2	157	534	43.8	15.6
	Female	1	0	0	9	197	37.8	10.8
End of FY2022	Male	8	12	1	153	513	44.7	17.2
	Female	1	0	0	10	197	38.2	11.8

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

*2. Managerial staff exclude corporate officers.

*3. Employees exclude temporary employees.

*4. Average age and average years of employment indicate the average number of employees included in total employees.

■ Composition by age (Nissha Co., Ltd., as of the end of December 2022)

Age	18-19	20-29	30-39	40-49	50-59	60-69
Male	0	33	117	205	152	6
Female	2	39	76	56	23	1

■ Number of employees (Nissha Group)

	FY ended Dec. 2018	FY ended Dec. 2019	FY ended Dec. 2020	FY ended Dec. 2021	FY ended Dec. 2022
Male	3,832	3,692	3,432	3,470	3,362
Female	2,012	2,026	1,958	1,939	1,963
Total	5,844	5,718	5,390	5,409	5,325

* Figures exclude temporary employees.

Of all permanent employees who left Nissha Group companies in Japan in the fiscal year ended December 2022, 3.66% left for personal reasons.

■ Composition of managerial staff (Nissha Group in Japan)

Fiscal Year		Male	Female	Total	Of which mid-carrier employees	Of which foreign employees
End of FY2020	Number	273	13	286	86	2
	Composition ratio (%)	95.5	4.5	—	30.1	0.7
End of FY2021	Number	281	14	295	94	2
	Composition ratio (%)	95.3	4.7	—	31.9	0.7
End of FY2022	Number	269	15	284	91	1
	Composition ratio (%)	94.7	5.3	—	32.0	0.4

* Managerial staff exclude temporary employees.

* Figures as of December 31, 2020 and December 31, 2021 have been revised due to a review of the aggregation method in accordance with the disclosure in our Annual Securities Report.

15-2 Employment of Persons with Disabilities

The Nissha Group is working to achieve the employment rate for people with disabilities at the 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 following shows the changes in the employment rate of persons with disabilities in our company.

■ Legal employment rate and Nissha's employment rate

(%)

	End of FY2018	End of FY2019	End of FY2020	End of FY2021	End of FY2022
Employment rate of Nissha	2.18	2.38	2.11	2.12	2.07
Statutory employment rate	2.2	2.2	2.2	2.3	2.3

In the fiscal year ended December 2022, three new employees with disabilities were hired, but the employment rate of persons with disabilities remained unchanged as some retired and others returned their disability certificates.

We will continue to work systematically to achieve and maintain our target for the percentage of persons with disabilities employed by creating opportunities to hire and employ persons with disabilities through strengthening cooperation with public employment security office and other external organizations, creating a comfortable work environment, and promoting understanding of employment of persons with disabilities in the workplace.

15-3 Foreign Employees in Active Roles

The Nissha Group conducts recruitment activities regardless of nationality. In our Group, where a diverse range of people plays active roles, non-Japanese nationals account for more than 60% of all employees. The number of foreign nationals working for the Nissha Group in Japan is increasing. We have set up a worship room in our Kyoto Global Headquarters along with a small purification facility to purify the body before worship.

The total number of new graduates and mid-career hires and the number of newly hired foreign employees at Nissha Co., Ltd. is shown below.

Unit: Number of employees

	Total number of hires	New graduates		Mid-career		Country
		Total number	Foreign nationals	Total number	Foreign nationals	
FY2019	21	18	4	3	0	Malaysia, Indonesia, Vietnam, Iran
FY2020	20	12	0	8	0	
FY2021	29	11	0	18	0	
FY2022	37	12	1	25	0	Republic of Korea

15-4 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.

Our Group has identified utilizing diverse human resources and developing global and management human resources 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. In the fiscal year ending December 2023, several women will be appointed as managerial staff, and Nissha expects the percentage to increase to more than 7% on a non-consolidated basis.

Refer to 14-3 ESG Task Force Initiatives

Female managers ratio

	End of FY2020	End of FY2021	End of FY2022	Forecast at the end of FY2023
Nissha Group (%)	19.4	20.0	21.5	21.0 ~ 22.0
NISSHA (%)	5.0	5.4	5.9	7.0 ~ 8.0

* Figures as of the end of FY2020 and the end of FY2021 have been revised due to a review of the aggregation method in accordance with the disclosure in our Annual Securities Report.

The Nissha Group in Japan opened a career counseling office in 2021, where women can get support for career planning that accommodates their life events. In addition, we are providing challenging growth opportunities for female employees by enhancing selective training and company-wide common

training items for each grade, and systematically developing candidates for upcoming managerial staff positions through personnel rotation.

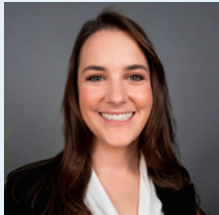
■ Action Plan for the Japanese Act on Promotion of Women's Participation and Advancement in the Workplace

The Japanese Act on Promotion of Women's Participation and Advancement in the Workplace requires companies with 101 or more employees to draft an action plan for promoting women's participation in business. In the Nissha Group, five companies, Nissha Co., Ltd., Nitec Industries, Inc., Nitec Precision and Technologies, Inc., Nissha Printing Communications, Inc. and Nissha Business Service, Inc. have formulated action plans that specify quantitative targets and the details of their initiatives.

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.



Employment of Diverse Human Resources



Jenna Gimbar
VP Global Human Resources
Nissha Medical Technologies

Nissha Medical Technologies (NMT) is actively involved in creating employment opportunities in the community. One such opportunity that is particularly worth noting is the collaboration between NMT's Head Office in Buffalo, New York and Journey's End Refugee Services, Inc. Journey's End Refugee Services is an organization with deep roots in the local community whose mission is to accept refugees, regardless of origin or creed, and help them become healthy, independent and valuable members of the community. The organization provides essential resources and support to enable refugees to actively contribute to their communities on the western side of New York State. NMT takes great pride in working together to create a more inclusive workplace by successfully employing refugees through this program.

Through our partnership with Journey's End Refugee Services, we have been able to connect with two individuals who have since been hired by NMT. Anil Faizi is a machine operator and has been one of our team members for over a year. When asked about his experience at NMT and how it contributed to his growth, Anil spoke of his satisfaction at the opportunities offered to him. He

indicated that joining NMT has allowed him to gain experience operating a variety of machines and to improve his English. Anil is especially grateful for the positive work environment and friendships with his colleagues.

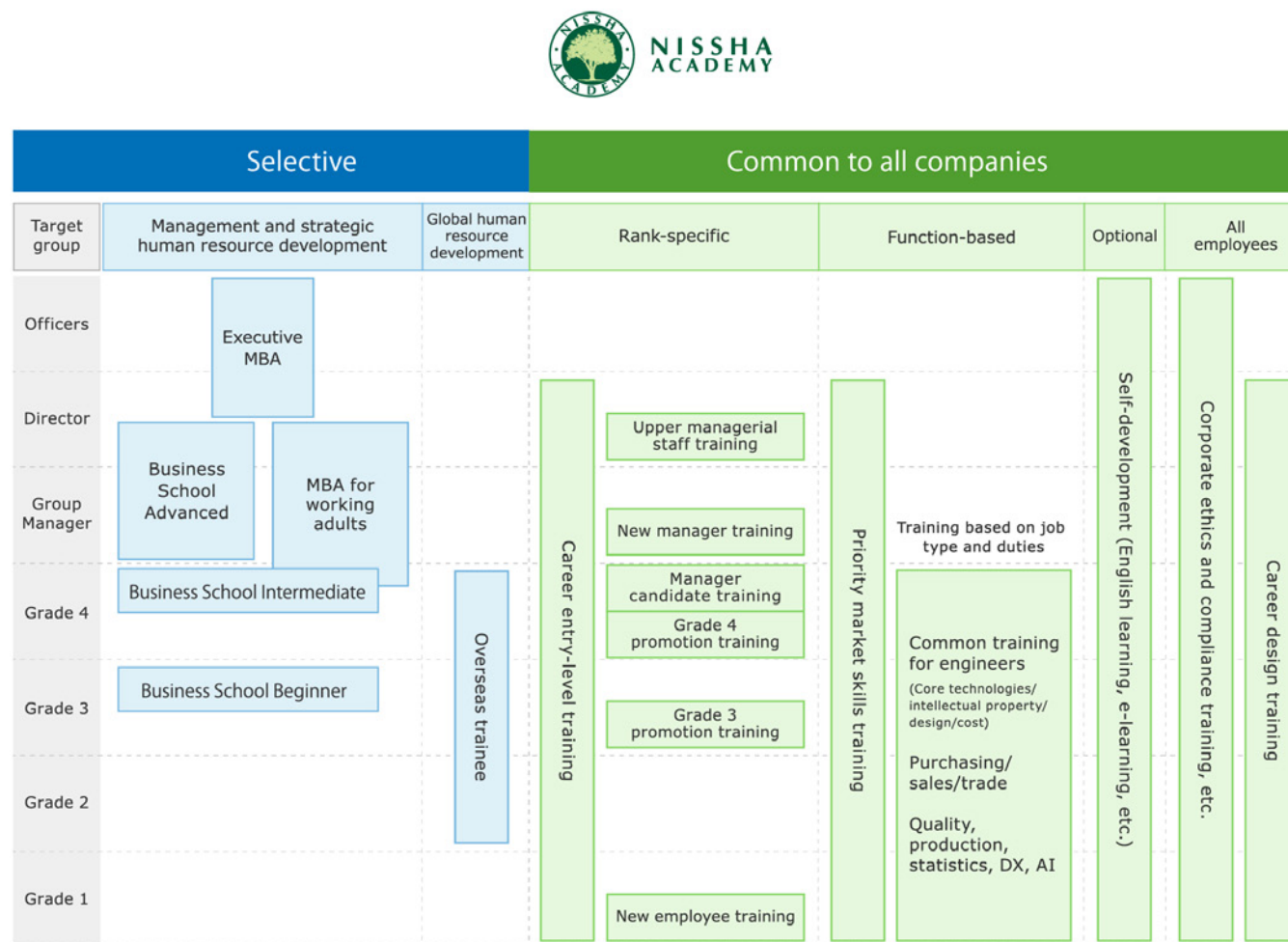
Naweed Joyana, a member of the manufacturing department, just celebrated his first anniversary since joining NMT in May 2023. He has honed his skills through training and skill development, and has demonstrated an aptitude for learning in a variety of fields. Naweed is looking to grow further and hopes to advance his career to become a machine operator. Naweed, who has a background in automotive repair and painting, and previously worked in the engineering unit at a military base, brings a strong work ethic to our team.

NMT is proud to be working with Journey's End Refugee Services based on our shared mission to provide employment opportunities and support to refugees in our community. We believe in the power of collaboration, cultural exchange, and personal growth through the development of a diverse and inclusive workforce. Anil Faizi and Naweed Joyana embody the success stories resulting from such partnerships. NMT will continue to build partnerships with local communities at each of its bases.

16. Human Resources Development

16-1 Basic Concept

The Nissha Group in Japan offers a wide range of training programs to realize our medium- to long-term growth strategy and to support employees' medium- to long-term career development and promote their growth. These programs have been organized into an in-house university, Nissha Academy. Specifically, we have established selective training programs to develop candidates for the next generation of management, rank-specific training programs that match the employee's stage, function-based training programs to provide specialized knowledge according to job type and duties, and career design training programs tailored to employees' life stage. The Nissha Group overseas is also developing various training programs under the Nissha Academy flag, based on the actual situation in each country and region. Through such human resources development initiatives, the Group aims to see the company and our employees grow together.



16-2 Training Systems

■ 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

This training program is designed to systematically develop human resources to lead the management of the entire company and its businesses.

It covers the knowledge and skills involved in developing and implementing business strategies. Participants who complete the training program will be actively provided with opportunities to put what they have learned into practice, including participating in projects and formulating medium-term management plans.

The Business School offers beginner (leaders in the workplace), intermediate (managerial staff), and advanced (senior managerial staff) level programs. The beginner-level course is taught by in-house officers and managerial staff who have completed programs at the Business School, and covers basic business literacy and the Nissha Group's corporate philosophy system (Nissha Philosophy). The intermediate and advanced programs are original programs that combine MBA-based lectures by professors from graduate schools of management with lectures based on practical case studies by in-house instructors.

Executive MBA program and a graduate school program for working professionals

We also offer an external Executive MBA program and a graduate school program for working professionals as training programs that rank above the Business School. These programs are mainly used to acquire new skill sets in anticipation of a change in position that involves a major change in perspective or viewpoint.

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.

■ Rank-specific training

Rank-specific training is provided at milestones such as when entering the company, promoted, and appointed to certain positions.

New employee training

At the Nissha Group, the first three years after new graduates enter the company are positioned as the initial training period. At the start of this period, group training is conducted at all domestic Group companies. New employees who join Nissha Co., Ltd. are assigned to their business units after group training, business unit training, and factory training. 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.

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.



■ Function-based training

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

Priority market skills training (reskilling)

Our 2030 sustainability vision has identified medical and mobility as priority markets. For us to be successful in new areas, it is essential for employees to acquire the necessary knowledge and skills in such areas and to fit our capabilities into the new markets, and we have thus developed priority market skills training as a reskilling program.

The training program consists of three levels, common subjects for engineers, design subjects, and specialized subjects by the target market. The lineup includes a wide range of subjects to enable employees to learn everything from the basics up to specialized content. We conduct this six-month program a total of four times during our 7th Medium-term Business Plan (FY2021.12-FY2023.12).

Common training for 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.

16-3 Support for Employees' Voluntary Desires to Learn and Grow

We 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, by providing information on programs that encourage study and by providing a system that subsidizes half of the cost for those employees who complete self-study.

16-4 Career Planning Support

Since the fiscal year ended December 2019, we have been providing career design training annually for full-time employees in their 50s. All full-time employees aged 50-59 have completed this training (as of December 31, 2022), which is designed to help them understand changes in the external environment, company systems, and their own values and strengths, and choose their own careers.

16-5 Training Records

The table on the right shows the total training hours per year of employees (full-time and contract) who participated in major training programs offered by the Nissha Group in Japan and the training hours per employee, obtained by dividing the total number of hours by the number of employees.

While there are fluctuations due to changes in the number of programs offered and participants each fiscal year, both total training hours and training hours per employee are increasing over the medium- to long-term, together with the enhancement of training programs.

	Gender	FY2020	FY2021	FY2022
Total training hours per year	Male	19,092	28,928	23,252
	Female	7,245	13,498	7,361
	Total	26,337	42,426	30,613
Training hours per employee	Male	11.8	16.4	14.2
	Female	17.9	24.0	15.3
	Total	13.1	18.2	14.4

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

16-6 In-House Training Programs

The Nissha Group values an organizational culture in which senior employees train junior employees and encourages in-house training programs. Instructors are primarily managerial staff who share their experience and knowledge with other employees. In addition to expanding personal connections among employees, through this initiative more employees are rediscovering Nissha's strengths and attractiveness, and our organizational strength and sense of unity are improving. We previously had employees take part in external training programs in areas in which we have not accumulated knowledge in-house, as we accumulate knowledge in these areas we are gradually creating training programs in-house. This ratio varies from year to year, but we are aiming to achieve a 50% in-house training ratio.

ESG training at U.S. and European Bases

The Nissha Group provided ESG training at its U.S. and European bases in November and December 2022.

Nissha has a history of cooperating with domestic and overseas affiliated companies to develop a variety of sustainability and ESG-related initiatives on a group-wide consolidated basis, and has made efforts to disclose such information.

The Nissha Group does business with many customers who are developing their operations globally, and has also responded to customer requests for global standards in the past. However, in light of the increasing demand for global sustainability and ESG, especially from European customers, we decided to provide this training to systematically deepen awareness of sustainability and ESG.

This training was positioned as a Nissha Academy program and was implemented primarily by the Regional Collaborate Committee (RCC), which provide leadership for company-wide initiatives in their respective regions. The training was taught by an outside expert (ESG consulting firm) and attended by approximately 400 participants, including management, managers, and personnel from affiliated companies in Europe and the U.S.

The training consisted of lectures and workshops. During the lectures, participants learned about global sustainability and ESG trends and the Nissha Group's initiatives. During the workshops, participants were divided into groups according to the company they belonged to discuss how to incorporate sustainability into their businesses and develop action plans.

Training on RBA Code of Conduct at production bases in Asia

As one of the key performance indicators and action items for "corporate governance", a materiality taken up by the Sustainability Committee, in 2023 we are providing in-house training to familiarize employees with the RBA (Responsible Business Alliance), a global code of conduct mainly adopted by the electronics and automobile industries.

The target participants are managers working at Nissha Group production bases in Asia, namely Nissha Precision Technologies Malaysia Sdn. Bhd. (Malaysia), Nissha (Kunshan) Precision IMD Mold Co., Ltd. and Guangzhou Nissha High Precision Plastics Co., Ltd. We invited outside experts to be instructors, and learned the outlines of Social Audits (Social Responsibility Audits) and RBA during the basic training sessions, as well as the details of requirements during the specialized training sessions.

Training name	Contents
Basic training	Social Audit Overview of RBA basic requirements (occupational, health and safety, environmental, ethical and management systems)
Specialized training	Details of RBA requirements (occupational, health and safety, environmental, ethical and management systems)

The Nissha Group plans to continue to provide such training in the future.

17. Employee Engagement

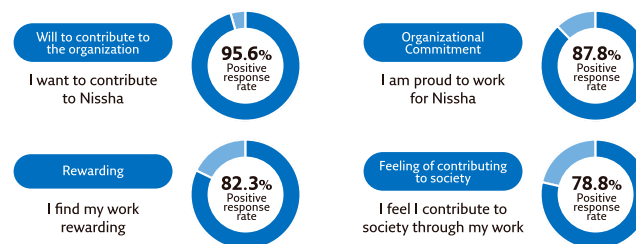
The Nissha Group has established Diversity and Inclusion as one of the Shared Values, which is the principle of employee behavior, and is working to create a workplace where human resources with diverse values and diverse backgrounds can maximize their abilities. At Nissha Group in Japan, we are implementing 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.

17-1 Engagement Survey

For employees to work passionately and for the company and employees to grow together, we believe it is important for the company to improve employee engagement by putting in place a system that encourages this and fostering an organizational culture that is easy to work in. As one of these efforts, an engagement survey was conducted for the first time, targeting a total of approximately 3,000 employees, including all permanent employees working for the Nissha group companies in Japan in the first half of the fiscal year ended December 2022 and employees excluding those working at overseas Nissha Group factories, etc., in the second half of the fiscal year ended December 2022. The purpose of this survey was to identify issues that will improve the diverse capabilities and passions of Nissha, the source of our growth, and to improve it to the way we are, and will be conducted annually in the future.

■ Engagement survey results (Total for Japan and overseas)

Response rate 83.0%



The positive response rate for willingness to contribute to the organization and organizational commitment is high. This may be related to the fact that our Mission has been widely disseminated and is strongly identified with. On the other hand, when limited to their own work, the respondents found it somewhat more difficult to feel a sense of fulfillment and contribution to society. Based on these results, we analyze and develop the factors at each company, business and workplace level and promote specific actions. Based on these results, the factors are analyzed and developed at company, business and workplace level, and specific actions are promoted. We will continue to implement initiatives and make improvements to enhance a culture in which all employees work with passion.

■ Examples of specific actions

- Installed large monitors in workplaces and factories to introduce the latest corporate information and case studies on the adoption of our products
- Renovated workplace facilities to accommodate diversified

work styles by reflecting employee feedback

- Increased efforts to enhance morning meetings and increase communication opportunities in the workplace

17-2 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 development, engineering, and administration divisions, make use of this system.

17-3 Telework System

A telework system was introduced in 2014 to promote effective and flexible working styles for employees. In the fiscal year ended December 2020, by expanding its scope 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, the system is now also an indispensable part of our BCP response in the event of transportation disruptions or disasters.

17-4 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.

■ 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	—
Days off for spouse's child-birth	3 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, in order to support female employees who wish to return to work early after childcare leave, we have introduced a system to provide financial support to employees who return to work by the end of the month in which their child turns six months old and who meet certain requirements, and a system to cover part of the expenses of private day care.

■ Number of employees who used child-rearing Support (Nissha Group in Japan)

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	FY2018	FY2019	FY2020	FY2021	FY2022
Child-rearing leave	Male	14	18	19	21	25
	Female	45	43	50	46	48
	Total	59	61	69	67	73
Shorter hours for child-rearing	Male	8	7	2	2	3
	Female	81	90	93	87	92
	Total	89	97	95	89	95
Days off for child nursing	Male	67	79	56	49	50
	Female	78	78	64	59	65
	Total	145	157	120	108	115

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.

	Gender	FY2018	FY2019	FY2020	FY2021	FY2022
Reinstatement Rate^{*1} (%)	Male	100.0	100.0	100.0	100.0	100.0
	Female	100.0	95.0	100.0	95.6	95.8
	Average	100.0	96.8	100.0	97.1	97.6
Retention rate^{*2} (one year) (%)	Male	83.3	100.0	92.0	83.3	87.5
	Female	100.0	90.0	88.6	91.3	100.0
	Average	96.3	93.5	90.0	88.5	94.7

*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

■ 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.

■ Number of employees who used family care leave
(Nissha Group in Japan)

Support system	Gender	FY2018	FY2019	FY2020	FY2021	FY2022
Family care leave	Male	1	3	1	0	0
	Female	0	1	0	0	0
Shorter hours for family care	Male	0	0	0	0	0
	Female	1	1	0	0	0
Days off for family care	Male	8	12	8	5	6
	Female	8	5	7	1	6

- Communication with employees

A dedicated "Thinking about Careers" website is available on intranet to introduce various systems and personal experiences to help employees think independently about the career options available when life events such as marriage, childbirth, childcare, nursing care, treatment for illness, and retirement occur.

In addition, we established a system that is easy for employees to understand by consolidating contact to the Personnel Consultation Desk and referring employees to the appropriate person in charge according to the content when they have questions or concerns about life and career plans in general, not just in relation to childcare or nursing care.



■ 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 Next-generation 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.

17-5 Promotion of the Use of Annual Paid Leave

With the goal of having all employees take five days of annual paid leave per year, we are continuing efforts such as disseminating information internally via the intranet, registering annual paid leave plans for the year in advance in the attendance management system, and distributing the results of leave taken to department managers. In the fiscal year ended December 2022, the acquisition rate was the highest in the past five years. Currently, the target has been raised to eight days per year, and we will continue to promote the use of annual paid leave.

In October 2019, we introduced annual paid leave by the hour as a system for facilitating more flexible use of annual paid leave. This system is widely used by employees.

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

Fiscal Year	FY2018	FY2019	FY2020	FY2021	FY2022
Average days	11.0	12.2	11.4	11.5	12.9
Percentage of use	60.4	65.9	61.4	60.3	66.1

17-6 Saved Expired Leave System

The Nissha Group in Japan has introduced a paid leave accumulation system that allows employees to save up to 30 days of expired annual paid leave to be used in unforeseen circumstances or to facilitate the performance of social roles. This system is used in the event of illness either of the employee or a family member, childcare and family care, school events and holidays, and volunteer activities including registering as a donor with the bone marrow bank.

17-7 Volunteer Leave System (Nissha Group in Japan)

The paid leave accumulation system can be used when participating in volunteer activities such as registering as a donor with the bone marrow bank, assisting at welfare facilities managed by local governments, and activities related to reconstruction assistance following natural disasters. In the fiscal year ended December 2022, two people used the system for a total of three days.

17-8 Outpatient Sick Leave System (Nissha Group in Japan)

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. Nine employees used the system in fiscal year ended December 2022.

Fiscal Year	FY2018	FY2019	FY2020	FY2021	FY2022
Male	1	1	2	3	5
Female	1	2	2	3	4
Total	2	3	4	6	9

17-9 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.

17-10 Management of Working Time

Nissha Group in Japan promote the reduction of overtime work to realize employee health and work-life balance. In addition to improving productivity, the Group companies have been steadily decreasing overtime hours over the years through ongoing activities including employee training aimed at optimizing working hours and sending out individual alert e-mails to employees who are likely to work long hours. As a result, an average of 15 hours of overtime per month were worked during the fiscal year ended December 2022. At the same time, Group companies are working to equalize working hours among departments by reviewing the division of duties.

Diverse work styles that took hold during the COVID-19 pandemic

At the Nissha Group, teleworking has become established as a work style option, triggered by the spread of COVID-19 in 2020 and thereafter. In the fiscal year ended December 2022, although there was a trend toward returning to the office and face-to-face work as the infection situation calmed down, the teleworking rate remained at an average of about 20%. Employees are able to choose the best work style to produce results that suit their lifestyle, such as combining telework and flextime to enable employees who have been working shorter hours to work full time, or combining telework and paid leave taken in half-day or hourly increments to efficiently complete work and personal tasks in one day.

17-11 Internal Job Posting System

The Nissha Group introduced an internal job posting system 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 divisions and operations that we focus on, such as priority markets and businesses with high commercialization potential, from the perspective of management strategies such as medium-term business plans. Employees who meet the requirements apply on their own initiative and those that pass the selection are transferred to the relevant division. Employees transferred through internal recruitment are playing active roles in their divisions.

Implementation status of internal Job posting system (Nissha Group in Japan)

Fiscal Year		FY2018	FY2019	FY2020	FY2021	FY2022
Number of job posting		15	9	No offering	15	31
Successful applicants (transferees)	Male	2	4	-	6	2
	Female	1	1	-	1	0

17-12 Awarding System (Nissha Group)

Nissha Group established various awarding systems for employees. These systems aim to praise the recipients of the awards and motivate the company and organizations as a whole by clarifying the requirements that the company should praise and by widely disseminating facts that correspond to such requirements through the company and organizations.

The results of the four main group-wide awards in the fiscal year ended December 2022, namely the CEO's Award, the BU Head's Award, the Synergy Award, and the New Hope Award, are as follows. These award winners include 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.

Type	Content	Number of winners
CEO's Award (Company-wide)	For employees who have made significant contributions to the consolidated performance	n/a
CEO's Award (Group Companies)	For employees whose sales and operating profit greatly exceed the previous year's level and plan, or who have contributed to the bold and dynamic execution of business strategies	n/a
BU Head's Award	For employees who have made significant contributions to business performance or strategy	21
Synergy Award	For employees who have created synergies across regions and businesses	79
New Hope Award	For domestic employees who act proactively without fear of failure or change as workplace heroes	8

In addition to the group-wide awards mentioned above, the Group also operates an award system for Group companies, including the Group Company Representative Award, which recognizes employees who have performed outstandingly well. The Group has established the global tagline 'Performance Champion', which is meant to recognize employees who have achieved results, and all of these awards are operated under a unified concept and visual.



17-13 Career Resumption Program

This program supports former employees who resigned due to life events such as childbirth, childcare, or nursing care, or for personal reasons such as job change, by giving them the option to return to work for the Nissha Group.

This enables us to draw on the range of experiences, knowledge and skills that former employees who are already familiar with our corporate culture and business have acquired outside the company, such as at other companies. It allows them to play active roles again as human resources with diverse values and careers. Two former employees who asked to use this program in 2022 rejoined the Nissha Group in 2023.

17-14 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 November 2019 as a system that allows all employees and contract employees who join the employee stock ownership plan to receive the benefits of the rise in the stock price of the Company's shares for three years. This program ended in January 2023 and was reintroduced in March 2023.

As of the end of December 2022, 27.5% of the employees have joined, and together hold 0.9% of the Company's shares.

■ Subscription Status of Employee Stock Ownership Plan

Year	2018	2019	2020	2021	2022
Number of eligible subscribers	2,413	2,353	2,089	2,081	2,011
Number of subscribers	598	625	543	573	553
Subscription rate	24.8	26.6	26.0	27.5	27.5

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.

17-15 Retirement Pay System

As part of our retirement pay system, we have introduced a defined contribution pension plan in addition to a defined benefit pension plan to support our employees' life planning and money planning. Under the defined contribution pension plan, in addition to the Company's contributions, employees can voluntarily add their own contributions, which are then invested by the employees themselves.

18. Safety and Health

18-1 Policy and Principles

The Nissha Group has established a Basic Policy for Occupational Health and Safety and Basic Principles for Occupational Health and Safety which outlines specific actions and disciplines, and has informed all employees of their content, aiming to ensure the health and safety of all people involved in our business activities.

Occupational Safety and Health Policy

Nissha Group places safety first in its business activities and continues to actively work on areas such as improving the working environments and health of Nissha People, remaining a company where Nissha People can remain healthy in both physical and mental.

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

Occupational Safety and Health Principles

1. We shall strive to eliminate and reduce risks through increasing risk sensitivity and responding to changes for achieving "zero accidents".
2. We shall promote measures related to health and promote the maintenance and improvement of both physical and mental health.
3. We shall introduce appropriate management resources to ensure the safety and promote the health of Nissha People, and work to improve their effectiveness.
4. We shall ensure the safety of Nissha People by having them mutually interact and act with discipline.
5. We shall construct a management system and promote continuous improvements to suit changes in the business environment.
6. We shall comply with relevant laws and regulations, act with integrity, and create a safe culture.

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

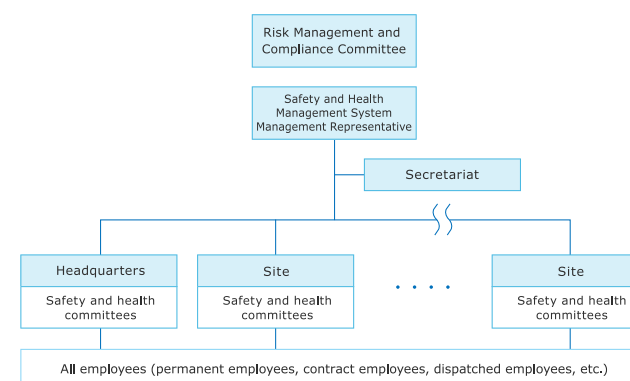
Established on April 1, 2007 / Revised on May 1, 2022

18-2 Safety and Health Management System

Under the Risk Management and Compliance Committee, 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, that includes compliance with relevant laws and regulations as well as items requested by customers, and strives for the continuous improvement of safety and health activities. The Safety and Health Committees established at each base are formed from representatives from the bases, 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 safety and health objectives, conducts safety and health 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 action. The progress of these activities is reported at management review report meetings that all bases participate in. 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



18-3 Initiatives for FY2022

The Nissha Group in Japan has set safety and health targets in line with our Occupational Safety and Health Policy and Occupational Safety and Health Principles, and are developing a range of occupational accident prevention activities with the goal of zero occupational accidents over the three-year period (FY2021 to FY2023) linked with the 7th Medium-term Business Plan.

Workplace Risk Reduction - Risk Assessment

We conduct risk assessments to reduce occupational safety and health risks in the workplace in accordance with our internal regulations. Risk assessments are conducted regularly on a workplace basis to continuously identify sources of hazards, conduct risk assessments, and determine and implement risk reduction measures based on the risk assessments. When an injury accident occurs, a risk assessment is conducted for that work, and risk reduction measures are taken. Chemical substance risk assessments are conducted at workplaces that use chemical substances, such as technical development departments and production facilities. In addition to regularly conducting assessments of the risks posed by chemical substances, we also conduct assessments and review the results, as necessary, when introducing production processes, work methods and work environments or new materials or chemicals, when changing chemicals, etc., or when accidents or disasters occur.

Safety Patrols

A team led by the safety manager, health manager and industrial physician 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.

We honor workplaces that have worked diligently and enthusiastically on these safety and health activities and have not experienced any accidents during the year. We also present an annual safety and health award, the Annual Zero Accident Award, in an effort to foster a culture of safety.

18-4 Occurrence of Occupational Accidents

The following table shows the occurrence of occupational accidents at the Nissha Group in Japan. The number of work-related accidents in the fiscal year ended December 2022 was seven, a record low, and both the frequency and severity improved greatly due to the decrease in accidents resulting in days of leave. When an accidents occurs, we analyze the cause and disclose details of the countermeasures on the Nissha intranet to prevent similar accidents.

Occurrence of Occupational Accidents (Nissha Group in Japan)

Item	FY2020	FY2021	FY2022	Average over the 3 years
Number of occupational accidents	15	15	7	12.3
4 or more days of leave	3	7	0	3.3
Occupational accident frequency*1 (%)	0.98	1.48	0.35	0.97
Occupational accident severity*2 (%)	0.01	0.05	0.00	0.02
Fatal accidents	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 major overseas production bases)

The numbers of occupational accidents at the Nissha Group major overseas production bases in the fiscal year ended December 2022 are given in the table below.

Region	North America	Central and South America	Europe	Asia
Number	19	2	30	2

* Work-related accidents requiring absence from work. The count for the number of accidents is based on the standard in each region.

18-5 Safety and Health Education and Training

In accordance with our Safety and Health Education and Management Regulations, we are focusing on education and training to raise safety awareness and foster a culture of safety, using remote education and e-Learning. We also share information and develop educational programs at our major overseas production bases.



Risk assessment training

Training Participation

Category	Lesson/Session	Number of attendees in FY2022
General training	New employee training (safety and health)	20
	Safety training at the time of assignment	26
Safety training	Training when installing new equipment	66
	Health training (occupational health and health hazards)	102
	Health training (prevention of heatstroke)	73
	Risk assessment training (safety and health)	414
	Foreman education	3
	Chemicals training (risk assessment of chemicals)	85
	Safety training (chemical substances)	185
	General lifesaving training	49
	AED training	61
	Traffic safety education	1,307

18-6 Safety Slogan

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.

“Safety”
Not because I have to,
But because I *want* to.
NISSHA

18-7 External Evaluation

The Nissha Group in Japan received the following awards in the fiscal year ended December 2022.

Award target	Award name	Awarding body
Safe Driving Manager, Nissha Co., Ltd. Kameoka Factory	Excellent Safe Driving Manager	Kyoto Prefecture Traffic Safety Association
Safe Driving Manager, Nitec Precision and Technologies Inc. Kaga Factory	Excellent Safe Driving Manager	Ishikawa Prefecture Association of Safe Driving Managers

19. Health and Productivity Management

19-1 Policy

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 have formulated a Health and Productivity Management Policy based on the belief that it is important for the realization of our mission that each and every employee to be healthy in mind and body and to be highly motivated in their work, as this will lead to improvements in company performance.

Health and Productivity Management Policy

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.

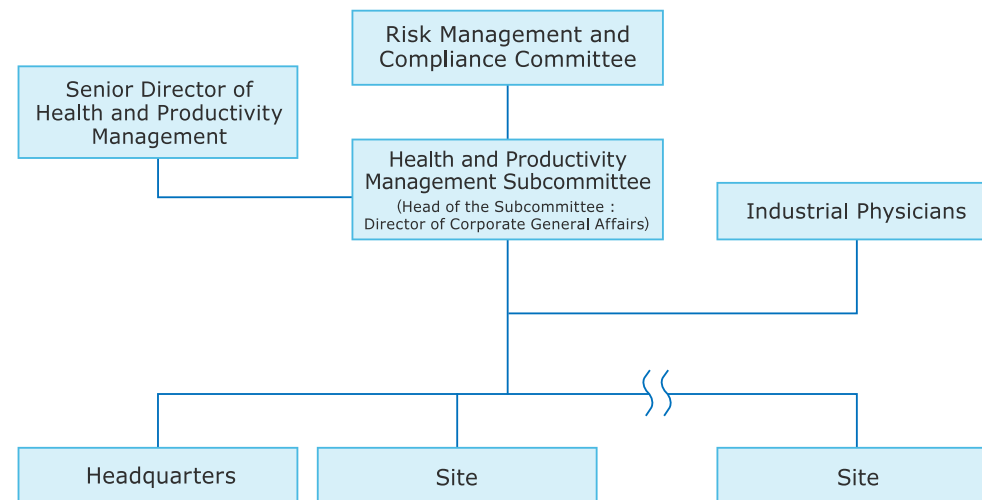
Junya Suzuki
Chairman of the Board, President and CEO
Nissha Co., Ltd.

Established on September 3, 2018
Revised on July 1, 2021

19-2 Structure

We have appointed a director of the Board, Senior Executive Vice President in charge of health and productivity management as part of our health and productivity management promotion structure. Under the leadership of the director, the Health and Productivity Management Subcommittee, which is under the Risk Management and Compliance Committee, drafts and promotes plans for the Group's health measures.

Health and Productivity Management Promotion System



19-3 Acquired "Health and Productivity Management Outstanding Organizations (White 500)" Certification

We have been certified as a White 500 company in the large enterprise category of the Health and Productivity Management Organization Program by the Ministry of Economy, Trade and Industry. This certification recognizes our Health and Productivity Management initiatives, which consider employee health management from a managerial perspective to strategically implement activities that maintain and promote health. In the future, we will continue to promote maintaining and improving mental and physical health through various initiatives to allow each and every employee to fully exercise their abilities.



19-4 Various Measures for Health and Productivity Management "Nissha Wellness"

We have named our health and productivity management-related initiative "Nissha Wellness" and we share this concept with employees at all our group companies, both in Japan and overseas, through our corporate magazines and the Nissha intranet. Nissha Wellness incorporates the belief that "an improved lifestyle quality in terms of health will lead to greater creativity and efficiency at work and a richer life." The Health and Productivity Management Subcommittee, which includes occupational health staff, plays a central role in promoting health management through various measures.

Slogan poster

"Wellness"
A balanced lifestyle
equals creativity and efficiency
NISSHA

Symbol mark



- Physical health
- Mental health
- Teamwork
- Work life balance

Wellness Day and Initiatives

We have set up a monthly Wellness Day throughout the Nissha Group. Wellness Days encourage employees to change their awareness and behavior by promoting quitting smoking, offering nutritionally balanced cafeteria menus, promoting exercise such as walking, and providing information on diet and sleep, etc.

In July 2022, a walking event, participated in by 228 people, was held to mark the first anniversary of Wellness Day. We support the health of our employees in terms of both diet and exercise, which are essential for good health. For example, our cafeteria has started to offer healthy menus from Table For Two(*) once a week.



* Table For Two (TFT) is a global social contribution activities run by the NPO "TABLE FOR TWO International" in Japan. Per a TFT meal, ¥20 is automatically donated to developing countries, which is equivalent to one meal in school lunch. The menu for TFT is a healthy set meal with reduced calories to prevent obesity and lifestyle-related diseases, and this suits our concept of Nissha Wellness.

■ Walking Challenge

In September 2022, we launched "Walking Challenge," in which employees walk around the 600m walking trail on our Global Headquarter premises during their lunch breaks and we publish monthly ranking of laps on the Nissha intranet.

Under the slogan "Have fun, be healthy," an average of 70 people participate each month to make up for their lack of exercise. Some employees have incorporated Walking Challenge into their exercise routine, which has led to significant weight loss among some members.



■ Initiatives to raise awareness of measures to combat passive smoking and quit smoking

We introduced weekly non-smoking days from July 2022, and we will permanently close all smoking areas at our Global Headquarter premises from the fiscal year ending December 2024. In the fiscal year ended December 2022, as part of our effort to get employees to stop smoking we ran a tobacco education program on "nicotine dependence and how to overcome it" and "ways to stop smoking". A total of 270 employees from the Nissha Group in Japan took part in the program. We also provided a distance-learning stop-smoking program as part of our "Wellness Challenge." We also subsidize stop-smoking aids and in the fiscal year ended December 2022, three out of four participants successfully quit smoking. We will continue these efforts in the fiscal year ending December 2023. In addition to the World No Tobacco Day in May, we have also established monthly no-smoking days on which we close all smoking areas at the same time at all our bases in Japan. Going forward, we will continue our efforts to raise awareness of the health of our employees and their families.



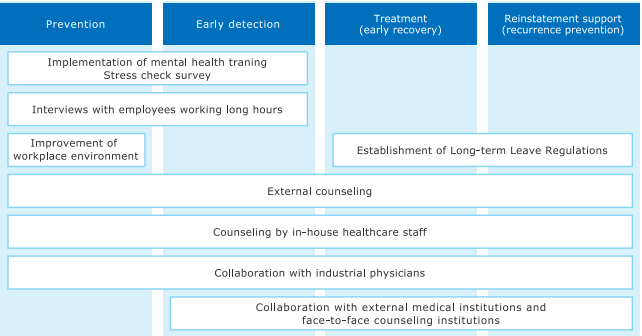
■ Boost the rate of important and detailed medical checkups

We have been working to achieve a cancer screening rate of 60% or higher, and in the fiscal year ended December 2022, we achieved a 71% uptake rate. We are working to improve the rate of employees who undergo more detailed examinations following their health check-ups by disseminating information on cancer awareness, as this links to the early detection and early treatment of cancer.

In 2022, we cultivated employees with a video showing importance of an early detection of cancer, at the health checkup venue. We also enclosed a booklet, "Guide to Cancer Screening" with the results of the health checkups.

■ Workplace stress check analysis and mental health support

We provide department managers with the results of stress check workplace analysis, and teach them the correct way to view and utilize the results to create a comfortable workplace. Members of the Health and Productivity Management Subcommittee attend workplace care interviews and encourage department heads to be aware of and follow up on their concerns from a more managerial perspective.



Mental health support includes regular activities (mental support) provided by a clinical psychologist and individual counseling. We also carry out other mental health education (self-care, line care, etc.).

■ Specific health guidance

Specific health guidance is a program in which professionals provide support by reviewing the lifestyle habits of employees who are at high risk of developing lifestyle diseases and who are likely to benefit greatly by modifying their lifestyle. We provide specific health guidance as a high-risk approach. In the fiscal year ended December 2022, 222 employees throughout the group received guidance, and the first-time interview rate was 97%. The final retention rate was maintained at 95%.

■ Support for balancing work and treatment

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.

Refer to 17-9 Support for Reinstatement after Long-term Leave

■ Nissha Group Health Consultation Service

We have set up an external 24-hour health consultation service, so that employees can have easy access to mental health counseling by medical professional. The service can be accessed via phone or the internet even when pressed for time due to work commitments. Privacy is also assured. A certain number of employees use the service each year.

20. Intellectual Property

20-1 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 conduct effective and safety R&D and business activities, the Group emphasizes "building an intellectual property portfolio" and "avoiding intellectual property risks" under the leadership of the Intellectual Property Management Department.

20-2 Initiatives

■ Building an intellectual property portfolio

We use the intellectual property system to properly safeguard the results of our research and development. Right 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 Department coherently manages, from application to rights expiration, and intellectual property rights we have obtained are utilized strategically throughout the entire Nissha Group.

■ Avoiding intellectual property risks

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.

To prevent problems related to intellectual property, the Intellectual Property Management Department examines contracts related to intellectual property, such as joint research and joint development.

■ Training

The Nissha Group is enhancing its various training programs so that each and every employee works with an understanding of intellectual property right acquisition and usage and the risk associated with intellectual property.

We offer a wide range of training for all employees taught by Intellectual Property department staff, from fundamental curriculum such as explanations on how to read patent publications and the process of patent acquisition to on-the-job curriculum such as techniques for surveying patents from other companies and duty related points to consider regarding intellectual property. In the fiscal year ended December 2022, a total of 225 employees attended.

In mandatory training for employees in engineering fields, we invited an outside specialist instructor to teach about ways to find inventions and techniques for searching for development themes, and so on. This training was designed to continuously improve employees' skills and knowledge regarding intellectual property. In the fiscal year ended December 2022, a total of 240 employees attended.



21. Partnership with Our Suppliers

21-1 Basic Policy

The Nissha Group procures the materials, equipment, and services necessary for production and a wide range of business activities from suppliers in various regions. We work fairly and equally with all suppliers to promote CSR procurement based on our Purchasing Principles in order to share awareness of our social responsibility and enhance mutual corporate value.

Our Purchasing Principles cover all business operations throughout the Nissha Group. Based on these principles and the Purchasing Management Regulations as a management framework outline, we operate a system for each business.

Purchasing Principles

Nissha Group achieves sustainable procurement by building relationships of trust with our suppliers through mutually fair purchasing.

Nissha Group evaluates our suppliers in terms of fairness, impartiality, and comprehensively based on the following criteria.

1. Stable business foundation and reliable management principles
2. Excellent technology development and the abilities to propose products or services that consider environmental impacts
3. Provision of stable, high-quality products or services
4. Price competitiveness
5. Stable production capacity and lead times
6. Effective business continuity management plans

Nissha Group achieves sustainable 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

Yoshitami Aoyama
Senior Vice President, Chief Supply Chain Officer
Nissha Co., Ltd.
Established on April 2, 2009 / Revised on May 1, 2022

We request all of our suppliers to comply with the Purchasing Principles and the CSR Procurement Guidelines. These Guidelines are based on the Responsible Business Alliance (RBA), a code of conduct mainly 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 Guidelines and SAQ (Self Assessment Questionnaire)

1. Labor and human rights

- (1) Elimination of Involuntary Labor
- (2) Prohibition of child labor, protection of young workers and student workers
- (3) Working hours
- (4) Wages and benefits
- (5) Humane treatment
- (6) Non-discrimination
- (7) Freedom of association

2. Health and safety

- (1) Occupational safety and health
- (2) Emergency preparedness
- (3) Prevention of occupational injury and illness
- (4) Industrial hygiene
- (5) Physically demanding work
- (6) Machine safeguarding
- (7) Sanitation, food, and housing
- (8) Health and safety communication

3. The environment

- (1) Environmental permits and reporting
- (2) Pollution prevention and resource reduction
- (3) Hazardous substances
- (4) Solid waste
- (5) Air emissions
- (6) Materials restrictions
- (7) Water management
- (8) Energy consumption and greenhouse gas emissions

4. Ethics

- (1) Business integrity
- (2) No improper advantage
- (3) Disclosure of information
- (4) Intellectual property
- (5) Fair business, advertising and competition
- (6) Protection of identity and non-retaliation
- (7) Responsible sourcing of minerals

5. Information Security

- (1) Building of information management system
- (2) Defense against threats on computers and networks
- (3) Management and protection of personal information and confidential information

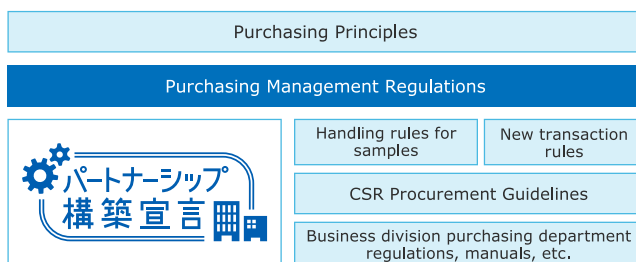
* These guidelines are implemented mainly in our Devices Business.

21-2 Maintaining Purchasing Related Rules

The Nissha Group is currently informing all Group companies of the Purchasing Management Regulations, which were comprehensively revised in 2021, and the Purchasing Guidelines, which were additionally established in 2022. This task is expected to be completed during the fiscal year ending December 2023. The Purchasing Guidelines require strict compliance with all purchasing processes, including not only production materials but also services, the details in contracts and rules for concluding contracts, and laws and regulations, including the Subcontract Act.

In addition, we plan to hold briefing sessions, including comprehension tests, to ensure that these regulations and guidelines are understood and thoroughly applied, and to confirm the status of application through internal audits.

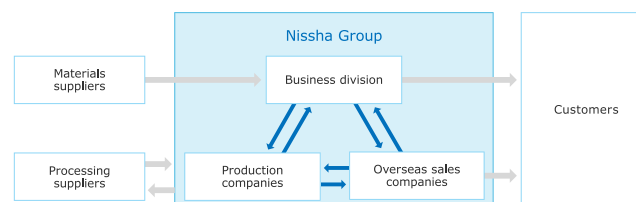
In September 2020, we established and announced our Declaration of Partnership Building as promoted by government agencies such as the Cabinet Office, and are promoting activities designed to build trust relationships with all of our suppliers and enhance mutual enterprise value.



21-3 Nissha Group Supply Chain

We at the Nissha Group collaborate with various suppliers through our business activities, and our supply chain is expanding globally. The global supply chain has been severely affected recently by COVID-19, the invasion of Ukraine by Russia, lockdowns in China, the sharp rise in raw material and fuel prices due to the sharp depreciation of the yen, etc., and shortages and price hikes due to labor shortages. However, thanks to the cooperation of our suppliers, the Nissha Group has been able to continue our sound business activities.

Main Entities of the Nissha Group Supply Chain



21-4 CSR Audit and SAQ

Acceptance of customer-based CSR audits

Nissha Group production bases are subject to customer-based CSR auditing. Among these audits, some items require passing scores as preconditions for mass production orders, some incorporate periodic monitoring, some employ on-site auditing, some use remote auditing, and some have auditing conducted via a web-based question-and-answer platform.

In the fiscal year ended December 2022, audits were conducted for Nissha Precision Technologies Malaysia Sdn. Bhd. (NPM), a production base for the Industrial Materials business, and the Nitec Precision and Technologies (NPT) Himeji Factory and Kaga Factory, which serve the Devices business. Of these, the audit at NPM found several violations, including the way foreign national contract employees' personal information is handled. However, remedial and recurrence prevention measures have been taken and corrective action has been completed. Audits at other locations found that no serious claims existed, including significant human rights violations or environmental law infractions.

CSR audits of suppliers

In addition to undergoing these customer-based audits, we have been particularly promoting CSR auditing targeting important and new suppliers from the fiscal year ended March 2015 onward as part of an effort to maintain a safe and secure supply chain. The total audits to-date are 19 companies with a total of 187 improvement comments (88 related to labor and human rights, 53 to safety and health, 29 to the environment, 12 to ethics, and 5 to management systems). All corrective action has been completed with the cooperation of our suppliers.

In addition to on-site auditing, we also implement annual surveys using our own Self Assessed Questionnaires (SAQ) to gauge the status of supplier CSR activities. Continuing on from the last fiscal year, the Devices business conducted a survey of 40 companies (materials suppliers, assembly contractors, etc.) in Europe and Asia, including China, in addition to Japan. As a result of the survey, no particular points of concern were found.

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. Such surveys are also conducted at major production bases outside of the Devices business, targeting new business partners as well as outside contractors and temporary employment agencies.

In the fiscal year ended December 2022, the ESG Task Force* took the lead in conducting a survey on labor and human rights. The survey targeted suppliers that meet the following two criteria.

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

As a result of the survey, no points of concern were found at any of the 95 targeted suppliers.

In the fiscal year ending December 2023 and beyond, we will continue this survey and conduct on-site audits of suppliers that we deem particularly necessary in order to reduce risk in our transactions.

The CSR auditing and Self Assessed Questionnaires (SAQ) are based in our CSR Procurement Guidelines (21-1).

* The ESG task force is set up under the umbrella of the Sustainability Committee on themes considered particularly important from an ESG perspective, and responsible for accelerating the respective activities.

21-5 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 1,000 people have taken this training.

In the fiscal year ended December 2022, 142 employees attended training by external instructors on the revised operating standards for the Subcontract Act designed for the procurement and sourcing division and technical and development departments involved in sourcing. In addition, we integrated training for employees new to purchasing-related tasks designed for the procurement and sourcing division and basic education training for technical and development departments, and updated the basic procurement education. We also established and created a system to regularly provide theme-based education that goes into themes such as the Subcontract Act, in greater depth. Basic procurement education is designed to provide employees newly involved in procurement with the procurement knowledge they need to do their jobs and it aims to embed basic procurement knowledge such as company procurement rules, including basic knowledge for laws and contracts related to procurement and Basic Principles for Purchasing.

As a new initiative, we are also providing training to Nissha Group companies overseas. In the fiscal year ended December 2022, we offered basic procurement education to three Group companies in China, and 11 employees attended. We plan to continue to expand training to other Group companies.

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

22. Along with Local Communities

22-1 Policy

The Nissha Group contribute to the resolution of social issues through our business activities toward the realization of our Mission, and engage in social contribution activities in areas designated as main fields to support in our Social Contribution Policy.

Social Contribution Policy

Nissha and Nissha People contribute widely to society to realize the enrichment of people's lives professed in our Mission by resolving social issues through our businesses and supporting the fields listed below.

Main fields of our support:

- Environment
- Arts and Culture
- Medical and wellness

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

Established on March 6, 2009 / Revised on June 1, 2022

22-2 Initiatives

The Nissha Group are expanding our business globally. We promote activities that meet the needs of our stakeholders through communication with them in each region.

As a company with its headquarters in Kyoto, Nissha Co., Ltd., engaged in the following activities in the fiscal year ended December 2022.

Environment / support for future generation

- Participated in the activities for environmental workshops at elementary schools organized by the Kyoto Chamber of Commerce

Employees visited two elementary schools in Kyoto City to carry out environmental workshops. In addition to thinking about global warming and plastic waste issues with students, we introduced our environmental efforts and our sustainable material products to make it an opportunity to learn how companies are tackling social issues.

Workshop at: Kyoto Municipal Utano Elementary School on September 22, 2022
Kyoto Municipal Taishogun Elementary School on September 30, 2022



Support for future generation

- Participated in Children's Monodzukuri Project run by the Kyoto City Board of Education

In addition to exhibiting a corporate booth at the Kyoto Monodzukuri Hall of Fame, Kyoto City Inquiry Learning Center for Career Education (Kamigyo-ku, Kyoto), organized by the Kyoto City Board of Education, we also provided educational materials for 1,100 Kobo Gakushu participants, a hands-on manufacturing learning program for elementary school students held at the Learning Center.

Promotion and support of arts and culture

- Donation of relocation and maintenance fund to Kyoto City University of Arts

In collaboration with the Nissha Foundation, we donated a total of 7 million yen to the university's relocation and maintenance fund.
- Sponsorship of arts and crafts exhibitions

We sponsor exhibitions and art displays in Japan.

Johannes Vermeer and the Dutch Masters of the Golden Age from the collection of the Gemäldegalerie Alte Meister, Staatliche Kunstsammlungen Dresden (TOKYO METROPOLITAN ART MUSEUM)

Hello! Super Collection - 99 Untold Stories- (Nakanoshima Museum of Art, Osaka)

Inaugural Special Exhibition Amedeo Modigliani (Nakanoshima Museum of Art, Osaka)

Okamoto Taro: A Retrospective (Nakanoshima Museum of Art, Osaka)

Special Exhibition Chanoyu: Tea in the Cultural Life of Kyoto (Kyoto National Museum)

KYOTO GRAPHIE international photography festival 2022 (The Museum of Kyoto and other venues in Kyoto City)
- Participation as a museum partner

Kyoto National Museum (Higashiyama-ku, Kyoto)

Humanitarian Assistance

- Support for Ukraine

In June 2022, in response to the humanitarian crisis in Ukraine, we launched a joint fundraising program with SERMIG*, a European non-profit organization that provides humanitarian assistance. We donated approximately 16 million yen to the organization, which includes donations contributed by our Group companies around the world and Nissha's contribution.

* Non-profit organization based in Italy with more than 50 years of experience in providing humanitarian assistance around the world, that is engaged in support activities in response to the humanitarian crisis in Ukraine.

- Support for the areas and people affected by the 2023 Turkey-Syria Earthquake

In February 2023, we donated 3 million yen through Japan Platform*, a non-profit organization, to support the victims of the 2023 Turkey-Syria Earthquake and to help with reconstruction in the affected areas.

* Emergency humanitarian assistance framework established in 2000 as an intermediary support organization to support the activities of NGOs. Japan Platforms works to deliver aid from Japan quickly and effectively to victims of natural disasters in Japan and abroad, refugees and internally displaced persons due to conflicts.

22-3 Membership in Community Organizations (Nissha)

Nissha participate in various activities in the region.

Organization / host	Position / membership status	Company registered
Kyoto Chamber of Commerce and Industry	Permanent member	Nissha
Kyoto Employers' Association	Councilor	Nissha
Kyoto Association of Corporate Executives	Special secretary	Nissha
Kyoto Industrial Association	Director	Nissha
Kyoto Institute of Technology	Joint management council member	Nissha
Kyoto University Graduate School of Business Administration	Member of External Evaluation Committee	Nissha
Ritsumeikan University Business School	Education Curriculum Council Member	Nissha
NISSHA FOUNDATION	Representative Director	Nissha

23. Quality Management

Realizing our sustainability vision requires us to provide more products and services for the medical and mobility markets, where the quality of products and services is likely to have a significant impact on human life and health. To achieve this, it is essential that we develop human resources with the mindset, knowledge, and skills to adapt to systems used globally based on the target market.

The Nissha Group has identified the “responsible provision of products and services” as a material issue and tackling the issue by setting KPIs and action items.

Strategy Items	KPIs and Action Items (FY2023)
<ul style="list-style-type: none"> • Maintain and expand quality management system in accordance with our business strategy • Improvement of quality assurance levels by incorporating quality-oriented designing • Fostering and improving the quality mindset 	Number of serious quality incidents: 0

23-1 Policy / Nissha Quality Way

In April 2022, along with a revision of our Quality Policy, we established the Nissha Quality Way as a code and standard of conduct necessary to actualize the Quality Policy. These are our fundamental philosophies for quality in the Nissha Group and upper level policies for all quality policies currently implemented in the Quality Management System (QMS).

The Chief Quality and Production Officer (CQPO) uses an array of opportunities to spread and percolate our Quality Policy and the Nissha Quality Way, including training at foreign bases, training targeting new employees and promoted employees, and inclusion in internal company publications (published in Japanese, English, and Chinese).

Quality Policy

Nissha Group’s products and services enhance value for customers and society through the establishment and operation of quality management system that is designed to ensure quality, cost, robust supply chains, and compliance with relevant laws and regulations.

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

Nissha Quality Way

- 1. CUSTOMER FOCUS**
We continuously achieve customer-defined quality.
- 2. LEADERSHIP**
We are all committed to upholding and executing our Quality Policy – each and every one of us is a leader.
- 3. PROCESS APPROACH**
We work based on systematic approach and continue to improve.
- 4. QUALITY BY DESIGN**
We build quality into design, focusing on product safety and feasibility.
- 5. VALIDATED DECISION MAKING**
We are established in evidence-based and scientific approach.
- 6. QUALITY BY CONNECTED SUPPLY CHAIN**
Quality is at the core of our trusting relationship within our supply chain.
- 7. BAD NEWS FIRST**
We quickly address challenges through rapid response and escalation process.

Yutaka Nishimoto
Director of the Board
Chief Quality and Production Officer
Nissha Co., Ltd.

Established on April 1, 2011 / Revised on April 1, 2022

23-2 Quality Slogan

For the quality improvement, it is essential to take actions with a strong awareness of customers. Across the entire the Nissha Group, every single employee is required to be responsible for their daily work and to constantly improve quality. To actualize that, it is necessary for each employee to work with “passion” and to consolidate the “wisdom” and ingenuity” of all employees.

Following our Quality Policy revision and the establishment of the Nissha Quality Way, we revised our quality slogan in April 2022. The slogan shows that the protagonist who creates quality is “me”, that is, all employees working in our group. Just as in our Quality Policy and the Nissha Quality Way, we are spreading and permeating this slogan throughout all Nissha Group companies both in and outside Japan.

“Quality”
Quality by Everyone, Everyday,
with Passion

23-3 Quality Management System (QMS)

Out of our belief that the systematization of work is important, the Nissha Group constructs our quality management systems to align with their target markets. We also create quality targets that conform with quality policies as well as planning to meet those targets. This is employed in the process of cycling through PDCA and in our quest to actualize target performance.

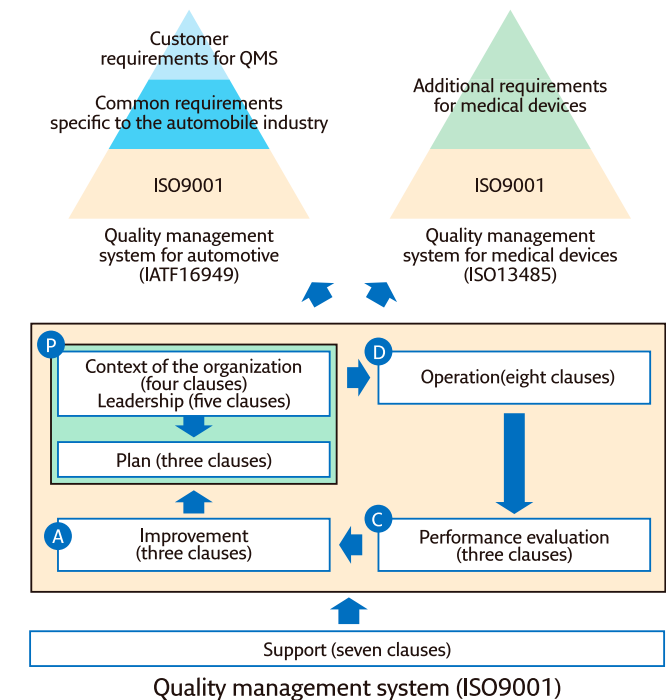
In addition to creating, implementing, and continually improving quality control systems based in the international ISO9001 (2015 version), we are steadily constructing quality assurance systems individually aligned with medical, mobility, and sustainable materials designated as the priority markets in our Sustainability Vision (long-term vision) for where we want to be in 2030.

In businesses oriented towards the medical market, we have acquired a first-class marketing license for medical devices, an operating permit required to manufacture and sell medical devices within Japan. Affiliated companies Nissha FIS, Inc. and Nitec Precision and Technologies, Inc. as well have both acquired operating permits to manufacture medical devices. Moreover, 12 Nissha Group bases have obtained ISO13485, the international standard for quality management systems in the medical devices industry (as of June 2023).

In businesses targeting the mobility market, eight Nissha Group factories and support sites, including Nitec Precision and Technologies, Inc. Himeji Factory (including the Kyoto site), which manufactures touch sensor modules, have obtained IATF16949 certification for quality management systems in the automotive industry (as of June 2023).

These quality management systems include quality performance

management, confirmation of compliance in internal audits (promises to customers, standards and regulations, and company rules), and confirmation of QMS status in management reviews and instructions for improvement. Through these operations, we are continuously improving the structure and performance of our quality management systems.



23-4 Quality Creation at the Design Stage

The Nissha Group has constantly evolved our quality assurance competency.

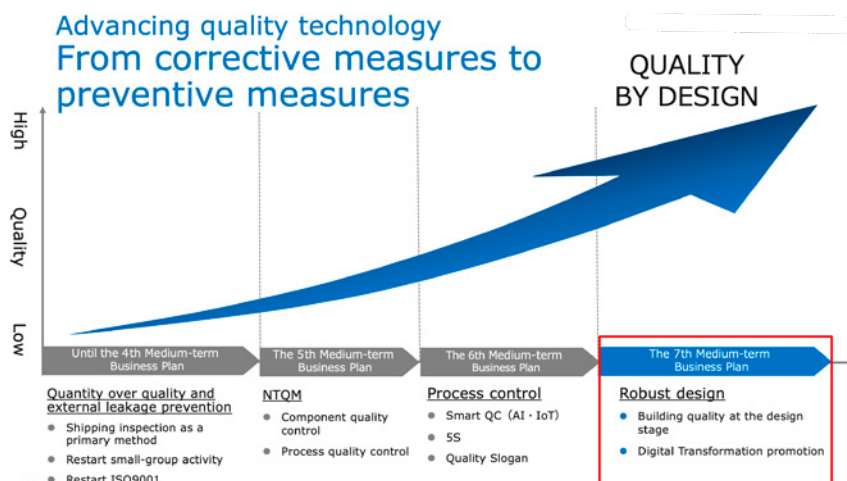
Usually, 80% of the quality and cost are determined by the design stage, and improvement after advancement into the quantity production stage is believed to have a limited effect. In the current 7th Medium-term Business Plan (FY2021.12 – FY2023.12), the target is expanded from quality improvement at production sites to quality creation at the design stage.

Furthermore, because changes in the 4Ms* after advancing to quantity production generates changes in quality stability, the following is required at the stage of advancing to quantity production (at design completion).

1. Product design and material design: Ensuring product specification satisfaction and product safety
2. Production process design: Realization of high productivity and stable quality

"QUALITY BY DESIGN" in the Nissha Quality Way clearly calls for creating quality that values product safety and feasibility at the design stage, and promotes the completion of necessary designing and verification before advancing to quantity production.

*4M: materials (capacity required for business), machinery (facilities, equipment, production environment, measuring instruments, etc.), and methods (production methods, production control methods, examination methods / standards, etc.)



23-5 Overall Optimization and Continuous Improvement

The Nissha Group sees linkages between departments and between company functions as process linkages. As such, we promote the accurate identification of "input" and "output". We are aiming for overall optimization by being aware of process connections and thoroughly implementing the importance of division of roles within the company, and by having all employees stand from the customer's perspective. We believe that basic concepts like this and the sorting out of functions will build the 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 believe this is extremely important as a manufacturing company, and we are deepening this approach across the entire Nissha Group. Moreover, based on the idea that 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. As specified in the "VALIDATED DECISION MAKING" in the Nissha Quality Way, we are constantly pursuing improvement from a fact based, scientific approach.

Training

- ① General quality training (for new employees, promoted employees, new managerial staff, managers, and overseas assignees)
- ② Priority markets skill training
- ③ Management system training (ISO9001, IATF16949, core tools, internal quality auditor)
- ④ Quality control training (QC Exam levels 3 and 4, QC Seven Tools, New QC Seven Tools, basic statistics)
- ⑤ Quality methodology training (statistical methods, experimental design, Taguchi methods, reliability engineering, etc.)
- ⑥ Digital Transformation training (AI, statistical processing, Python, etc.)

Practical education

- ① Support for small-group activities
- ② Support for Digital Transformation activities

Information sharing

- ① Company-wide Presentation Meeting of Small-group Activities
- ② Presentation Meeting of Digital Transformation activities
- ③ Utilize the company intranet to inform all Nissha Group employees on improvement content including small-group activity, improvement proposals, Digital Transformation activity, and automatization examples

23-6 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 respond in accordance with our Regulations for Responding to Serious Quality Incidents and work to resolve the situation as soon as possible. In addition to providing appropriate reports to government agencies in accordance with the law, we have a system in place to inform customers of any necessary information as quickly as possible. Employees are made aware of the importance of ensuring product quality and safety through corporate ethics and compliance training and other programs. As stated in "BAD NEWS FIRST" in the Nissha Quality Way, we think that when a problem occurs, prompt escalation and early response is an opportunity to strengthen trust from all of our stakeholders, including customers.

The evaluation of our product quality is determined by our customers. The Nissha Group indexes and manages quality performance with factors including quality defects and delivery disappointments communicated by customers as a "customer satisfaction level" index.

In the fiscal year ended December 2022, there were no serious quality incidents or violations (no fines), as defined in the Regulations for Responding to Serious Quality Incidents. We will continue striving to maintain the number of serious quality incidents and violations at zero.

24. Efficiency and Productivity Improvement

The Nissha Group includes the efficiency and productivity improvement as a materiality. We are advancing our Digital Transformation under the philosophy that, in addition to improving company efficiency and productivity, digital technology also links to improving added value provided to the customers and resolving societal issues.

Strategy Items	KPIs and Action Items (FY2023)
Improve efficiency and productivity by digitalization of value creation processes	<ul style="list-style-type: none"> Reduction of working hours by automation and efficiency tools such as RPA (compared to 2020) by 100,000 hours / year Conduct training to improve AI/Digital Transformation education and IT literacy: 20 subjects / year

We are promoting Digital Transformation in a phased approach in the following three steps, and engaging in improving an environment and cultivating a human resource base to support that transformation.

	Contents	Examples of initiatives
STEP1	Cost (input) reduction	Increase productivity through the digitization of internal business processes. Resources secured through this to be reinvested into high-value-added operations.
STEP2	Added value (output) increase	Extend digitization to the entire organization to increase the added value we provide to our customers by leveraging accumulated data.
STEP3	New added value (output) creation	Contribute to the creation of new added value and the resolution of social issues by utilizing accumulated data and know-how and digital technology.

Furthermore, we are engaged in human resources development to adapt to the changing business environment, development of IT technologies such as IoT and AI and utilize them in activities of quality control, production, and sales. Also, we promote automation, labor-saving, and efficiency improvement of operations in routine tasks.

24-1 Initiatives Through FY2022

In addition to the digitization of production such as the "Smart project" that aims to make IoT and AI an integral part of production bases, improve quality and productivity through the use of IT, and automate production processes to save labor, the Nissha Group is also working on improving efficiency, sharing information, and visualizing data by systemizing internal business processes as the digitization of indirect operations.

In the fiscal year ended December 2022, the following results were achieved in the digitization of indirect operations.

- We built our own in-house automatic yield rate projection and quotation system in specific business units. As a result, the quality of our designs has improved and we have successfully streamlined business processes internally, thereby speeding up our response to requests for quotations from customers.
- One of our production subsidiaries that handles a wide variety of products in small quantities built an AI-based production planning optimization system. In the past, production plans were created by the person in charge based on past experience and intuition, but by systematizing experience and intuition, the subsidiary has been able to create a system in which the optimal production plan is automatically allocated from the system.

In the fiscal year ended December 2022, we continued to provide an in-house training program.

This program provides education that leads to a variety of practical applications, such as teaching Python, a programming language, starting with the basics of coding, statistical analysis, and machine learning, and includes a simple competition for prediction accuracy as part of its practical training.

In addition to the existing in-house training, we have also introduced an online education platform to provide training on advanced technologies.

Additionally, as a method of productivity improvement in desk work arenas for the various different business areas, we introduced features including RPA (Robotic Process Automation), an electronic approval system, and AI-powered chatbot functionality. We also expanded effects by automating and streamlining work through enlarging the scope of system application by interweaving multiple systems so as to transcend the discrete effects gained by using each individual system alone. In the fiscal year ended December 2022, de-

ployment both in and outside Japan advanced, and from full scale implementation in 2019 to the end of 2022, an approximate 116,000 hours of work time per year was streamlined and automatized.

24-2 Initiatives for FY2023 and Beyond

From the fiscal year ending December 2023 onward, we will continue to engage in the systematization of the entire company, including indirect work, with the aim of improving the quality and quantity of output from the customer's perspective, and we will promote the creation of a system to improve productivity.

We will make full use of data accumulated through digitization, and establish a system for visualization and analysis to improve productivity and product quality.

- In terms of the digitization of indirect work, we will shorten the lead time for calculating performance forecasts through the systematization of planning-related work, which will be achieved by simulating optimal planned values, and we will promote the creation of a system capable of maximizing sales and profits.
- In terms of data utilization, we will identify problems in our work processes by analyzing work processing times and other data using accumulated log data, and we will work to streamline and equalize operations.

In addition, with the above in mind, we will continue to expand both in Japan and overseas, for both relevant work tasks and utilizing divisions, workflow automatization and streamlining that employs productivity improvement tools focusing on RPA as a way of improving efficiency and productivity throughout all companies. Furthermore, we will continue to engage in the digitalization and streamlining of workflow for each function, including marketing, sales business, research and development, and logistics.

In terms of training, we will continue to train data engineers and data scientists, and start to offer training on business process management, aiming to foster "business translators" who will drive business transformation by connecting business issues with digital technology. As a means of providing training, we will extend the use of our online education platform to all those who wish to use it, provide quality educational opportunities tailored to each individual, and promote the development of human resources through practical education such as the DX Project.

As a new initiative, we have concluded a comprehensive collaboration agreement for industry-academia cooperation and DX human resource development with Shiga University, and will work to solve issues related to data science and to create value through digital technology.

Productivity Improvement Efforts at Nitec Industries, Inc. Koka Factory

Nitec Industries, Inc. (NII) Koka Factory is the main factory in Japan responsible for the production of decorative films for the Industrial Materials business. In 2022, the factory systemized the management of exposure time to organic solvents with the aim of improving productivity. This was developed as a factory-specific initiative tied to one of Nissha's materiality, "efficiency and productivity improvement".

Issue	Organic solvents are used in the production of decorative films. To ensure the safety and health of workers, working hours are stipulated by law, and the Nissha Group is also committed to the thorough management of working hours. However, the conventional management method used is working hours = exposure time*1, which means that time away from the workplace is also deemed to be exposure time and this results in the number of hours that can be worked being shorter than the actual working hours, and causes workers to take breaks their work during the day, which hinders productivity.
Counter-measures	In order to accurately grasp actual exposure time, NII's IT department developed an exposure time management system that controls each worker's access to the workplace and counts exposure time. This enables us to accurately manage each worker's exposure time, which has resulted in increased productivity at the factory due to reducing breaks while maintaining appropriate workable hours. In addition, the system can track employees' work hours, thereby helping to create a safer and more comfortable workplace.

*1. Cumulative exposure time to a certain environment

