

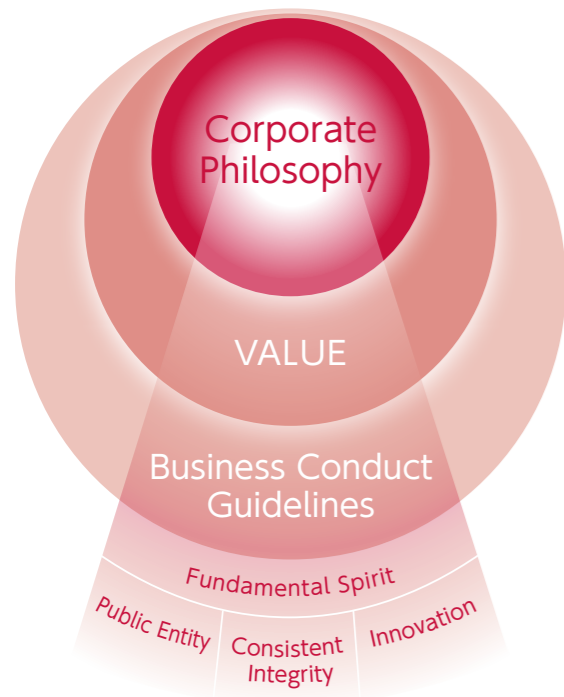
for the sustainable future



Based on its commitment to VALUE and its Business Conduct Guidelines, which are derived from the Corporate Philosophy, the Nisshinbo Group aims to increase corporate value together with stakeholders as an *Environment and Energy Company* group that works to create a sustainable society.

Nisshinbo Group Corporate Philosophy

**Change and Challenge!
For the creation of the future of Earth and People.**



VALUE

—The value we provide and the approach we take to realize our Corporate Philosophy

- We provide our customers with eco-friendly products and services to create a safer and more secure society with integrity.
- We create new value to inspire and satisfy our customers.
- We improve upon our corporate value and meet the expectations of our shareholders.
- We hold dear a corporate culture in which our employees can proudly work with vigor and boldly engage in new endeavors.

Business Conduct Guidelines

— Standards of behavior expected of every Group employee

- Respect for Human Rights
- Thorough-Going Compliance
- Respect for Diversity
- Awareness and Concern towards our Environmental Impact
- Safety is the Basis for Everything
- Fair and Transparent Business Practices
- Boldly Striving Forward
- Innovation
- Quality Communication

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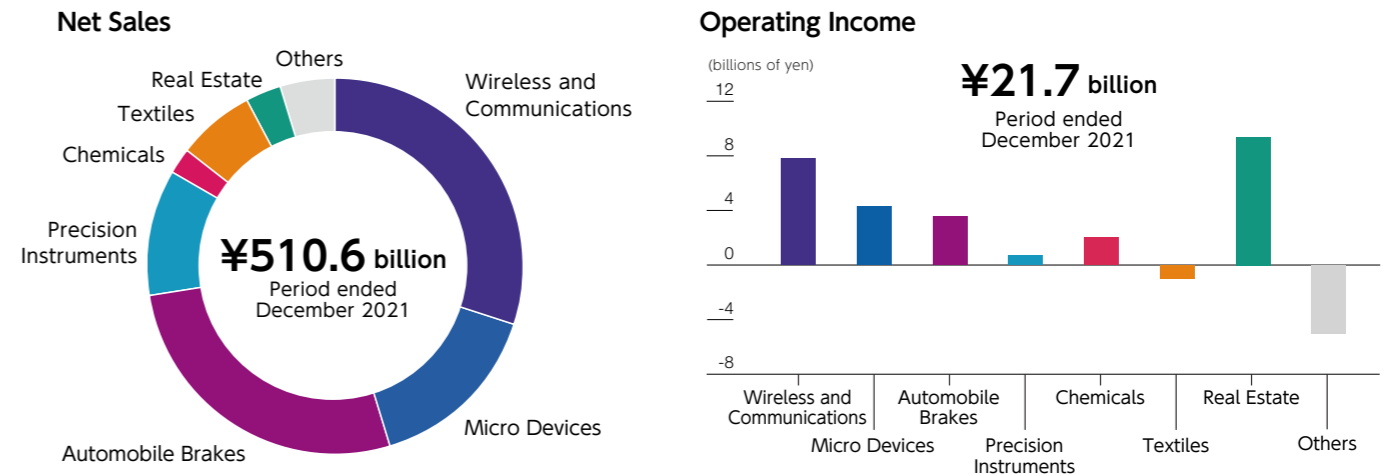
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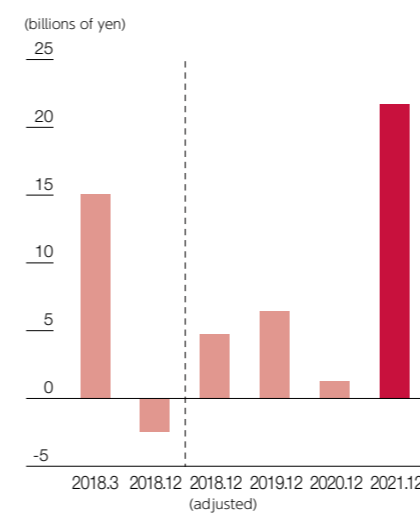
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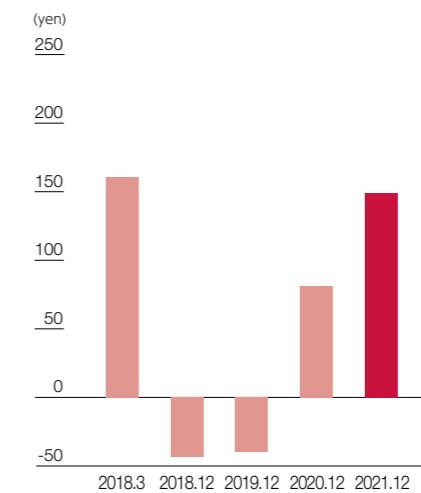
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Operating Income/Loss*

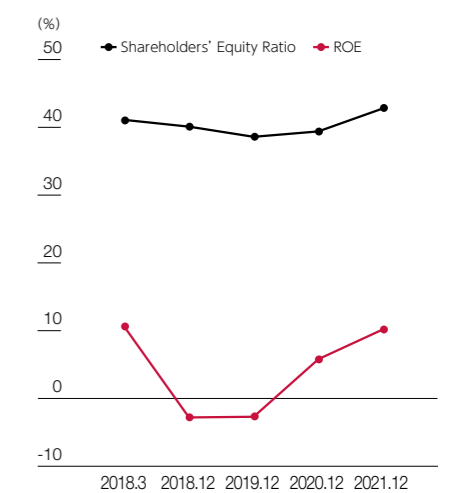


EPS

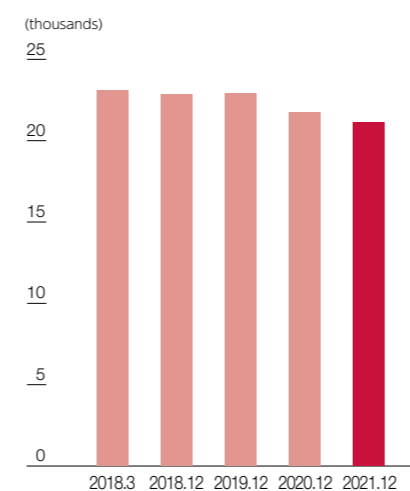


*Operating income for the fiscal year ended December 2018 has been adjusted to facilitate the year-on-year comparison.

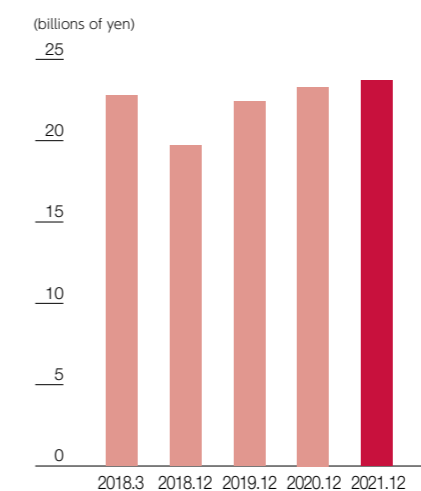
Shareholders' Equity Ratio and ROE



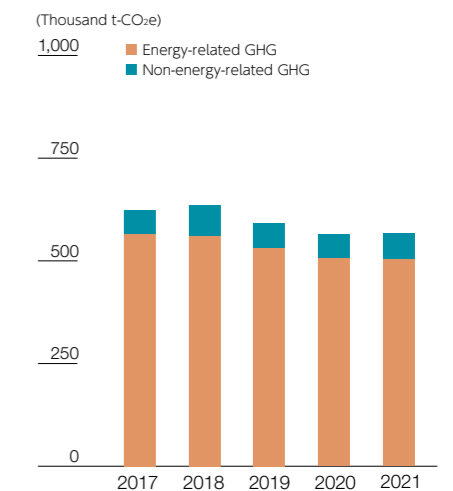
Number of Employees



Research and Development Expenses



Greenhouse Gas (GHG) Emissions



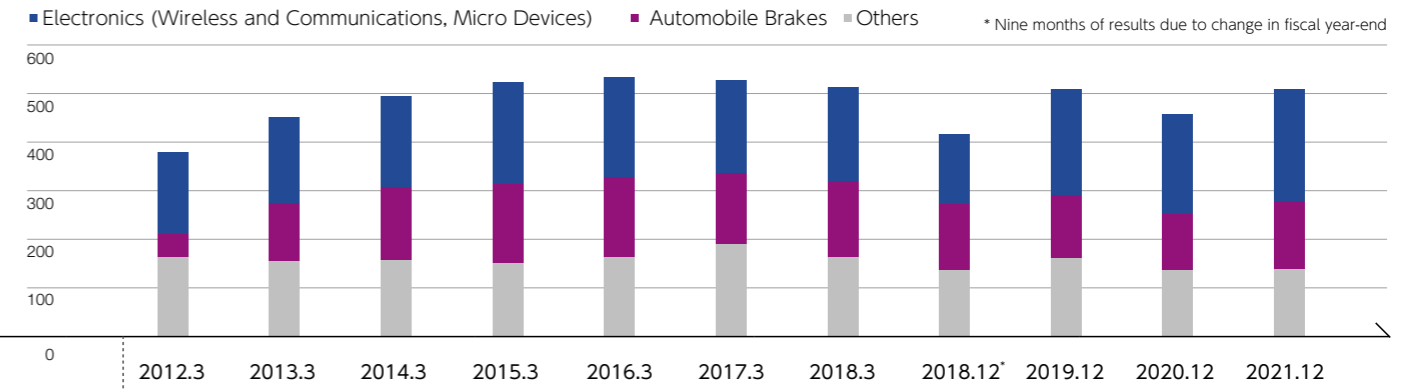
Where We've Come From, Where We're Going
How We Manage Our Business
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Nisshinbo Group History

The Nisshinbo Group began with operating companies such as Japan Radio Co., Ltd., Nisshinbo Micro Devices Inc. and Nisshinbo Brake Inc. Based on our corporate philosophy, we have continued to grow by proactively promoting portfolio reforms in response to the needs of today to contribute to human society through our business activities.

Each diversified business leverages synergies linked to technological capabilities and global sales developments constituting the current form of the Nisshinbo Group.

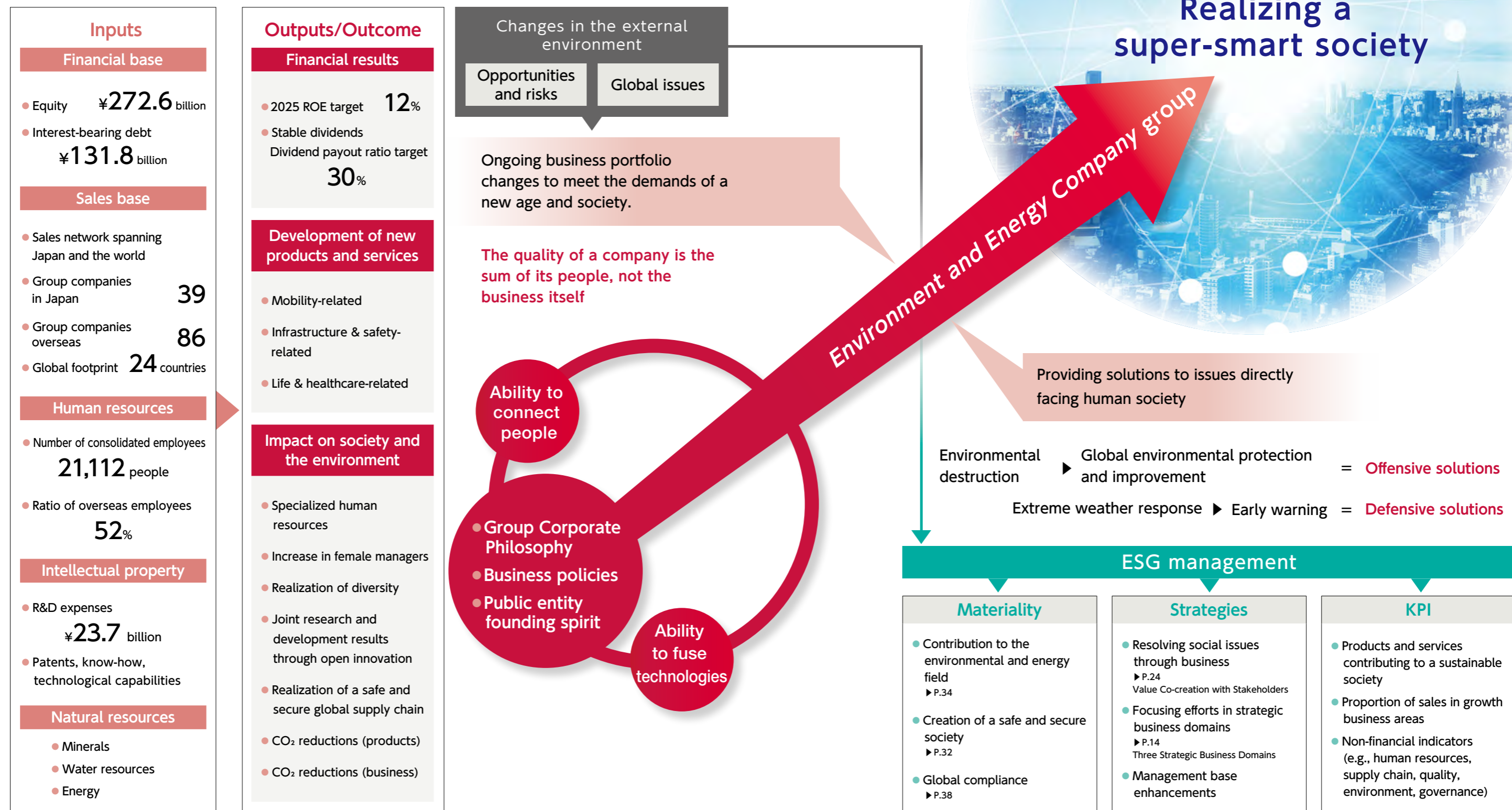
Nisshinbo Group Net Sales (billions of yen)



| 1878~ | 1940~ | 1950~ | 2000~ |
|---|---|---|---|
| Business portfolio reforms | | | |
| <p>1878</p> <ul style="list-style-type: none"> Walter Willson Cobbett Ltd., TMD's forerunner company, founded <p>1907</p> <ul style="list-style-type: none"> Nisshin Cotton Spinning Co., Ltd., founded <p>1915</p> <ul style="list-style-type: none"> Nippon Radio Telegraph Manufacturing Co. founded (now Japan Radio Co., Ltd.) | <p>1944</p> <ul style="list-style-type: none"> Production of friction materials started <p>1946</p> <ul style="list-style-type: none"> Nisshin Cotton Spinning Co., Ltd., starts operating its Nishi Arai Plant as a chemicals production facility <p>1949</p> <ul style="list-style-type: none"> Nagano Japan Radio Co., Ltd., Ueda Japan Radio Co., Ltd., and TOKYO SHIRTS CO., LTD., founded | <p>1958</p> <ul style="list-style-type: none"> Established Nihon Kohbunshikan Co., Ltd., begins production of plastic bobbins <p>1959</p> <ul style="list-style-type: none"> New Japan Radio Co., Ltd., founded | <p>2005</p> <ul style="list-style-type: none"> New Japan Radio Co., Ltd., becomes a consolidated subsidiary |
| Challenges in each era | | | |
| National modernization and industrialization | Transition in key industries (from textiles to automobiles) | Global warming and other shared issues faced by mankind | |
| Nisshinbo Group's role | | | |
| Contributed to Japan's modernization as a cotton textile maker | Supported development of automotive sector as a specialist supplier of friction materials | Helping to create a super-smart society as an <i>Environment and Energy Company</i> group | |

| The Group's Contribution | | Strategic business domains | | | Targeting specific SDGs where Nisshinbo can make a real contribution while also taking into account all 17 SDGs | | | | | | | | | | | | | | | | | |
|---|---|-----------------------------|-------------------------|-------------------|---|---------------|--|---------------------|-------------------|--|-------------------------------|-----------------------------------|--|-------------------------|---------------------------------------|---|-------------------|---------------------|-----------------|---|-------------------------------|--|
| | | Mobility | Infrastructure & Safety | Life & Healthcare | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS | |
| Nisshinbo Group's contribution | Contributed to Japan's modernization as a cotton textile maker | | | ● | | | ○ | | | ○ | ○ | | ○ | | | | | | | | | |
| | Supported development of automotive sector as a specialist supplier of friction materials | Automobile Brakes | ● | | | | ○ | | | | | | | | | | | | ○ | | | |
| | | Precision Instruments | ● | | ● | | | ○ | | | | | | | | | | | | | | |
| | Helping to create a super-smart society as an <i>Environment and Energy Company</i> group | Wireless and Communications | ● | ● | ● | ○ | | ○ | | | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | ○ | | |
| | | Micro Devices | ● | ● | ● | | | ○ | | | | ○ | | ○ | | ○ | ○ | | | | | |
| | | Chemicals | ● | ● | ● | | | ○ | | | ○ | ○ | | ○ | | ○ | ○ | ○ | ○ | | | |
| | Real Estate | | | ● | | | | | | | | | | | ○ | | | | | | | |
| Core SDG objectives and targets in our business | | Target 3.6 | Target 7.3 | Target 3.2 | | | Target 3.2: Reduce the infant mortality rate Target 3.6: Halve the number of global deaths and injuries from road traffic accidents | | | Target 9.4: Improve sustainability with environmentally sound technologies | | | Target 7.3: Double the global rate of improvement in energy efficiency | | | Target 13.1: Strengthen resilience to climate-related hazards and natural disasters | | | | | | |

The Nisshinbo Group has flexibly reshuffled its business portfolio based on the Group Corporate Philosophy while responding to changes in the external environment to achieve its clear vision of realizing a super-smart society. The products and solutions created as a result are steadily meeting market needs and gaining support.

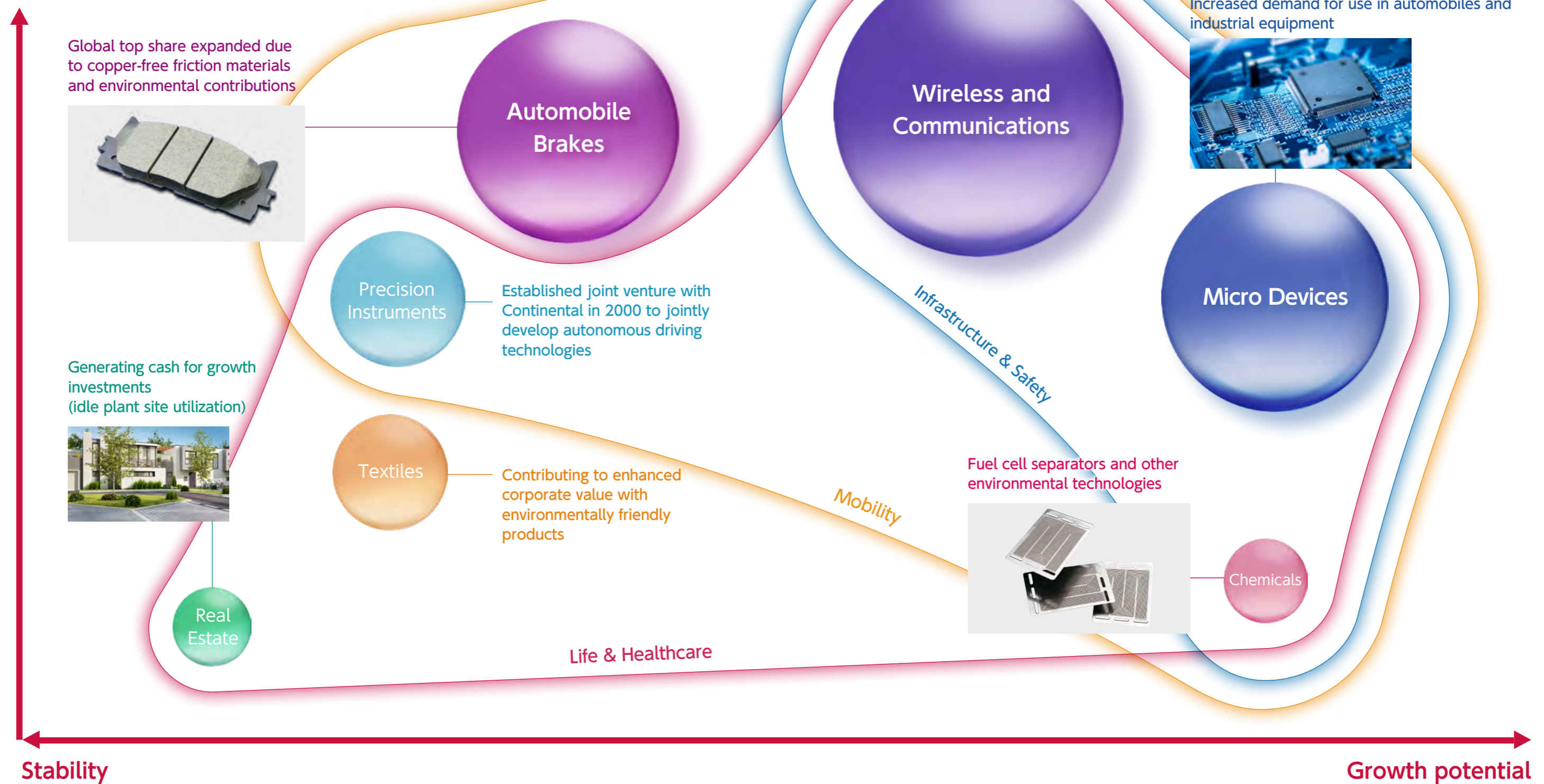


In addition to promoting the reorganization of its business portfolio, the Nisshinbo Group established three strategic business domains in which it concentrates management resources.

The graphic below illustrates how each business segment is positioned within the business portfolio and how they are related to the strategic business domains.

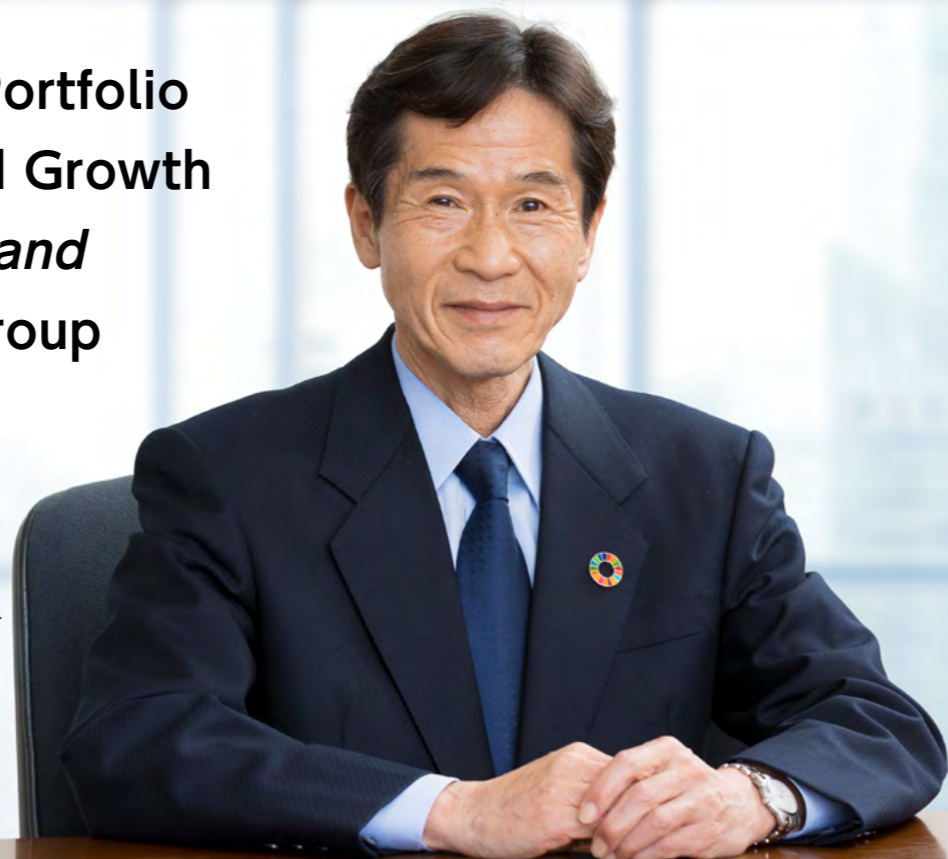
Nisshinbo will leverage technologies and networks possessed by its various businesses to create new innovations leading to the enhancement of corporate value.

Business scale



Ongoing Business Portfolio Transformation and Growth as an *Environment and Energy Company* group

Masahiro Murakami
President and Representative Director
Nisshinbo Holdings Inc.



Viewing the Challenging External Environment as an Opportunity for Growth

With the mission of contributing to society through business activities, the Nisshinbo Group aims to realize a super-smart society as an *Environment and Energy Company* group based on business policies guided by our Corporate Philosophy “Change and Challenge! For the creation of the future of Earth and People.” We have formulated a growth strategy to realize these business policies and have implemented business portfolio transformations through the cultivation of new businesses and M&A activities. As a result, Group businesses having different roots were integrated, facilitating the transition from a multilateral stage to diversity.

To leverage the diversity of businesses, people and values as drivers of growth, we will pursue synergies between technologies and sales transcending the boundaries of each business.

Scanning the current social landscape, in addition to various restrictions on economic activities in

response to the pandemic, as well as semiconductor shortages, soaring raw material costs and other business operation risks, from the beginning of 2022, global political tensions, the end of monetary easing and environmental destabilization driven by climate change have all exacerbated uncertainty about the future. I view this challenging external environment as a tremendous opportunity for the Group to realize further growth through efforts including the promotion of strategic investments and business revitalization.

Realization of Efforts to Generate Operating Cash Flow in 2021

To achieve growth, Nisshinbo must improve business profits, enhance profitability and increase operating cash flows. To this end, since 2020, under the slogan “Generation of Operating Cash Flow,” we have made efforts to improve profitability that include thorough cost controls and strategic pricing, selective concentration on the business and product portfolio, and continuous inventory reductions.

Nisshinbo Group Corporate Philosophy Change and Challenge! For the creation of the future of Earth and People.

Adapting to the changing demands of modern life and society and shifting focus to the environment and energy fields
Targeting three strategic business fields

Business Policies

Realize a super-smart society as an *Environment and Energy Company* group

Aiming to increase corporate value through business policies closely linked to our Corporate Philosophy

Strategic Business Domains



Mobility

Copper-free friction materials
Fuel cell vehicle parts and materials
Marine wireless communication equipment, etc.



Infrastructure & Safety

Weather radar
Disaster prevention solutions
Alertmarker+, etc.



Life & Healthcare

Ultrasound imaging equipment
Medical equipment and healthcare management equipment development, etc.

The success of these efforts is evident in the numbers, which indicate that we remain on track for business performance recovery. Net sales amounted to ¥510.6 billion, up 11.7% compared with the previous fiscal year. In terms of profit, operating income skyrocketed 1,645.8% to ¥21.7 billion, ordinary income soared 631.5% to ¥25.3 billion and net income attributable to owners of the company jumped 83.3% to ¥24.8 billion compared with the previous fiscal year. All indicators significantly exceeded results in the previous fiscal year, solidifying Nisshinbo’s earnings base for executing growth strategies.

In Wireless and Communications, we steadfastly executed growth strategies such as disaster

prevention and mitigation business enhancements and autonomous vessel navigation initiatives. In Micro Devices, we promoted a return to regular pricing levels following price rollbacks, while preparing for the integration of New Japan Radio and Ricoh Electronic Devices, which was completed with the launch of new company Nisshinbo Micro Devices in January 2022. In Automobile Brakes, Nisshinbo Brake attempted to strengthen bases in the United States and European subsidiary TMD consolidated bases in Germany and closed bases in France, while at the same time, business was strengthened in Romania and Brazil. Regarding Precision Instruments, in molding products, we closed unprofitable bases in

Message from the President

Indonesia, consolidated and closed bases in China, and consolidated bases in Kyushu, while expanding the Fujieda Plant facility to facilitate medical business growth. In Chemicals, in response to strong demand for bipolar plates for fuel cells, Nisshinbo made the decision to expand facilities, including the construction of a new building. In Textiles, while enhancing high-speed spinning equipment performing favorably in Brazil and considering its horizontal deployment in Indonesia, we revised the TOKYO SHIRTS retail strategy, instituting a policy of targeting growth centered on Online Merges with Offline (OMO) businesses fusing e-commerce with online and offline business.

Again in 2022, Business Expansion Is Expected Mainly in Wireless and Communications, Micro Devices and Automobile Brakes

In 2022, Nisshinbo will again concentrate the allocation of management resources on its three mainstay businesses: Wireless and Communications, Micro Devices and Automobile Brakes. Under this year's slogan, "strengthening profitability through business transformations," we will further promote business transformations targeting growth.

In Wireless and Communications, public-sector solutions and specialized equipment are expected to remain firm, while in marine systems, we will leverage resources accumulated thus far as the leading company in marine radar equipment to expand this domain to include data businesses, including support for autonomous vessel navigation.

In Micro Devices, we aim to create synergies between technologies possessed by the two companies integrated as Nisshinbo Micro Devices and are targeting development in two domains: Energy Management, comprising power supply ICs and battery monitoring ICs, and Signal Processing, comprising operational amplifiers, comparators and other signal processing ICs. In addition to providing these analog semiconductor devices, Nisshinbo will contribute to the development of a "connected society" through growth as an analog solutions provider that analyzes information collected through these devices and converts it into high-value-added information. The

February 2022 acquisition of D-CLUE Technologies is another step in the implementation of this growth strategy. The semiconductor market is expected to remain robust in the near term, thus we expect solid performance in 2022.

In Automobile Brakes, orders for copper-reduced and copper-free friction materials complying with environmental regulations are expected to remain firm. In addition, the TMD Group, which has been restructuring its business for several years and is now seeing the concrete results of these efforts, will leverage its strength and dominant position in the aftermarket business to recover profitability.

In Real Estate, we anticipate a decline in sales and profits due to the conclusion of large housing lot sales business projects.

Business is expected to expand in all segments except Real Estate, including the three mainstay businesses comprising Wireless and Communications, Micro Devices and Automobile Brakes.

Ongoing Business Portfolio Transformation, Concentrating Management Resources in Strategic Business Domains

It is important for companies to engage in continuous change. Ongoing changes and business transformation represent offense-oriented management focused on growth, and in 2022, we will continue to promote business portfolio transformation.

With a view to promoting business portfolio transformation, we defined Mobility, Infrastructure & Safety and Life & Healthcare as strategic business domains for the concentration of management resources. The Group's strengths lie in the expertise in wireless and communications technologies it has accumulated over more than a century, as well as strong technological capabilities in such areas as electronic devices and chemicals. We will integrate these technologies to expand business across the Group.

Mobility refers to all moving objects, including automobiles, vessels, aircraft and man-made satellites. The development of control and communication systems for large drones, the demand for which is rapidly expanding, will be sequentially installed going

forward. Due to demand for the mass production of products used in the Mobility domain, including cutting-edge radar equipment, we will consider the utilization of mass-production technologies cultivated in Textiles and Automobile Brakes.

In Infrastructure & Safety, we will maintain social infrastructure while promoting initiatives aimed at protecting human life through disaster prevention and mitigation. For example, weather radar ascertaining weather information, water and river information systems, and Alertmarker+, which automatically disseminates disaster-related and other information by connecting to existing displays, contribute to solutions that protect human life from floods and other natural disasters. Japan Radio, which has a high market share in aerospace and meteorological systems, as well as water and river information systems, is enhancing the performance of weather radar that detects abnormal weather such as localized torrential rainstorms at an even earlier stage.

In Life & Healthcare, sales of the Group's handheld ultrasound diagnostic device manufactured by Ueda Japan Radio were launched by major medical device manufacturer Terumo Corporation. We will continue to promote collaborations between Group strengths in wireless and communications technologies and medical devices. In this domain, although there will be longer timelines in terms of development speed and management cycles compared to the other two domains, we aim to provide products and services that contribute to telemedicine, remote treatment and supervised nursing care.

Furthermore, we will promote business portfolio transformation and other offense-oriented management with the aim of sustainably improving ROIC and ROE.

Fostering a Corporate Culture That Encourages Personal Changes and Challenges

For a company to implement ongoing changes, employees who support the company must also bear in mind the views and opinions that precede changing times and incorporate them as individual behavioral changes. The phrase "business is people" emphasizes that it is the employees working at a company who



determine the rise or fall of its business. Accordingly, I make sincere efforts to engage in direct and proactive communications with Nisshinbo employees to facilitate stronger consent and understanding. As overseas travel was restricted in 2021 due to the pandemic, I repeatedly visited business sites in Japan where I engaged groups of 10-15 employees in hour-long dialogues. As I also conducted online dialogues with overseas bases, I was able to directly communicate with more than 1,300 employees. During these dialogues, in addition to sharing my thoughts on the direction of the Nisshinbo Group and the importance of changes and challenges, we had an interactive discussion regarding what changes should be made and what challenges should be taken to build a better future for the Group and individual employees.

When taking on challenges, it is quite natural to encounter failure. I personally have experienced failure in attempting to launch a new business that resulted in withdrawal from that business altogether. I strongly believe that the key to success is for teams to use failure as a learning experience, which is why I said in the dialogues, "This is not the kind of company where one or two failures ends a career." I was speaking from actual experience. In terms of Human Resources systems, we are attempting to cultivate a culture free from the fear of failure by limiting evaluations to results from the two most recent fiscal years. It is my belief that a corporate culture intolerant to failure gives rise to dishonesty, while a corporate culture that tolerates failure and can make positive use of it creates innovation.



Creating Innovation with DX and D&I

In a corporate culture that tolerates and makes use of failure, digital transformation (DX) and diversity and inclusion (D&I) are key to promoting actual changes and growth.

The Nisshinbo Group makes ongoing digital investments to link DX with the expansion of new business. In addition to transforming processes such as work styles incorporating digital technologies and data, the purpose of DX is to modify existing business and create new business models. With digital technologies as the catalyst for accelerating innovations, we are making full use of bolder ideas and creating new value for customers using the data collected by Nisshinbo devices to target business growth envisioning a transition from manufacturing to the service industry.

D&I initiatives are also important, as it is said that “diversity is the source of innovation, while homogeneity is the enemy of innovation.” We must cultivate an organizational culture in which all employees can speak and act freely without excessive restraint from their surroundings. However, it is wrong to think in terms of “accepting minorities different from oneself.” Each person has unique individuality, with differences that are valuable. D&I initiatives begin by recognizing that individuals are diverse. To lay the foundations for this understanding, we need to respect people from various backgrounds.

As the Nisshinbo Group comprises a diverse array of businesses and human resources, we must “unite in diversity” when promoting management at the Group and global levels. For a company, the key to this lies in the sharing and inculcation of its corporate philosophy. Under a business policy aimed at realizing a super-smart society as an *Environment and Energy Company* group, we will proactively engage in the provision of products and systems that contribute to protecting the global environment and promoting alternative energy. We will leverage strengths accumulated in the manufacturing of tangible products to heighten our focus on intangible products and services, transitioning to a business structure that uses DX to resolve new social issues and contribute to the realization of a sustainable society.

Without a Sustainable Global Environment, the Economy Will Not Survive

The *Environment and Energy Company* group business policy was formulated in 2006. This was driven by a sense of crisis about the global environment, with the catchphrase “global warming” as the rallying cry. Fifteen years later, rather than improving, the global environment has deteriorated even further, and while global warming was replaced with the new catchphrase “climate change,” this crisis is still the top priority requiring a global response.

The COVID-19 pandemic made humanity keenly aware that economic activity will be meaningless if not predicated on a sustainable society. In the background of this unexpected pandemic, the global environmental crisis continues to slowly deepen. Despite the frequent occurrence of abnormal weather events, day-to-day weather does not seem abnormal. However, it would be wrong to assume this means the top priority should be placed on immediate economic concerns, relegating the SDGs and ESG to secondary concerns to be addressed only if there is sufficient leeway to do so. We must never forget that our world, where most things can be bought with money, requires a sustainable global environment, stable societies and world peace. Promoting business that contributes to global environmental improvements will enable Nisshinbo to enhance its reputation in society and generate profits.

ESG is Nisshinbo’s founding spirit

- E** In 2006, we positioned global environmental protection as our top-priority social issue and reformed our business with a focus on the environment and energy.
- S** Public Entity—Our founding spirit of contributing to society through business activities We engage in ongoing dialogue with stakeholders (customers, shareholders, employees, business partners, regional companies, etc.) to understand their requests and evaluations and reflect this information in our business activities.
- G**
 - 2006 We embarked on governance reforms, including the introduction of an outside director system, before the enactment of Japan’s Corporate Governance Code
 - 2015 Abolished takeover defense measures
 - 2017 Abolished internal advisor and consultant system and formulated Nisshinbo’s Corporate Governance Policy

Contributing to the SDGs through our business



Since its founding, the Nisshinbo Group has upheld the importance of contributing to society through business activities as a public entity. In other words, before the advent of concepts such as the SDGs and ESG, Nisshinbo Group management strategies had already been focused on pursuing the SDGs and emphasizing the importance of ESG. With businesses, products and services that contribute to reducing CO₂ and protecting the environment, by achieving growth the Group can expand its social contributions.

To this end, we must identify risks and opportunities facing each business due to climate change. We launched scenario analyses in 2021, focusing initially on three business segments (Wireless and Communications solutions businesses, Automobile Brakes and Chemicals) where we anticipate opportunities. In support of these analyses, in June 2021, we formulated and announced qualitative and quantitative environmental targets to be achieved by 2030. In 2022, the scope of analysis was widened to include all remaining businesses, enabling us to cover more than 90% of consolidated net sales, and in June 2022, Nisshinbo announced the goal of carbon neutrality by 2050 and declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Targeting Further Enhancement of Stakeholder Value

The Company is entrusted to us by its shareholders; thus, we have a responsibility to handle it carefully and make it better. We must improve value for

shareholders, as well as customers, employees, business partners, local communities, national and local governments, and all other stakeholders.

Within the Group, which is a fusion of diverse businesses, the greatest mission of Nisshinbo Holdings as a holding company is formulating management policies and strategies that lead to greater stakeholder value while allocating management resources accordingly. From a long-term perspective, it is also critical that the Group facilitates the incubation of development themes that individual Group companies are unable to handle and accelerates the creation of Group synergies that I mentioned earlier. Even if an individual company cannot handle something on its own, seeking collaboration with the Group offers many benefits, including accelerated problem solving, improved cost performance and the avoidance of intellectual property outflows. For example, having a Chemicals business in the Group enables us to offer materials that meet the demand for improved electrical and electronic system performance, which in turn leads to the realization of Group synergies when that higher performance leads to the creation of new devices.

To continue improving stakeholder value, including these synergies, we will accelerate growth investments in research and development, facilities expansion and M&A, which will lead to improved ROIC and ROE.

With an unwavering focus on realizing a super-smart society as an *Environment and Energy Company* group, Nisshinbo will contribute to society through its business activities with the aim of becoming a Company that is ever more valued and trusted by its stakeholders.

Three Strategic Business Domains

Nisshinbo established the three fields of Mobility, Infrastructure & Safety and Life & Healthcare as strategic business domains targeting further growth, with the entire Group working together to drive continuous innovations as an *Environment and Energy Company* group. Amid the accelerating digitization of businesses and services due to the impact of COVID-19, the Nisshinbo Group positions the promotion of DX as an important management strategy, thus in these three strategic business domains, the Group is expanding the scope of business to include services providing value through the utilization of digital data based on Nisshinbo manufacturing technologies and products. In January 2022, two core companies in the Micro Devices business were merged and the integration of development, sales, manufacturing and other resources is under way. We will contribute to the development of a connected society realized in these three strategic business domains through electronic devices using our strength in analog technologies and microwave products with strengths in analog products.



Nisshinbo Micro Devices Connecting Everything

Background of Founding

In January 2022, two companies constituting the core of the Nisshinbo Group's Micro Devices business, New Japan Radio Co., Ltd., and Ricoh Electronic Devices Co., Ltd., were integrated to create Nisshinbo Micro Devices Inc. New Japan Radio, which has developed business focused on electronic devices and microwave products with analog semiconductors at the core, and Ricoh Electronic Devices, which has developed business centered on high-performance power supply ICs with CMOS analog technologies, have analog technologies at their core with almost no overlap in terms of individual technologies, products and customers, and have achieved growth through efforts to enhance their respective strengths in these areas. In the past, these two companies created synergies within the Group through a cooperative system spanning purchasing to production, but now, amid rapid expansion in the sensing market in line with the realization of a smart society, our aim is to achieve growth and realize higher corporate profits than ever before through the unification of these companies and the integrated use of their development, production, sales and other resources. With demand for sensing and semiconductors expected to increase in the automotive CASE, industrial equipment and healthcare fields, Nisshinbo Micro Devices aims to become an analog solutions provider offering high added value and new solutions under the keyword "connected."



Satoru Taji

President and Representative Director
Nisshinbo Micro Devices Inc.

Policies Going Forward

Under the themes of promoting competitive electronic device businesses and expanding the microwave business and profit generation, Nisshinbo Micro Devices will attempt to develop highly competitive products while enhancing the quality of hardware and software with the aim of creating new solutions businesses. By refining "Connect Everything" technologies, we will grow and meet customer expectations as an analog solutions provider.

Business Details

Electronic Devices

Semiconductor Integrated Circuits, Discrete Semiconductors, Optical Semiconductors

Providing analog solutions centered on energy management and signal processing, with core analog technologies such as operational amplifiers and power supply ICs for in-vehicle, industrial and consumer equipment.

Microwave Products

Satellite Communications Components, Radio Wave Sensors, Radar Components, Linear Accelerator (Linac) Components

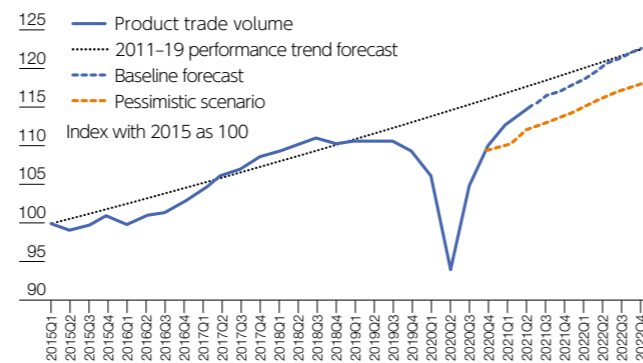
Realizing highly reliable, stable and long-term supplies, we contribute to various fields including radar and satellite communications. We combine microwave technologies cultivated over many years with advanced modularization technologies to provide product lineups that meet new market needs.

Please see "Special Feature: Value Co-creation with Stakeholders" on page 26 for details regarding Nisshinbo Micro Devices' new solutions business.

Market Environment

The mobility domain market is expanding. In the automotive industry, new technological innovations such as "CASE" are advancing, as the movement toward EV and autonomous driving is progressing. Regarding autonomous vehicles, following Level 3, which allows conditional autonomous driving, efforts are under way around the world toward the practical application of Level 4 services that allow autonomous driving. Furthermore, although the shipping industry experienced sharp declines in the first half of 2020 due to a standstill in economic activities caused by COVID-19, signs of a recovery appeared in the second half of 2020. As a means of realizing improved safety and efficiency as well as sustainability in the marine industry, the development of next-generation autonomous vessels is progressing amid investment in autonomous projects and growing demand for ships equipped to monitor the conditions of surrounding vessels.

Environmental Changes Surrounding the Shipping Industry

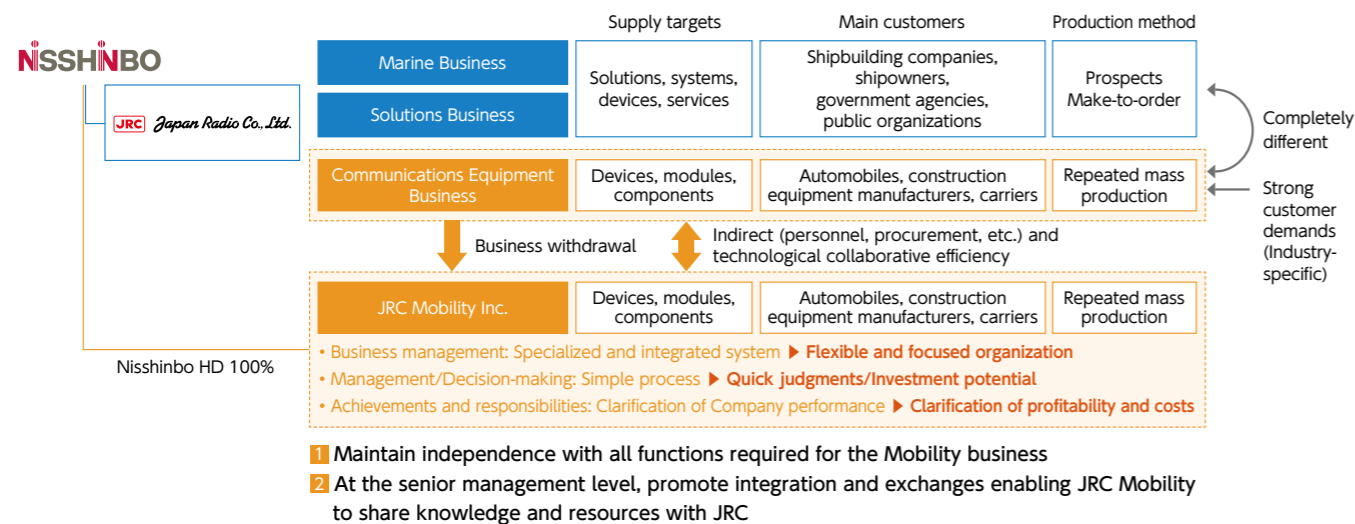


Source: WTO Global Trade Forecast, October 2021

Issues and Initiatives Going Forward

Sensing technologies using cameras, LiDAR, micro radar and AI that are indispensable for autonomous driving obtain accurate information on speed, location and direction of travel, thus they must be resilient in both rain and sunlight as well as harsh weather environments such as fog and snow. When considering communications between moving objects and traffic infrastructure, sophisticated, high-capacity communications equipment is essential. The Nisshinbo Group goes beyond providing mechanisms, such as sensing technologies, that contribute to the

automation of individual moving objects. We also provide solutions as overall systems. These include traffic lights, expressways and other infrastructure, and wireless communications with land and air for marine vessels. At sea, where we target autonomous navigation under harsher weather conditions than on land, we will participate in external projects and dig deeper into technologies utilizing sensors connecting to autonomous navigation services using the cloud.



Value Creation Source and Strengths

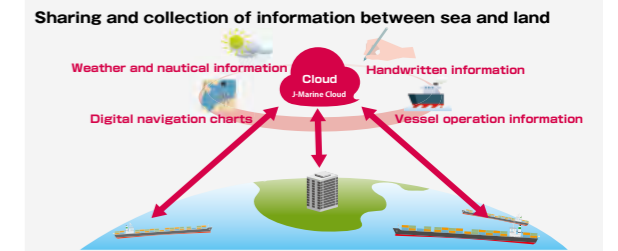
By linking business segments including Wireless and Communications, Micro Devices, Automobile Brakes, Precision Instruments and Chemicals, the Nisshinbo Group combined technologies such as LTE (next-generation high-speed mobile communications standard) and millimeter wave communications, while refining technologies related to the autonomous operation of all moving objects on land, sea, air and space, beginning with advanced driver assistance systems (ADAS: Level 2). Among

these efforts, our 3D recognition technologies have already earned a high reputation worldwide for their ability to facilitate autonomous movement without malfunction regardless of the weather. The addition of AI will enable us to incorporate predictions of movement for people and objects as we attempt to achieve commercialization. We also aim to create solutions in areas other than vessel navigation by visualizing the ocean using meteorological data and marine resources.

Main Products and Services

Marine System: J-Marine Cloud

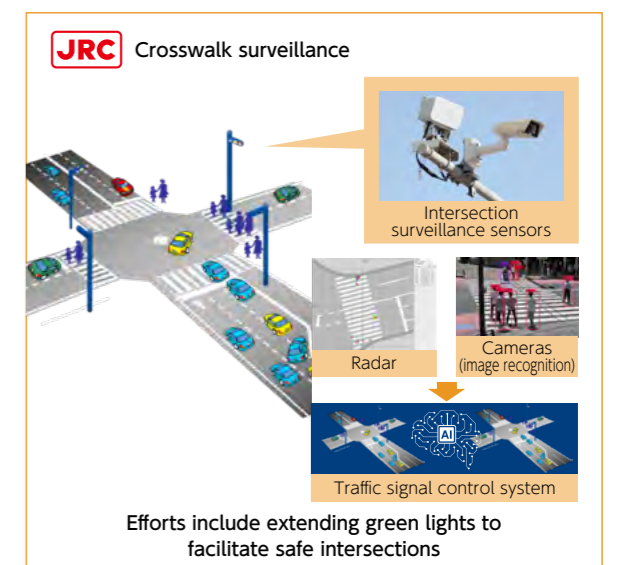
With the acceleration of satellite communication services for vessels and the advent of flat-rate plans, it has become easier to access the Internet while at sea, creating an environment enabling the sharing of information between vessels and land as well as various solutions effectively utilizing that information. Japan Radio collects information gathered from sea and land from meteorological and marine information providers, land radar stations, and land AIS on the J-Marine Cloud common platform and compiles databases. This enables the realization of vessel "visualization" that had been difficult to achieve from land, while also contributing to the improvement and resolution of various problems related to vessel navigation and operation, such as energy conservation, environmental and anti-piracy measures, and support for safe, secure and smart operational management. Demand for these systems is expected to grow further going forward as autonomous vessel navigation expands globally.



Sensor Fusion (3D Authentication Technologies, Erroneous Incursion Detection, etc.)

The Nisshinbo Group added AI functions to cameras and has been working on systems that detect wrong-way entries on expressways as well as automated systems for port monitoring operations at sea. In addition, we use radar to monitor pedestrian traffic, facilitating safe crossings at intersections by extending the duration of green lights, while the use of 4D sensing incorporating lasers has helped prevent collision accidents in warehouses and other locations. Sensor fusion is the combination of these different types of sensors aimed at realizing high functionality and performance.

Raw information collected from different sensors embedded in transportation infrastructure is processed prior to fusing to improve accuracy, which leads to the provision of highly useful solutions in transportation and other fields. We are already seeing practical applications at the technological development level and intend to engage in concrete business developments in fields where strong demand is expected over the medium to long term.



Automotive Brakes: Friction Materials

Nisshinbo Brake provides automobile manufacturers around the world with optimal products according to type of vehicle used and driving environment. In particular, Nisshinbo friction materials such as disc pads and brake linings, which boast a world-leading market share, have been adopted by many major auto manufacturers due to their high quality. In the United States, starting in 2021, the sale of friction material products with a copper content of 5% or more and use in new vehicles is prohibited, and from 2025 onward, environmental regulations will be tightened to prohibit copper content of 0.5% or more. In light of these developments, Nisshinbo Brake quickly promoted the development of copper-reduced and copper-free friction materials that have garnered a strong reputation among automakers, with product shipments increasing every year. The Group will maintain efforts to further increase its share in the friction materials market.

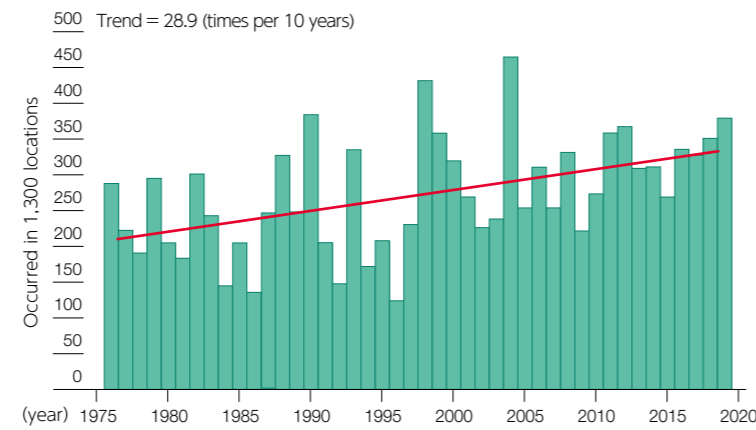




Market Environment

The effects of climate change in recent years have resulted in the frequent occurrence of abnormal weather and natural disasters, with the intensification of disasters such as torrential rainstorms and landslides becoming increasingly serious. In Japan, the number of brief but heavy rains with an hourly rainfall exceeding 50 mm have increased significantly in the past 40 to 50 years, a trend common throughout the world. Nisshinbo Group disaster prevention and meteorological systems are expected to continue growing, supported by stable public demand. In addition, with regard to mobile networks, we will build on our track record of private LTE (4G) overseas. In Japan, the transition to 5G (fifth-generation mobile communications system) is expected to cause the market for mobile networks (which had previously centered on public networks) to grow toward local 5G. Accordingly, we anticipate dramatic growth in the market for private networks.

Nationwide "AMeDAS" occurrences per hour with an hourly rainfall of 50 mm or more



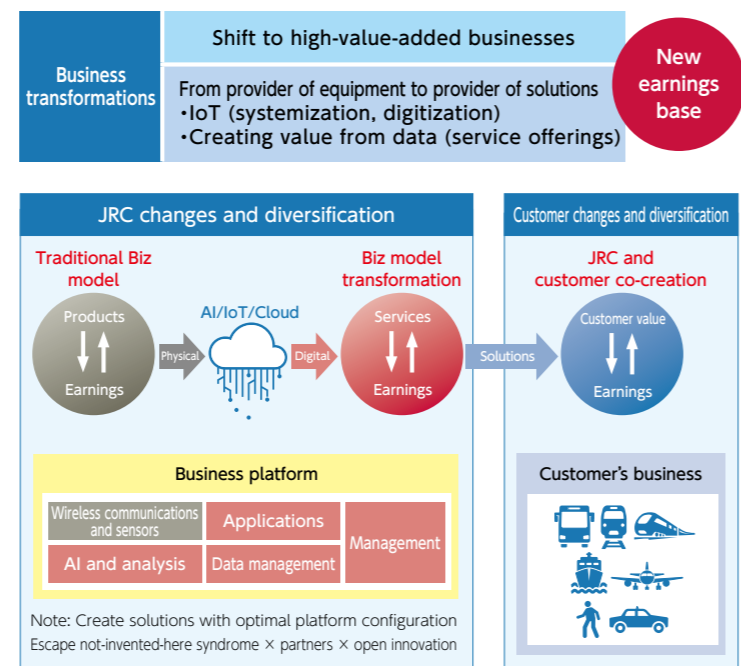
Source: Japan Meteorological Agency materials

Issues and Initiatives Going Forward

The Nisshinbo Group intends to shift away from the business of providing equipment to target high-value-added digital businesses that provide solutions and services. Japan Radio will increase productivity, promote structural safety management and contribute to the resolution of regional issues through the provision of local 5G compatibility solutions connecting the inside of structures such as buildings and dams to private networks.

Furthermore, Nisshinbo will continue to provide highly useful solutions with data collected by traffic infrastructure sensing technologies that include traffic volume measurements, wrong-way driver detection and prevention on expressways, and the detection of anomalies on aging highways and other infrastructure. From the perspective of safety, while enhancing the performance of disaster prevention systems, we will continue providing solutions that provide safety and security, including not only weather radar covering large areas but also a large number of reduced-cost radar units installed in small river basins to improve hydraulic control so that local disasters that are difficult to foresee can be predicted.

Transformation to a profitable business structure through digital business



Value Creation Source and Strengths

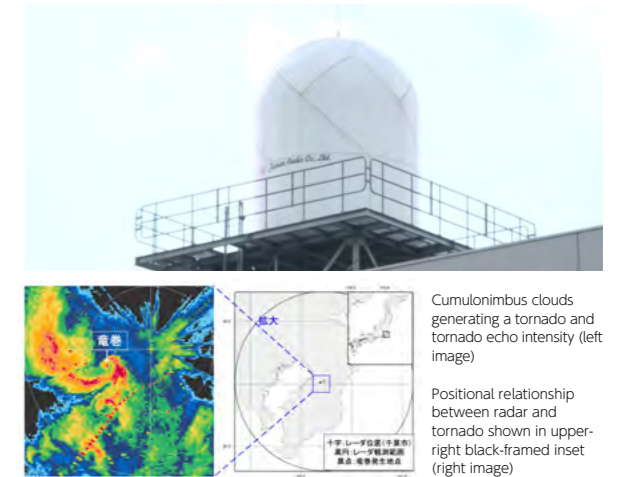
To protect people from natural disasters such as river floods, sediment-related disasters, tsunamis and storm surges, Nisshinbo Group business segments including Wireless and Communications, Micro Devices and Chemicals collaborate to provide equipment and systems such as water level gauges and rainfall meters, as well as the telemeters, alarms, sirens and cameras that remotely manage them, while building dam management and other systems by creating a network with these devices using communication technologies. In disaster prevention systems including weather radar and river water level monitoring systems, we are developing

a wide range of solutions in Japan and overseas, from disaster prevention to disaster prevention information communication systems that notify residents of dangers by combining weather information with earthquake information obtained from weather radar. With the advantage of strengths in leveraging Group company technologies and knowledge, we will make use of strong relationships with government agencies cultivated up to now, and in addition to equipment sales, we will utilize data obtained from that equipment to create a variety of service solutions.

Main Products and Services

Disaster Prevention and Weather Services: Phased Array Weather Radar

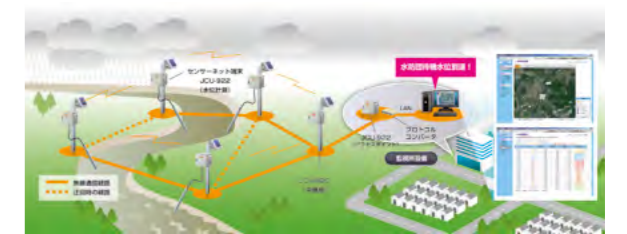
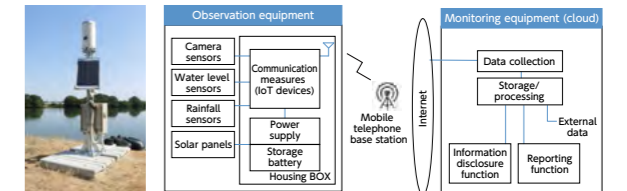
Nisshinbo weather radar is widely used in meteorological and rainfall observation systems, including those operated by the Japan Meteorological Agency and the Ministry of Land, Infrastructure, Transport and Tourism, as well as overseas meteorological agencies. Phased array weather radar combines several small radars on a plane to reduce blind spots, scans the entire sky in 30 seconds and observes cumulonimbus clouds three-dimensionally and at high speed to quickly predict localized heavy rainfall. This enables the rapid recognition of torrential rainstorms and tornadoes caused by cumulonimbus clouds that have been increasing in recent years. Amid the rising trend of brief but heavy rainfall, demand for these services is expected to further increase going forward, thus we will continue developments aimed at the commercialization of next-generation weather radar, including quantitative precipitation conversion, which is more difficult to observe, and particle discrimination applied to rain, snow and hail.



Disaster Prevention and Weather Services: Pond Monitoring System

The Nisshinbo Group provides dam and river management systems utilizing next-generation smart water level gauges on wireless sensor networks to prevent flood damage caused when rivers overflow. This system, which monitors the water level at multiple points, has a multistage warning determination function that conducts highly accurate water level measurements in response to rapid rises in river water levels due to torrential rainstorms, urban disasters and river flooding. When the system detects that the water has risen to a specified level, monitoring stations are automatically notified. In addition, the use of wireless communications, solar panels and long-duration storage batteries facilitate independent power supplies, making the ability to create disaster-resistant monitoring systems not easily impacted by power outages and disconnections a substantial merit. In addition to using 920 MHz, which has less interference even in urban areas, the low power consumption design enables continuous long-term operation, including the ability to operate for more than a month even in the absence of sunlight. As climate change has contributed to the rise in brief but heavy rainfall in recent years, we expect demand to increase even further as a solution protecting human safety and security.

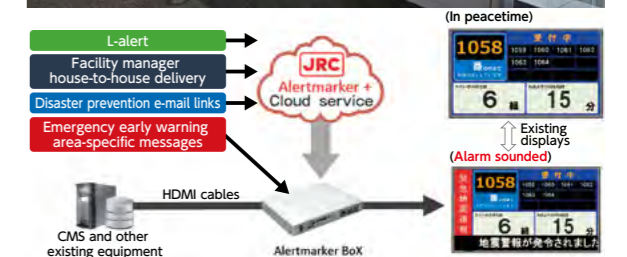
Pond monitoring system



Basic water level system framework

Combined Display System for Disaster Prevention: Alertmarker+

Japan Radio provides the Alertmarker+ information mixed display system that visualizes and transmits area-specific messages, evacuation orders, and disaster and life support information to digital signage and a variety of other existing displays via an HDMI cable connection. Existing displays in municipal offices, public halls, hospitals, schools and other facilities where people gather are used to facilitate emergency broadcast distribution by automatically linking to J-Alerts and disaster e-mails. The automatic distribution of disaster information enables the rapid provision of information to evacuees, while automatic links reduce the workload on those sending information. Alertmarker+ is easily installed with the addition of Alertmarker BoX, a device made by Japan Radio that connects to existing displays via an HDMI cable. As this service requires no new external connections such as Internet connections to existing servers, it provides excellent cybersecurity. This service is increasingly used in event halls and underground shopping malls in line with the spread of signage.



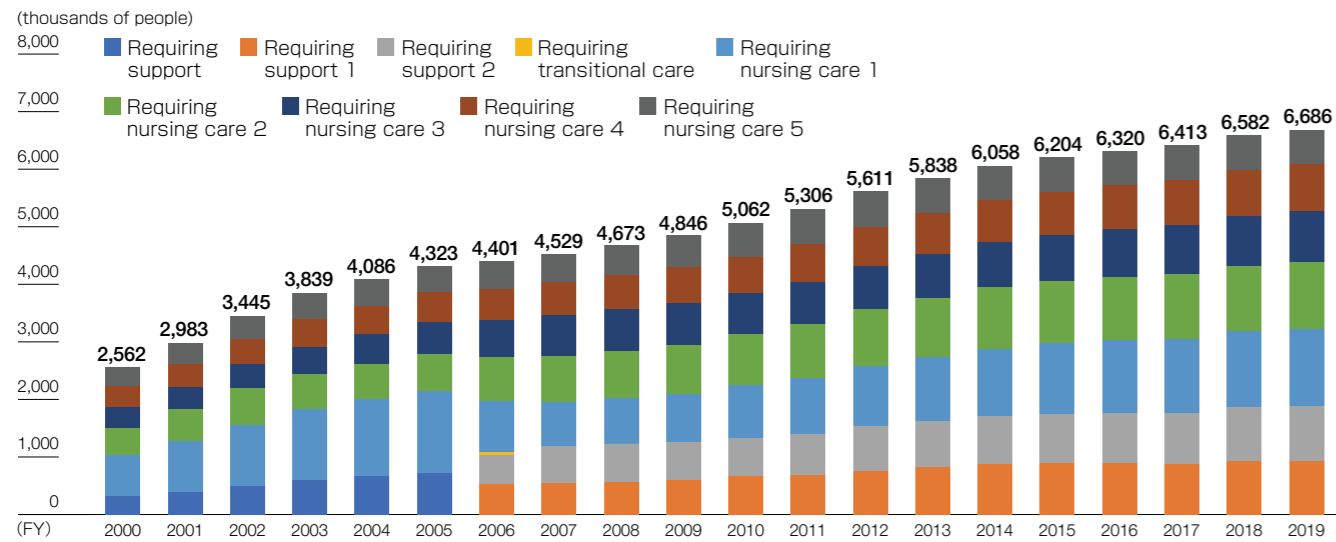
Market Environment

The markets for in-home and home-visit nursing care, senior facilities, nursery school monitoring and telemedicine in regional healthcare are expanding due to the graying of society, rural depopulation, childbirth at older ages, the social advancement of women and other societal changes. As an example, in fiscal 2019, approximately 6.69 million people in Japan were certified as requiring nursing care (in need of support), which is about 2.6

times higher than in fiscal 2000 when the public nursing care insurance system was started.

In addition, with the increasing risk of heat stroke due to global warming and higher temperatures driving new demand for worker health management monitoring, further growth is expected in Life & Healthcare-related markets going forward.

People certified as requiring nursing care



Source: 2019 Nursing Care Insurance Business Progress Report (Annual Report); Ministry of Health, Labour and Welfare

Issues and Initiatives Going Forward

As demands for monitoring increase, the Nisshinbo Group will continue to provide value in the monitoring market with sensors and edge devices.

As an example, by visualizing the muscle and fat in human bodies, we can ascertain health conditions with the potential for services that provide information value leading to increased health.

As the spread of COVID-19 has led to the rise of "remote" and "contactless" needs in various fields, the Group will leverage its strengths in wireless communication technologies and promote

product developments in the fields of medical equipment and nursing care. While maintaining a base comprising existing analysis equipment and the intravascular ultrasound business, the Group will focus efforts on expanding the high-value-added portable ultrasound business and wireless technologies for medical use with the aim of entering and achieving growth in the fields of prevention, prognosis, diagnosis and treatment support, as well as to strengthen our business earnings base. We intend to develop new and valuable services and solutions in the medical and healthcare fields.

Value Creation Source and Strengths

The Nisshinbo Group promotes the development of environment- and medical-related products through collaborations among the Wireless and Communications, Micro Devices, Precision Instruments, Chemicals and Textiles business segments and applying their respective technologies and knowledge. In terms of medical-related products, for more than 60 years since the development of ultrasonic diagnostic equipment in 1960, Ueda Japan Radio has contributed to the development of ultrasonic diagnostic equipment through contract development and

manufacturing, creating a medical business based on the past cultivation of the world's top-level ultrasound and wireless communication technologies. Propriarily developed handheld ultrasound devices with high-quality images manufactured and launched by Ueda Japan Radio in December 2020 are driving the expansion of our earnings base in the Life & Healthcare domain amid growing demand in the diagnostic field due to COVID-19.

Core Ultrasound Technologies

Image processing technology for ultrasound diagnostic equipment

General-purpose ultrasound image

Ultrasound image (Intravascular)

Ultrasound oscillator and transducer technologies

Transducers

Piezoelectric (PZT) materials

PZT-based ceramic material

Opening

Porous PZT material

0.5mm

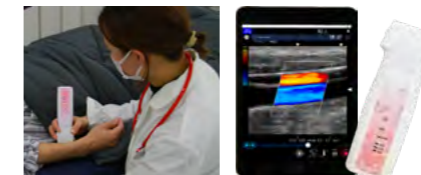
Wireless technologies

Tag DSF-214

ID transmission

Reader DRF-161

Portable ultrasound analyzer



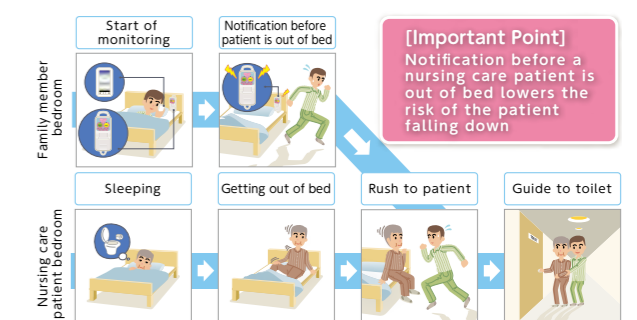
System to monitor people who require nursing care



Main Products and Services

Wireless Technologies: "Mamotte-ne" Nursing Care Patient Monitoring System

In February 2022, Ueda Japan Radio launched sales of the "Mamotte-ne" nursing care patient monitoring system for home use. This system detects sleeping positions, including supine, prone and sideways, actions before getting out of bed, including raising the upper body while lying sideways, raising the upper body while sitting and sitting up, and risks of falling or other accidents. The system detects when a patient is getting out of bed, sending a buzzer alert to the receiver and notifying family members. In addition to being able to confirm notifications in real time using a smartphone app, family members are free to customize detector setting preferences in accordance with nursing care patient conditions. Through the adoption of this system, we aim to reduce falling risks among nursing care patients while contributing to reduced burdens on families who watch over patients at night. We have also prepared a version of this service covered by nursing care insurance that can be rented by applying nursing care insurance. As the number of people certified as requiring nursing care is expected to continue increasing in Japan, the need for this product is expected to grow going forward.





Improving Investment Efficiency through More Profitable Businesses

Shuji Tsukatani

Director and Managing Officer
Senior Manager of Finance, Accounting & IT Service Department of Corporate Strategy Center

Basic Financial Capital Strategy

The Nisshinbo Group promotes management emphasizing capital productivity while maintaining financial soundness in preparation for medium- to long-term investment and risks. To realize our return on equity (ROE) target of 12% in 2025, we are aiming for autonomous corporate growth while introducing return on invested capital (ROIC) as an important internal management indicator.

Group working capital and the capital necessary for growth investments are mainly provided by operating cash flows, and we are working to improve capital efficiency by effectively utilizing interest-bearing debt as necessary. We are also making efforts to ensure liquidity within the Group and reduce the weighted average cost of capital (WACC) by raising and managing capital Group-wide with the aim of strengthening governance and improving the efficient use of capital.

Regarding ROIC, the WACC is set at 6% and the 2025 ROE target is 12%, thus the optimum ROIC level is estimated to be approximately 8%. With a variety of businesses, the Group establishes the ROIC level suitable for each business and then strives to achieve that profit level by passing on or reducing costs.

Prior to evaluating ROIC, we had been promoting business selection and divestment, and in line with that policy, took actions including the consolidation of Nanbu Plastics's overseas bases. Furthermore, in terms of measures aimed at improving profitability, we are promoting continuous improvements and cost control activities as well as selection and divestment at all levels, including business units and individual products. In the near future, we want to transition to detailed performance evaluations through the full-scale introduction of ROIC.

The key point is cultivating asset-light businesses. In the semiconductor and brake friction materials businesses, initial investments are unavoidably large and asset efficiency tends to decline. This creates barriers to entry and contributes to business stability but tends to be disadvantageous in terms of ROIC. At the same time, the solutions and marine systems businesses that handle the wireless and communications businesses belong to the assembly industry, thus initial investments are lower. Furthermore, we will transition from businesses that sell products to those that utilize the technologies and products we have honed through manufacturing. As we develop service businesses integrating DX and IoT, we will develop asset-light businesses. In this way, we want to prevent balance sheet bloating and increase asset efficiency. Increasing asset efficiency will naturally affect the streamlining of shareholders' equity on the procurement side. We aim to achieve ROE targets by streamlining shareholders' equity while increasing profitability.

Financial Results Over the Past 10 Years

The scale of Nisshinbo Group business is undergoing major changes due to business portfolio reforms based on organic growth and numerous M&A activities. In the three core segments of Wireless and Communications, Micro Devices and Automobile Brakes, we have proactively engaged in M&A. We have also transferred the paper products business in consideration of its large environmental impact and growth potential within the Group. Through these efforts, Japan Radio, the core company in the Wireless and Communications business, has asset-light aspects leading to improved balance sheet asset efficiency. From the perspective of flow, we acquired a semiconductor subsidiary that is now part of Nisshinbo Micro Devices and have incorporated Micro Devices as a growth business.

Meanwhile, regarding safety indicators supporting structural reforms, for the past 10 years, we have considered safety while paying close attention to the EBITDA to interest-bearing debt ratio. From the fiscal 2021 results, which saw a recovery from the pandemic, we were able to confirm the revenue bases of each business with the ratio of cash flows (net income plus depreciation) to liabilities dropping to approximately

2.7 times. This means that we should be able to increase our dependence on debt by a multiple of four. When engaging in M&A as part of our bold business portfolio reforms, we will consider how to make the best use of leverage.

Climate Change Initiatives

The Nisshinbo Group corporate philosophy is "Change and Challenge! For the creation of the future of Earth and People." As climate change is one of the major threats facing the Earth and people, seizing business opportunities created by climate change and appropriately responding to risks are important management issues. As part of these efforts, in fiscal 2021, the Group began analyzing climate change scenarios in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and declared its endorsement of the TCFD in June 2022. Scenario analysis is significant in that it provided an opportunity to incorporate the realities of climate change into our business.

The Nisshinbo Group established and conducts activities in the three fields of Mobility, Infrastructure & Safety and Life & Healthcare as strategic business domains, enabling each to define initiatives related to climate change. The manufacturing industry must strive to reduce greenhouse gases emitted from production processes while responding to societal demands in ways that lead to reduced greenhouse gases emitted from products. Furthermore, we have a responsibility to introduce system technologies that protect human safety and assets from the intensification of climate change caused by global warming. I believe each of these scenarios involves both business risks and opportunities.

Sometimes referred to as the keeper of resources, the CFO recognizes the need to be proactively involved in resource allocation when it comes to climate change efforts. In other words, the promotion of environmental investments and R&D contributes to the reduction of greenhouse gas emissions. Environmental investments, the utilization of renewable energy and R&D activities are likely to cause cost increases within short-term financial performance. We must overcome these increases by devising measures such as the favorable treatment of environmental investments and internal carbon pricing. We intend to recoup investments through the provision of products and services that are beneficial in resolving social issues caused by climate change.

From the perspective of funding, we will create a path toward sustainable finance efforts, such as green bonds, by organizing and promoting the Group's environmental contribution activities in an easy-to-understand manner.

Financial Strategy Supporting Growth

The Nisshinbo Group has clearly defined strategic business

domains and will invest capital mainly in the Wireless and Communications and Micro Devices businesses. Based on current depreciation costs and net operating profit after tax (NOPAT), we will budget resource allocations of no less than ¥40 billion annually to capex and R&D investment, mainly in priority investment areas. Furthermore, in addition to accelerating growth strategies, we want to proactively utilize M&A. Should single-year budgets be exceeded, we will use short-term bank loans while considering other options.

Regarding capital investment, M&A investment and other long-term capital, having thoroughly considered financial market trends, and maintaining a balance between the long and short term, Nisshinbo arranged long-term bank loans as appropriate. Over the medium to long term, we will revise our fund procurement structure, and in the event of decisions contributing to growth, we will approach financing flexibly and consider implementation after ensuring a minimum level of safety.

Basic Policy Regarding Shareholder Returns

The Nisshinbo Group promotes management focused on ROE with the aim of realizing sustained increases in shareholder value through the distribution of profits. We also intend to accelerate investment in areas that drive growth, such as R&D, capital expenditures and M&A, aiming to secure even greater support and trust from society and stakeholders as an *Environment and Energy Company* group.

In principle, there are two distributions per fiscal year: the interim dividend and the year-end dividend. Targeting a consolidated payout ratio around 30%, Nisshinbo's policy is to provide the stable and continuous distribution of dividends.

Furthermore, if sufficient internal reserves are available to execute future growth strategies, in addition to being mindful of stability, our policy is to purchase our own shares among other more proactive efforts to enhance shareholder returns. Regarding treasury stock, in principle, shares will be cancelled. However, in the event of M&A projects that will contribute substantially to increased shareholder value, we can use shares for stock swaps.

Based on this policy, in the fiscal year ending December 31, 2022, we plan to increase the full-year dividend per share by ¥4 to ¥34 per share (comprising an interim dividend of ¥17 and a year-end dividend of ¥17). In May, we announced the acquisition of treasury stock, which limits the number of shares to be acquired and the total acquisition amount to 12 million shares and ¥10 billion, respectively. Operating cash flows in the current fiscal year are expected to amount to approximately ¥50 billion, and in addition to securing growth investment funds, we will acquire treasury stock within the scope of consolidated cash flows.

Marine Systems Supporting Global Shipping Developments

Selling Systems and Equipment That Protect Ocean Safety and Security, Developing Autonomous Vessel Operation Systems Utilizing Data

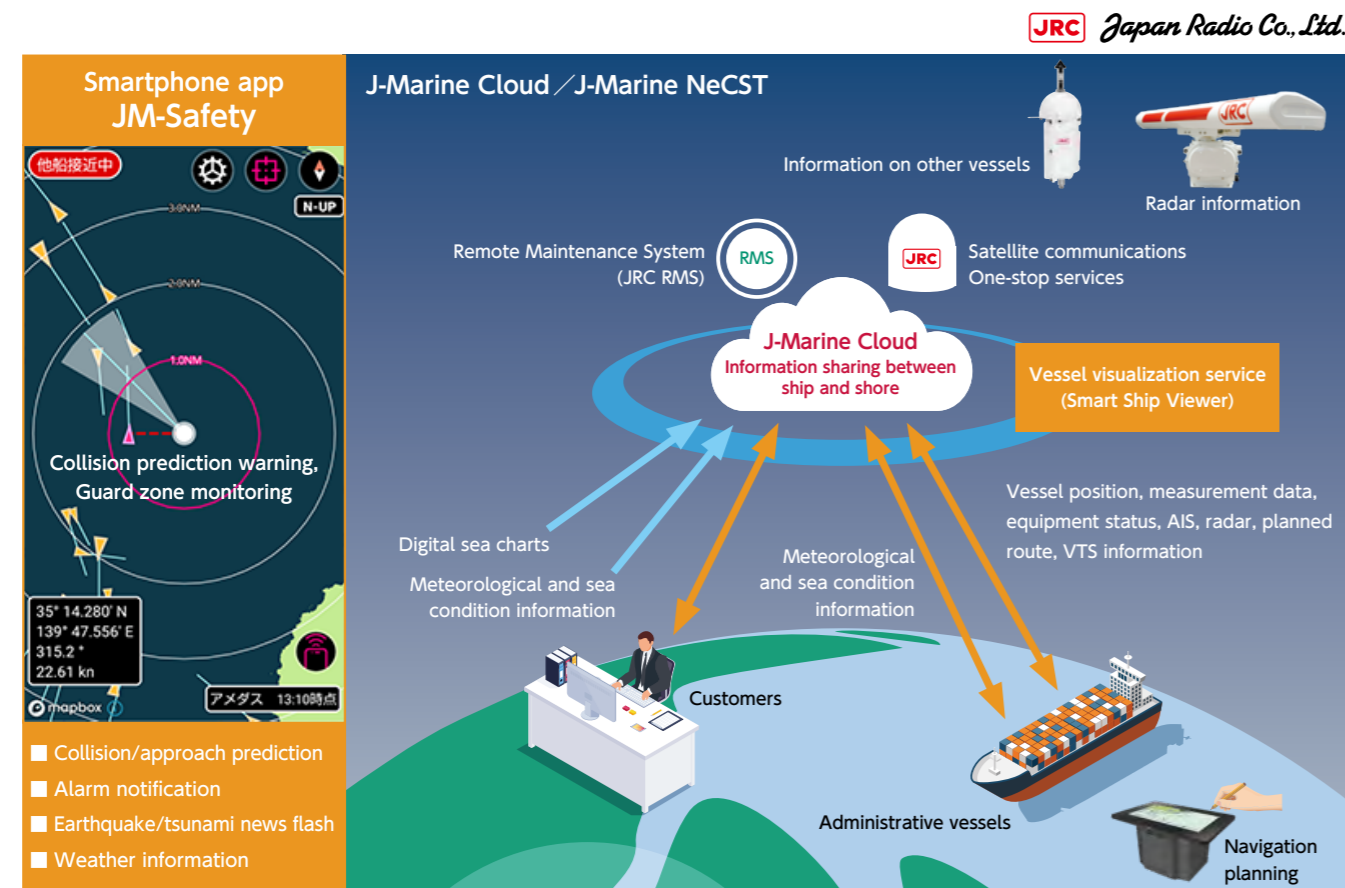
1. Solutions Overview

The Nisshinbo Group provides marine wireless communications equipment, marine radar and other navigation equipment, and bridge systems as products to commercial and fishing vessels globally. Furthermore, through maritime safety centers and numerous communications base stations located in areas where navigation is difficult, we provide information necessary for safe vessel operation and create Vessel Traffic Services (VTS) that centrally control navigation both in Japan and overseas.

In addition, we operate J-Marine Cloud, which provides weather conditions obtained from weather radar and vessel positioning information from VTS and AIS in real time online for information analysis that enables vessel operators to operate vessels safely. J-Marine NeCST, which can also be linked to J-Marine Cloud, is a groundbreaking vessel operation support service that enables information to be handwritten onto electronic navigation charts (ENCs) on large built-in displays, contributing substantially to voyage planning

efficiency and optimization. As the J-Marine Cloud service can be used in all shipping company operations, the Smart Ship Viewer (SSV), which makes ships visible, and the JM-Safety smartphone app for individual users can be used to warn of approaching vessels, earthquakes, tsunamis and other sudden changes in sea conditions, contributing to a reduction in marine accidents involving small vessels such as pleasure boats.

Onshore, we also obtain real-time information on the position, engine, navigation equipment and surveillance images of managed vessels and share information among vessels enabling the provision of advanced operational support. The utilization of data obtained through wireless communications technologies facilitating communications between vessels and land is linked to the realization of autonomous navigation leading to the safest and most efficient routes.



AIS: Automatic Identification System VTS: Vessel Traffic Services

2. Scenario for Value Co-creation through Stronger Relationships with Customers



Marine Systems Performance

The Nisshinbo Group sells navigation equipment and bridge systems to commercial and fishing vessels globally, with a large market share of more than 30% in navigation equipment for large commercial ships. In providing products and product-based solutions, we prevent ship collisions and other marine accidents while supporting global shipping industry developments by protecting safety and security while at sea.

Output

Navigation equipment and systems

Outcome

Contributes to reducing environmental burdens by supporting safe and secure vessel operations and efficient vessel navigation

Autonomous Vessel Operation System Developments

Japan Radio is advancing technological developments and demonstration experiments with the aim of becoming a comprehensive system integrator for autonomous vessel operation systems covering both land and sea. In terms of land-based systems, we participated in MEGURI2040, a fully autonomous ship program conducted by The Nippon Foundation, and we completed construction of the Fleet Operation Center in September 2021 to support unmanned vessel operations from land. We will gather a variety of information required for navigation, including information about large ships, weather and sea conditions, from J-Marine Cloud to support the planning of optimized routes for unmanned vessels. With regard to onboard systems, through joint research and development with Kawasaki Kisen Kaisha, Ltd., and YDK Technologies Co., Ltd., we are promoting the development of technologies such as AI image recognition, sensor fusion, risk determination and the generation of safe routes that will automatically avoid collisions with other vessels, which is essential for realizing autonomous vessel operations. As it is said that approximately 80% of maritime accidents are caused by human error, we will prevent maritime accidents while contributing to the development of the shipping industry, which faces challenges that include labor shortages and aging crews. We will proceed with demonstration experiments targeting full-scale commercialization of an autonomous vessel operation system in 2025.

Output

Autonomous vessel operation system

Outcome

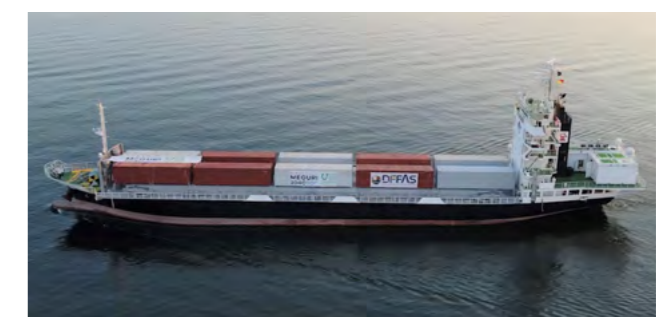
Contributes to shipping industry developments

Main Capital

Human resources: Human resources responsible for research and development and global sales
 Technological capabilities: Wireless and communications technologies facilitating communications between vessels and land
 Sales base: Companies that operate commercial and fishing vessels globally

Unmanned Operations Leading to the Resolution of Social Issues

Japan Radio participated in the Designing the Future of Full Autonomous Ship (DFFAS) Consortium, comprising 30 Japanese companies promoting joint developments targeting the social implementation of unmanned vessel operations using an open innovation framework, under The Nippon Foundation MEGURI2040 Fully Autonomous Ship Program. On February 26, 2022, the container ship SUZAKU was used to conduct a demonstration experiment incorporating a land support center capable of monitoring and remotely maneuvering unmanned vessels. The SUZAKU completed an approximately 790-kilometer roundtrip between the Port of Tokyo and the Port of Tsumatsusaka (Mie Prefecture), with unmanned vessel operations successfully conducted throughout the entire process, which lasted approximately 40 hours. This was the first time in the world that a ship with a comprehensive unmanned vessel operation system with remote controls, land-based support and other equipment was used to conduct an unmanned vessel operation demonstration experiment in the open sea with various watercraft moving back and forth. The realization of unmanned vessel operations will lead to safe vessel navigation and contribute to reducing maritime accidents and crew shortages, which, in the future, will result in increased cargo handling and transport efficiencies, as well as the development of new methods of transportation for remote islands and metropolitan areas.



IKOUS Corporation, container ship SUZAKU (Image provided by The Nippon Foundation)

Aiming to Become an Analog Solutions Provider Relied on by Customers throughout the World

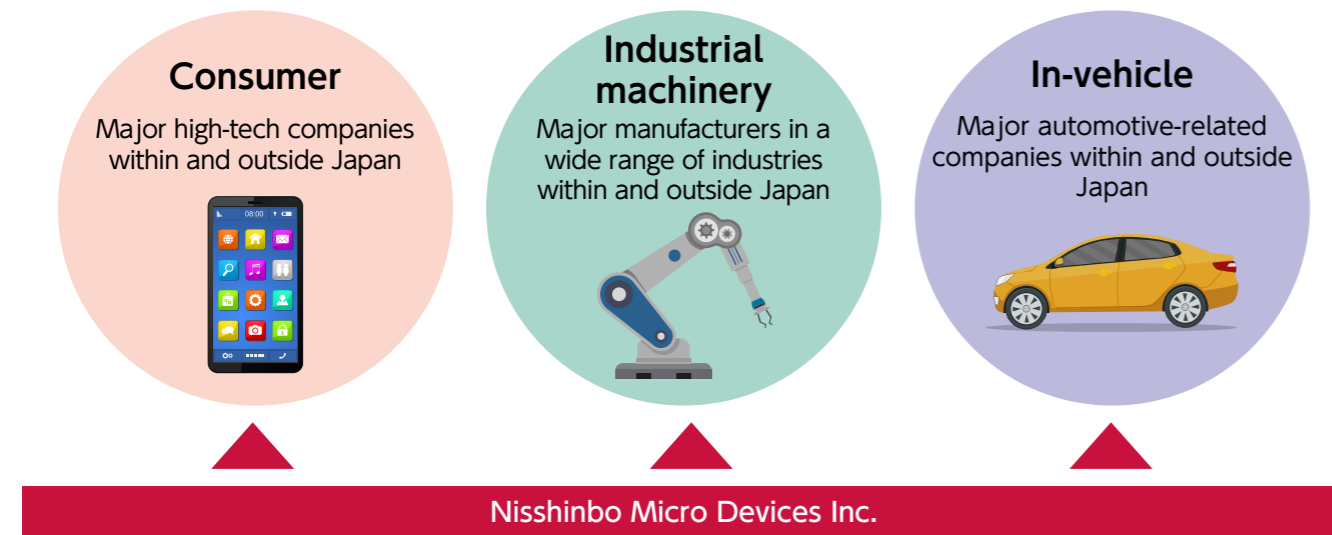
Nisshinbo Micro Devices Customer Relations Enhancement Strategy



1. Enhance Customer Relationships as an Analog Solutions Provider

The demand for communications infrastructure and other electronic devices due to the acceleration of DX and the advent of IoT and a smart society amid the trend toward a global digital shift is expected to continue growing over the medium to long term. Given these conditions, Nisshinbo Micro Devices Inc., which was established in January 2022 with the integration of New Japan Radio Co., Ltd., and Ricoh Electronic Devices Co., Ltd., is expanding its competitive product portfolio while incorporating AI and digital technologies into its strengths in analog technologies with the aim of becoming an analog solutions provider offering unprecedented new value.

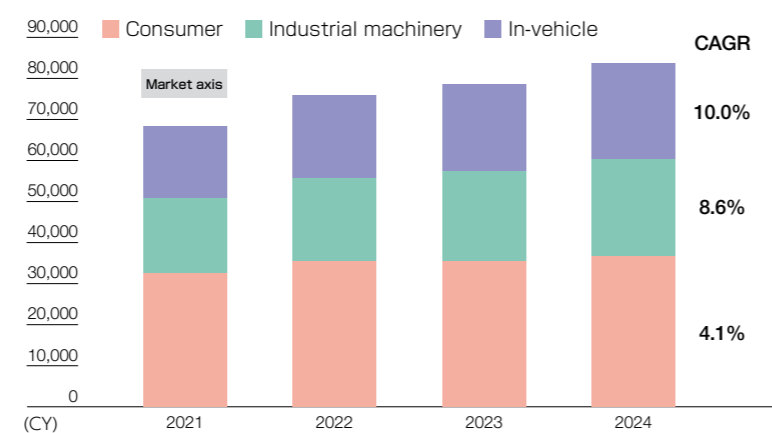
Nisshinbo Micro Devices has expanded its customer base centered on major global companies representing each industry in the fields of in-vehicle, industrial equipment and consumer equipment. By further strengthening relationships with major players in these markets, we will capture demand in each market, leading to business expansion. The current breakdown by sales in each market is shown in the following graph. We will maintain the consumer business while targeting growth in the in-vehicle and industrial machinery businesses.



Outlook by Market

In 2022, despite sluggish growth in the consumer market due to an abatement in pandemic-related stay-at-home demand, in the in-vehicle market, global automobile sales are expected to grow more than 6% year on year, while in the industrial machinery market, global shipment volumes in core segments are expected to grow 5% year on year.

Electronic Device Business: Sales by Market



2. Scenario for Value Co-creation through Stronger Relationships with Customers

Example of Strengthening Relationships with Major Customers ① (In-vehicle)

The automobile industry is experiencing technological innovations in new areas represented by CASE. With regard to autonomous driving, bans have been lifted on Level 3, which enables conditional autonomous driving, while efforts toward the practical implementation of Level 4 services enabling unmanned driving are spreading throughout the world. Given these conditions, by linking business segments including Wireless and Communications, Micro Devices, Automobile Brakes, Precision Instruments and Chemicals, the Nisshinbo Group is working to contribute to safety and the environment by refining technologies related to autonomous driving, including advanced driver assistance systems (ADAS: Level 2 autonomous driving). Nisshinbo Micro Devices is co-creating with major domestic and overseas automobile parts manufacturers while developing application-specific integrated circuits (ASICs) for automobiles.

Output

ASIC deployment for power management and sensor signal processing for specific customers

Outcome

Traffic safety and highly efficient electric power with ADAS

Output

PMIC, sensors and AFE

Outcome

Increased productivity and safety, highly efficient electric power

Main Capital

Human resources: Engineers who make full use of analog technologies, serving as a bridge between AI and accurate information
 Technological capabilities: Mounting technologies expansion from stand-alone IC technologies to modules
 Customer base: Trading performance with numerous major global companies representing their industry in the in-vehicle, industrial machinery and consumer markets

Example of Strengthening Relationships with Major Customers ② (Industrial machinery)

At manufacturing sites, the introduction of industrial equipment such as industrial robots and machine tools is advancing automation and efficiency in manufacturing processes. Automation had been implemented using industrial equipment in the automobile and mobile equipment industries mainly in developed countries, but now factory automation is expanding globally amid intensifying price competition and rising production costs. Until now, Nisshinbo Micro Devices has established a track record of handling a large number of prominent customers worldwide, thus we will strive to expand the scale of our business by increasing the number of registered products among customers and deploying them horizontally. To this end, we will strengthen relationships with industrial equipment manufacturers and meet diverse needs including enhanced safety, energy efficiency, noise resistance and reliability.

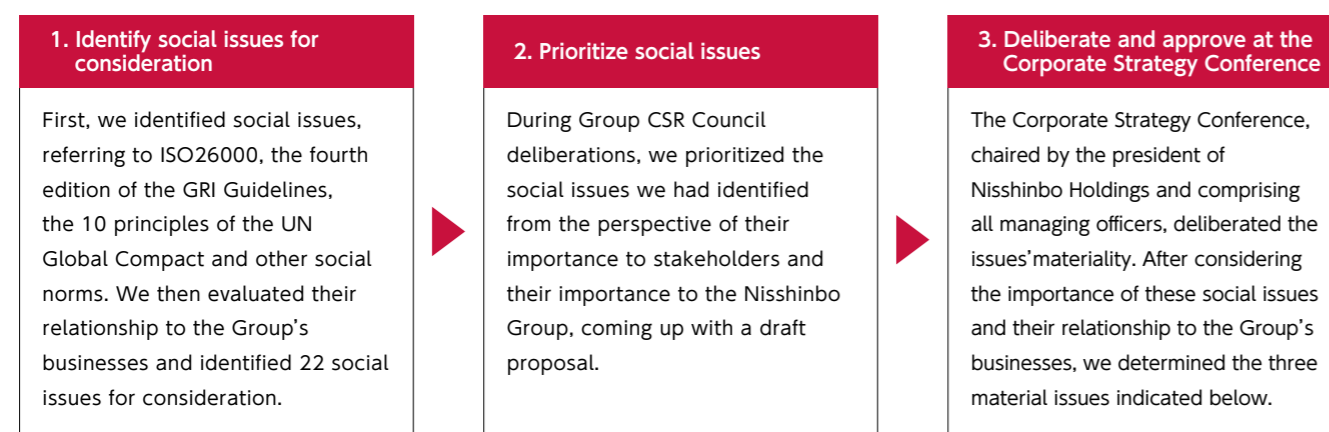


ESG Initiatives — Materiality, Risks and Opportunities

With its corporate philosophy “Change and Challenge! For the creation of the future of Earth and People,” the Nisshinbo Group has since its founding inherited the basic spirit of corporate public institutions of contributing to society through business activities. We are placing ESG at the heart of our thoughts on corporate management and proactively pursuing ESG initiatives.

Process of Determining Materiality

In February 2015, we identified material issues for the Group in order to clarify issues that required action to achieve sustainable growth for the Nisshinbo Group’s business together with society.



Relationship between Materiality and Global Guidelines

| | Materiality | SDGs | ISO26000 |
|------------------------------------|--|------|---|
| E Environmental Initiatives | Contribution to the environmental and energy field | | Environment |
| S Social Initiatives | Creation of a safe and secure society | | Human Rights Labor Practices Consumer Issues Community Involvement and Development |
| G Corporate Governance | Global compliance | | Organizational Governance Fair Operating Practices |

SDGs with Close Links to the Nisshinbo Group’s Businesses

6. Clean water and sanitation
Ensure availability and sustainable management of water and sanitation for all

9. Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

12. Responsible consumption and production
Ensure sustainable consumption and production patterns

13. Climate action
Take urgent action to combat climate change and its impacts

Materiality and Related Major Risks, Opportunities and Responses

| ESG | Materiality | Major risks and opportunities | Risks | Opportunities | Responses to risks and opportunities |
|-------------------------------------|---|---|---|--|---|
| E: Environmental Initiatives | Contribution to the environmental and energy field | Climate change | <ul style="list-style-type: none"> Impact on supply chains from major natural disasters caused by extreme weather CO₂ emission costs due to introduction of carbon tax Costs to reduce CO₂ emissions Costs to respond to tighter rules on SOx/NOx emissions worldwide Impact on business activities from tighter rules on greenhouse gas emissions | <ul style="list-style-type: none"> Address the greater demand for fuel cell vehicles as the hydrogen society gains momentum Grow the number of new ships built amid rising demand for biomass fuel transportation Expand businesses that provide disaster prevention/mitigation solutions to address rising wind and flood damage | <p>Responses to Risks:</p> <ul style="list-style-type: none"> Develop a business continuity plan (BCP) based on the assumption of major natural disasters; conduct training to improve the Group’s response to the risk of business disruption Take steps to reduce CO₂ emissions Introduce SOx/NOx removal equipment Increase the sales ratio for “products that contribute to the creation of a sustainable society” to 70% by 2030 <p>Responses to Opportunities:</p> <ul style="list-style-type: none"> Improve technological capabilities for developing fuel cell parts and materials Increase production capacity and strengthen sales for marine wireless communication equipment to address the rising demand for new biomass fuel transportation vessels Sell water/river management systems, weather radar and other disaster prevention/mitigation solutions developed in Japan to customers overseas Conduct climate change scenario analyses according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations; identify climate change risks and opportunities facing the Group in the future and utilize them in formulating business strategies |
| | | | S: Social Initiatives | Creation of a safe and secure society | Human rights |
| Human resources | <ul style="list-style-type: none"> Difficulties hiring and retaining talented people | <ul style="list-style-type: none"> Promote the overlap between the Corporate Philosophy and the growing interest in ESG among younger people, leading to more hiring opportunities | | | <ul style="list-style-type: none"> Use RPA, IoT and other tools to increase automation and realize labor savings Implement strategic PR activities to improve the corporate visibility and image Provide human resources and financial support to joint research projects with academia Use targeted local recruitment activities |
| Occupational injuries | <ul style="list-style-type: none"> Impact on business of failure to ensure employee health and safety worldwide | — | | | <ul style="list-style-type: none"> Encourage HD and Group companies to work together to roll out high-level health and safety approaches from Japan to sites worldwide |
| Quality | <ul style="list-style-type: none"> Loss of trust, claims for damages or product recalls due to quality issues or defects with products or services | — | | | <ul style="list-style-type: none"> Use the risk management system to minimize risk probability and potential impact Establish a quality assurance team at HD to oversee quality assurance and product safety activities at Group companies |
| G: Corporate Governance | Global compliance | Group management | <ul style="list-style-type: none"> Management issues due to greater business diversity Large number of duplicate functions among Group businesses | <ul style="list-style-type: none"> Harness the Group’s diverse strengths by integrating businesses/ organizations to drive innovation and increase resilience to changes in the operating environment | <ul style="list-style-type: none"> Reform the business portfolio to align with changes in issues faced by society; improve cash flow Improve efficiency by overhauling Group-wide organizations and outsourcing Maintain Group integration by consolidating the oversight of Group company management at HD and establishing financial discipline |
| | | Business management | <ul style="list-style-type: none"> Increasing complacency in governance | <ul style="list-style-type: none"> Take risks based on a balance between proactive and defensive governance | <ul style="list-style-type: none"> Build on pioneering steps such as the introduction of the outside director system in 2006, the adoption of the HD system in 2009 and the termination of the advisor/ consultant system in 2017; establish an advanced governance system that balances management transparency with bold risk-taking |
| | | Compliance | <ul style="list-style-type: none"> Loss of trust and damage to corporate value caused by legal violations such as corruption or anti-competitive practices, or by corporate behavior that diverges from social norms | — | <ul style="list-style-type: none"> Employ messaging from the president of HD to underscore the importance of fair business practices Provide continuous compliance training Impose severe penalties for misconduct Appoint outside directors with legal background |
| | | Fraud/illegal conduct | <ul style="list-style-type: none"> Financial window-dressing, accounting irregularities, etc. | — | <ul style="list-style-type: none"> Use the internal control system and the corporate ethics reporting system to prevent misconduct Employ regular rotation to prevent misconduct |
| | | Information security | <ul style="list-style-type: none"> Unauthorized disclosure of personal information, customer information or trade secrets Information leaks or data corruption caused by computer viruses | — | <ul style="list-style-type: none"> Conduct continuous training and annual internal audits to assess information security Use the risk management system to minimize risk probability and potential impact |

For risks related to business, please see pages 22–24 of the 179th Securities Report.



Realizing Our Vision through Unity in Diversity under the Basic Principle “Business is People”

Makoto Sugiyama

Executive Managing Officer

Senior Manager of Sustainability Development Department and Human Resources and Administration Service Department, Corporate Strategy Center

Q How does the Nisshinbo Group view its human resources?

The Nisshinbo Group has achieved growth while engaging in amicable M&A. Accordingly, the Group now comprises a variety of companies with different histories, backgrounds and cultures, each of which possesses strengths in their respective business areas. With more than 20,000 employees worldwide, we formulated a Group human resources strategy in 2020 to ensure employees from these diverse backgrounds are aligned with the direction of the Nisshinbo Group and can fully demonstrate their capabilities. The essence of this policy can be summarized by Nisshinbo’s conventional view that “business is people;” in other words, “business success or failure depends on human intelligence and virtue.” Under this human resources policy, with a focus on future business development, we will recruit a wide variety of human resources, including, but not limited to, new graduates, placing the right people in the right jobs and providing training. As employee engagement is also important for eliciting enthusiasm and creativity, we must take health management into consideration and create an environment in which skilled people are treated appropriately.

Nisshinbo Group Human Resources Strategy — Nisshinbo Group Human Resources Policy —

Business is people

—Business success or failure depends on human intelligence and virtue—

- (1) With regard to human resources able to contribute to the development of business now and in the future, Nisshinbo will
 - (2) Recruit, train and place people in the right job,
 - (3) Encourage enthusiasm and creativity,
 - (4) Maintain physical and mental health,
 - (5) Evaluate employees fairly and treat them appropriately, and
- Provide ongoing training and allocate people generating appropriate earnings at each level and function.

Q What measures have been implemented since formulating the Group human resources strategy?

In 2020, we introduced a talent management system aimed at visualizing the skills, capabilities and experience possessed by each employee. This system is used to identify and promote human resources to place the right people in the right jobs. Furthermore, in April 2021, we launched a learning management system providing employees at all Group companies an equal opportunity to receive extensive education. These efforts have led to an increased number of female managers and managerial position candidates.



The “L-Click” cloud-based learning management system (LMS) with e-learning and administrative functions

In addition to these mechanisms supporting human resource management, we have dramatically increased opportunities for the sharing of human resource-related policies and issues across the Group. Group Human Resources Department meetings are not limited to core companies; human resource managers from approximately 30 companies attend each meeting. Rather than imposing the policies of the holding company, we respect the various methods employed by Group

companies and aim to align them more closely with a single Group objective. Online meetings have advanced during the pandemic, with people communicating on equal levels without restrictions on geographical location or number of people, including employees posted overseas. This has given rise to changes that include requests that personnel systems be made equal, from small companies to the holding company.

Q What is required of Nisshinbo human resources and what are your training policies?

The Group categorizes human resources into three classes. First, we seek “senior management and future business leaders” who can take on challenges and achieve transformation in an opaque and uncertain era with no correct answers as globally competitive leaders. Second, we pursue “managers and managerial candidates” who must be capable of strengthening and driving commercialization, profitability and generating appropriate earnings through creation and transformation. Third, we look for “general employees” who, in response to major trends in technological changes such as digitization, must be able to achieve operational efficiencies and productivity improvements. From these ranks, we expect to cultivate human resources who will become candidates for leading future transformations. We are also proactively developing education, training and other programs to deepen each class, such as the senior management candidate training program launched in 2015, which has already been successful in producing many of the executives currently holding management positions. Furthermore, we conduct Group-wide workshops and provide innovation leader training for younger employees to increase the number of senior management candidates in reserve. Nisshinbo does not believe it possible to develop human resources through on-the-job training alone, thus we will continue to proactively invest in human resource developments.

Q What do you prioritize from the perspective of securing new human resources?

Having adjusted the number of new graduates hired in response to past business trends, the human resource generation distribution has become unbalanced. We must quickly rectify this situation to compete globally in the future. To this end, we are increasing the number of mid-career hires to the same level as new graduate hires and promoting the creation of an environment in which talented mid-career hires with various experiences from a variety of backgrounds can make a soft landing in the Nisshinbo Group. In terms of systems, we created new positions with limited regional responsibilities. Regarding corporate culture, we are focused on diversity and inclusion that recognizes and respects differences and benefits from mutual strengths while ensuring psychological safety. It is also helpful to tolerate any friction caused by these cultural differences. In April each year, mid-career hires in their first year

of employment also participate in group training conducted for new graduates. After training, a roundtable discussion is held to identify issues in need of Nisshinbo Group improvement. These issues are also provided to management as feedback from the perspective of the mid-career hires.

Q What issues have you identified in terms of promoting this human resource strategy?

In addition to addressing the unbalanced generational distribution within human resources, we must enhance systems for the ongoing recruitment and training of highly specialized human resources with digital skills able to realize management policies and business strategies. As we also believe that the source of innovation lies in human resource diversity, we are focusing on developing and promoting diversity within human resources, including female managers and foreign national employees.

In terms of global human resource development, to expand the number of candidates for senior management positions, which currently is open only to candidates in Japan, we want to expand participation to include overseas candidates. In China, we are developing a simplified version of the three-tiered education system employed in Japan, targeting approximately 1,600 Group employees from more than 20 companies across China centered on our base in Shanghai. These efforts have been well received by local Group employees, so we want to expand them to Indonesia and Thailand in the future. We will also continue to proactively hire and train foreign national employees in Japan. Although some employees we hire might leave their jobs, we believe that the provision of opportunities to return to work for Nisshinbo and play an active role will also lead to the expansion of diversity. In a diverse workplace, employees frequently encourage and learn from each other, and my personal sense is that diversity creates tremendous value in terms of invigorating human resources. I believe it is important to maintain friendly relationships with former employees, both Japanese and non-Japanese, who have left Nisshinbo for new challenges while providing opportunities for them to return, as that will lead to strengthening diversity, and consequently, the enhancement of corporate value.

Q In closing, do you have a message for Nisshinbo stakeholders?

For human resources to fully demonstrate their capabilities, job satisfaction is a critical underlying factor in an environment that guarantees psychological safety. Rather than mechanisms, systems and compensation, the primary driver of job satisfaction is empathy for the direction of the organization and its business. As the Nisshinbo Group develops a wide range of businesses, we believe that attracting a diverse array of human resources and strengthening unity within that diversity will lead to Group growth and the realization of our objectives.

Creation of a Safe and Secure Society

Basic Stance

Each and every employee's ability is key for companies to contribute sustainably to a diverse and global society. We aim to create a more worker-friendly environment by respecting the character and individuality of each employee and placing the right people in the right jobs. To this end, we respect diversity in all respects, including human rights and hiring, and promote a work-life balance. In addition, we carry out safety and occupational health activities with the aim of eliminating all occupational hazards.

Human Resources Training

The Nisshinbo Group has built a systemized training framework with several components. The framework includes courses designed for different groups, such as new recruits and people newly appointed to mid-level manager, section head and division head positions; courses to acquire specific skills; general study courses covering topics such as career training, safety, human rights and the environment; and specialist courses on technologies, accounting, intellectual property and other topics related to specific businesses and functions. We also run a special program for employees earmarked to become senior managers. The program is designed to foster approaches, knowledge and behavior for their future senior manager roles before they are promoted. "Innovation Leader Development Training" is provided for young and mid-career employees. In April 2021, we introduced a learning management system nicknamed "L-Click" to encourage the active participation of diverse human resources by expanding and equalizing educational opportunities.

Promotion Activities for Diversity & Inclusion

The Nisshinbo Group promotes diversity and inclusion (D&I) activities aimed at "cultivating an organizational culture that empowers employees to speak freely without hesitation and take action." Having established the milestone of achieving a "workplace in which diverse people are active" by 2025, Nisshinbo conducts D&I promotion activities across the Group within and outside Japan. Since 2021, the Group has conducted "Psychological Safety: Achieving Results through D&I" training sessions for employees at each level with the aim of inculcating an understanding of the importance of "psychological safety," a foundational concept of D&I.

Engaging People with Disabilities as Valuable Assets

As of December 31, 2021, JRC Tokki Co., Ltd., employed 10 people with disabilities (2.6% employment rate). These employees play active roles in a wide range of departments, including general affairs, accounting, procurement, quality assurance and management, where they are exclusively assigned based on their individual (or respective) aptitudes. Furthermore, in respecting the independence of individuals, we create an environment in which everyone is highly motivated to engage in work as a unified force.

Empowering Women

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, Nisshinbo Holdings Inc. has formulated the following "General Action Plans" to ensure that diverse human resources, including women, can work energetically

and maximize their abilities. Similar measures are being implemented by 17 Group companies* in Japan.

| General Action Plans (Planning period: January 1, 2022, to March 31, 2026) |
|--|
| <p>Goal 1: The proportion of females in the total number of clerical professionals is to be more than fifty percent. Measure: January 2022-: Public relations on efforts to promote women's active participation, diversity, and inclusion.</p> |
| <p>Goal 2: The number of women in supervisory roles will be more than twice as many as that in fiscal year 2021. Measure: January 2022-: Interviews with supervisors for positive and fair development and the evaluation of female employees Development of an individual development plan for female employees and follow-up on implementation status Creation of opportunities for exchange between female employees and managers and supporting network formation</p> |
| <p>Goal 3: Take at least 70% of annual paid leave. Measure: January 2022-: Management and follow-up of leave status</p> |

* Japan Radio Co., Ltd., Nagano Japan Radio Co., Ltd., Ueda Japan Radio Co., Ltd., JRC Tokki Co., Ltd., JRC Engineering Co., Ltd., JRC System Services Co., Ltd., Nagano Japan Radio Manufacturing Co., Ltd., Nisshinbo Micro Devices Inc., Nisshinbo Micro Devices AT Co., Ltd., Nisshinbo Micro Devices Fukuoka Co., Ltd., Nisshinbo Brake Inc., Nisshinbo Mechatronics Inc., Nanbu Plastics Co., Ltd., Kyushu Nanbu Plastics Co., Ltd., Nisshinbo Chemical Inc., Nisshinbo Textile Inc., Tokyo Shirts Co., Ltd.

Work-Style Reforms

In 2020, beyond promoting the active participation of a diverse range of human resources, each Group company in Japan instituted a telework system to facilitate more comfortable work environments. Currently, we are advancing a variety of activities based on the Action Plan for Workstyle Reforms, which was announced in January 2021.

| The Action Plan for Workstyle Reforms (January 1, 2021, to December 31, 2024) |
|---|
| <p>1. Rectify long working hours Reduce the number of employees who work more than 45 hours a month of overtime by 20% compared with fiscal 2020.</p> |
| <p>2. Encourage the use of annual paid leave Maintain an annual paid vacation rate of at least 70%.</p> |
| <p>3. Promote flexible work styles (1) We will review systems that correspond to a variety of work styles. (2) Develop an environment that makes it easier for male employees to take childcare leave, etc.</p> |

Assisting Workers in Balancing Work and Nursing Care

Each Group company in Japan has introduced several programs to help employees balance work and nursing care. These include nursing-care leave, family-care leave, shortened working hours for family care and a system for returning employees to work after retirement for nursing care.



The "Tomonin" logo. This logo is used to promote work environments where employees can balance work and nursing care.

Respect for Human Rights

To promote respect for human rights and put in place a more comfortable workplace, the Nisshinbo Group engages in human rights education and training activities based on a structure in which Nisshinbo Holdings Inc.'s Chief of the Corporate Strategy Center serves as the Promotion Committee Chair and Chief of the Sustainability Development Department serves as the Promotion Committee Vice-Chair.

Throughout the year, we provide training for newly hired employees and overall training for all employees.

In addition, the "Nisshinbo Group Sustainable Procurement Basic Policy" and "Sustainable Procurement Guidelines" used by Group companies clearly indicate our consideration for basic human rights and the prohibition of child labor, as well as thorough respect for human rights throughout the supply chain.

Safety and Health Activities

The Nisshinbo Group shares the Business Conduct Guidelines "Safety Is the Basis for Everything" with all employees and promotes health and safety activities with the aim of maintaining and improving safe and supportive working environments at all business sites within and outside Japan.

To extend the record of zero major workplace accidents achieved in fiscal 2021, we focused on initiatives such as ongoing risk assessments (work, equipment, chemical substances) and the implementation of priority measures for serious risks; the early detection and elimination of unsafe conditions via comprehensive workplace patrols and the correction of unsafe behaviors as preventive safety activities; the thorough implementation of "stop-call-wait" when trouble occurs in parallel with equipment safety devices and other improvements; thorough safety confirmations before maintenance work; efforts to prevent falls with a focus on older employees as a falling countermeasure; and enhanced safety education for unskilled persons including temporary employees to improve risk sensitivity. These policies were implemented at all Group companies.

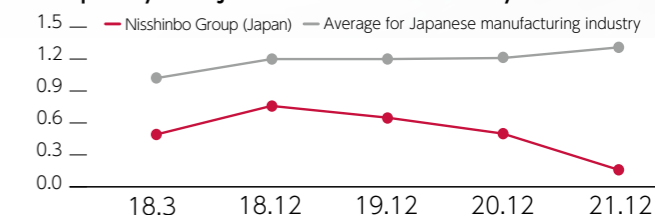
Each business office enhances each employee's safety awareness by conducting small group activities (e.g., training when work details change, skill-improving education, horizontal development of occupational accidents within the Group, danger awareness training and 5S activities) in addition to trainings for new hires and for employees changing work content. It also systematically conducts risk assessments (of equipment, work and chemical substances) according to an annual plan to prioritize the risks to be addressed and take preventive safety measures.

Occupational Injuries

In fiscal 2021, there were no instances of major workplace accidents (accidents with Level 7 or higher injuries). The frequency of occupational accidents with lost workdays* at the Group's domestic business sites was 0.16, an improvement from 0.50 in fiscal 2020.

*Frequency of injuries with lost workdays = number of employees injured with lost work ÷ aggregate number of working hours × 1 million

Frequency of Injuries with Lost Workdays



Health and Safety Audits

The Nisshinbo Group conducts regular occupational health and safety audits of its manufacturing sites. A monitoring team composed of the Health & Safety Group from Nisshinbo Holdings Inc., labor unions, safety and health management staff representing each business, and health and safety officers from other business sites checks the state of health and safety management at the targeted business sites. In fiscal 2021, we conducted audits at 44 manufacturing sites in Japan and one manufacturing site overseas. In response to the spread of COVID-19 infections, onsite audits were conducted after implementing infection control measures in Japan, while online document audits were conducted overseas.

At the end of each fiscal year, the results of all audits and checks are compiled in a comprehensive audit report, which is used to analyze potential risks and communicate good practices to the whole Group as part of workplace health and safety activities in the following fiscal year.

Health Management

The Nisshinbo Group's Health Management Policy states that the "Nisshinbo Group, through the establishment of an environment where each individual member can play an active role by promoting employee health and sound workplace, aims to be a corporate group which is indispensable, at any time, for our society." To promote health management efforts across the Group, Nisshinbo established the Group Health Management Department Meeting, which is attended by health management department leaders from each Group company and is tasked with coordinating the Group's activities. Specifically, the meeting focuses on activities in three key areas—personal health, organizational health and safety awareness—to ensure all employees are fully aware of their safety obligations.

In fiscal 2021, to promote "individual health," "participation in walking events" and "organizational health," with regard to maintaining the average overall health risk value of stress checks below 100, reducing the number of companies with stress checks above 100 and "reliably meeting safety consideration obligations," starting in fiscal 2022, Nisshinbo decided to create a health management report based on employment guidelines and health check items under the Industrial Safety and Health Act.



For more information, please see the Sustainability section of the Nisshinbo Group website.
<https://www.nisshinbo.co.jp/english/csr/index.html>

Contribution to the Environmental and Energy Field

Basic Stance

The Nisshinbo Group is aiming to increase corporate value as a more united corporate group by realizing its Corporate Philosophy, "Change and Challenge! For the creation of the future of Earth and People." As an *Environment and Energy Company* group, we will continue to offer new products and systems that help protect the environment, save energy and create alternative sources of energy, while also providing solutions that address some of the greatest issues faced by humanity today, such as environmental destruction and natural disasters caused by climate change, to make life safer and more secure for people everywhere.

Long-Term Environmental Target (to fiscal 2050)

Aim to be Carbon Neutral

Medium-Term Environmental Target (to fiscal 2030)

| Primary targets | | | |
|---|---|---|--|
| Provide sustainable solutions Increase ratio of products that contribute to a sustainable society to 70% or more of total sales | Global warming countermeasures Reduce greenhouse gas emissions*1 by 50% or more compared to fiscal 2014 | Contribute to the realization of a recycling society Improve the recycling ratio to 95% or more | Water resource countermeasures Reduce water usage per unit of sales by 70% or more compared to fiscal 2014 |

*1 To target the long-term environmental goal of carbon neutrality by fiscal 2050, the short- and medium-term environmental targets for greenhouse gas emission reduction items were revised.

Previous Three-Year Environmental Targets and Results (2019–2021), New Three-Year Environmental Targets (2022–2024)

| Key action items | Fiscal 2021 target | Fiscal 2021 results | Fiscal 2024 target |
|---|---|-------------------------------------|--|
| Improvement of the sales percentage by the products that contribute to the development of the sustainable society | 55% or more of total sales | 52% of total sales | 60% or more of total sales |
| Reduction of greenhouse gas emissions per unit of sales | Reduce by 10% or more compared to fiscal 2014 | Reduced 14% compared to fiscal 2014 | — |
| Reduction of greenhouse gas emissions | — | — | Reduce by 35% or more compared to fiscal 2014 |
| Reinforcement of the maintenance of biodiversity | Implement at more than 5 overseas sites | Implemented at 5 sites overseas | Activities in Japan and abroad At more than 5 new sites |
| Reduction of water usage per unit of sales | Reduce by 3% or more compared to fiscal 2017 | Reduced 33% compared to fiscal 2017 | Reduce by 65% or more compared to fiscal 2014 |
| Promote Life Cycle Assessment (LCA)*1 | 50% or more of total sales | 57% of total sales | 60% or more of total sales |
| Reduction of the energy consumption per unit of sales | Reduce by 10% or more compared to fiscal 2014 | Reduced 9% compared to fiscal 2014 | Reduce by 15% or more compared to fiscal 2014 |
| Reduction of the volume of PRTR*2 substances emissions per unit of sales | Reduce by 10% or more compared to fiscal 2017 | Reduced 10% compared to fiscal 2017 | Reduce by 30% or more compared to fiscal 2014 |
| Improvement of recycling rate | Increase the recycling rate to 90% or more | 88% recycling rate | Increase the recycling rate to 90% or more |

*1 Life cycle assessment (LCA): Understanding of environmental load, through the life cycle of a product, from raw materials to production, use and finally to disposal.
 *2 PRTR substances: Substances subject to the Pollutant Release and Transfer Register (PRTR) system pursuant to the "Act on the Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof" for which reports of their amounts of release and transfer must be filed.

Nisshinbo Group SDGs Initiatives

The direction targeted by the Nisshinbo Group overlaps with the Sustainable Development Goals (SDGs), hence we will contribute to the achievement of the SDGs through our business. The Group considers goals to which it will specifically contribute while maintaining an awareness of all the SDGs. With the manufacturing industry constituting the focal point of Group business activities, these four goals (right) are core.



For more detailed information, please visit the Sustainability section of the Nisshinbo Group website. <https://www.nisshinbo.co.jp/english/csr/index.html>

Reports Based on the TCFD Recommendations

Overview of the TCFD Response

Climate change is a global issue that transcends nations and regions, making the reduction of greenhouse gases a shared global long-term objective. Believing it important to seize business opportunities created by climate change and respond appropriately to risks, in fiscal 2021, the Nisshinbo Group began conducting climate change scenario analyses in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. By identifying the risks and opportunities that climate change will pose to the Group in the future, then utilizing them in the formulation of business strategies, we will devise more flexible and robust strategies and increase resilience against future risks. In June 2022, Nisshinbo announced its endorsement of the TCFD recommendations.

Governance

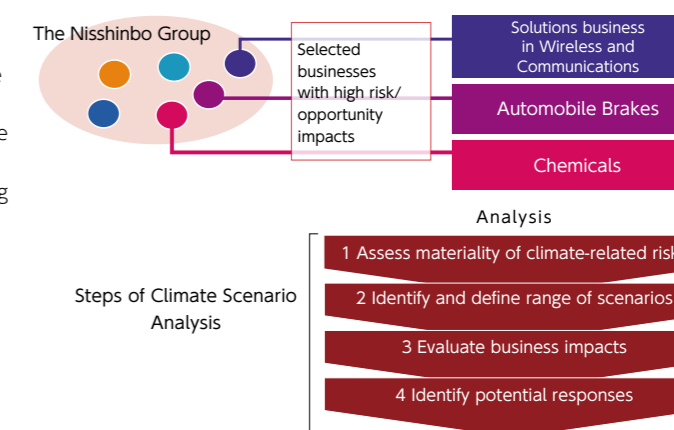
The Nisshinbo Group established and now operates a governance system within the Group-wide governance system*1 to appropriately respond to risks and opportunities related to climate change. Responsibility for climate-related issues is entrusted to committees such as the Corporate Strategy Conference comprising the president and executive officers, which reports to the Board of Directors, who discuss responses to reported climate-related issues and monitor targets and progress toward their resolution.

*1 Refers to "Corporate Governance Structure" on page 38, Corporate Governance.

Strategy

Overview

As the Nisshinbo Group is engaged in a wide range of businesses, we first conducted climate change scenario analyses using the following steps to target businesses we anticipate will be significantly affected by risks and opportunities, including the Solutions business within the Wireless and Communications business and the Automobile Brakes and Chemicals businesses. Two climate change scenarios were used, one based on a world in which warming continues (warming progression scenario: 2.6°C–4°C scenario) and the other a world in which warming is curtailed and a positive shift is under way (decarbonization scenario: 1.5°C–2°C scenario).



1. Assess materiality of climate-related risks

Important risks and opportunities were identified for each of the three targeted businesses. As the impacts of climate change have the potential to arise in the medium to long term, risks and opportunities were qualitatively evaluated as "large," "medium" or "small" on short-term as well as medium- to long-term timelines leading up to 2050. As a result, we extracted risks and opportunities of high importance related to the survival of the business and the creation of new businesses in the Solutions business within the Wireless and Communications business and the Automobile Brakes and Chemicals businesses, as shown in the table below.

●: Items of high importance

| Risk type | Assessment Item | | Wireless and Communications*1 | Automobile Brakes | Chemicals | Risks | Opportunities |
|------------------|------------------|------------------------------------|-------------------------------|---------------------------------|-----------|--|--|
| | Major categories | Subcategories | | | | | |
| Transition risks | Policy and Legal | Carbon price | | ● | ● | Automobile Brakes Chemicals Taxing emissions by introducing a carbon tax | Automobile Brakes Increase in sales of brake friction materials due to change in demand for automobiles Chemicals Increase in sales of cross-linking agents due to rising demand for cold-drying paints |
| | | | Market and Technology Shifts | Energy mix | | ● | Chemicals Increase in energy costs caused by fluctuations in crude oil and/or electricity prices |
| | Reputation | Customer preferences | | | | ● | ● |
| Physical risks | | | Chronic | Precipitation, Weather patterns | ● | | |
| | Acute | Severity of extreme weather events | | | | ● | ● |

*1 Solutions business within the Wireless and Communications Business *2 Greenhouse gases *3 Zero Net Energy Buildings

2. Identify and define range of scenarios

With 2050 as the time axis, the Nisshinbo Group analyzed climate-related risks and opportunities using the warming progression and decarbonization scenarios. The following documents were referenced for the analysis.

Warming Progression Scenario

International Energy Agency (IEA)
 •Stated Policies Scenario (STEPS)
 •Reference Technology Scenario (RTS)

Intergovernmental Panel on Climate Change (IPCC)
 •RCP8.5

Decarbonization Scenario

International Energy Agency (IEA)
 •Net-Zero Emissions Scenario (NZE)
 •Sustainable Development Scenario (SDS)

Intergovernmental Panel on Climate Change (IPCC)
 •RCP 2.6 or RCP 4.5

In the warming progression scenario, physical risks will become apparent at some bases, while demand for disaster prevention-related products and services is expected to increase. In the decarbonization scenario, although demand for friction material replacements will decrease due to the extended life of friction materials for brakes in line with the expansion of EVs due to the spread of decarbonization, the demand for insulation materials and high-performance materials that contribute to saving energy is expected to increase.

3. Evaluate business impacts

In this scenario analysis, we evaluated the financial impacts on each business. As shown in the table below, the magnitude of the impact varies depending on the evaluation items and scenarios, thus we assume that capturing demand will lead to the creation of business opportunities, especially in friction materials for brakes (Automobile Brakes business) under the ongoing warming scenario and bipolar plates for fuel cells (Chemicals business) under the decarbonization scenario.

⊕: Positive impact ⊖: Negative impact

| Category | Assessment Item | Assessment of Impacts | |
|----------------------|--|------------------------------|--------------------------|
| | | Warming Progression Scenario | Decarbonization Scenario |
| Carbon price | Taxing emissions by introducing a carbon tax | ⊖ | ⊖⊖ |
| | Increase in sales of brake friction materials due to change in demand for automobiles | ⊕⊕⊕ | ⊕⊕ |
| | Increase in sales of cross-linking agents due to rising demand for cold-drying paints | ⊕⊕ | ⊕⊕⊕ |
| Energy mix | Increase in energy costs caused by fluctuations in crude oil and/or electricity prices | ⊖ | ⊖ |
| Customer preferences | Responding to GHG reduction requests from customers | ⊖ | ⊖⊖ |

| Category | Assessment Item | Assessment of Impacts | |
|------------------------------------|--|------------------------------|--------------------------|
| | | Warming Progression Scenario | Decarbonization Scenario |
| Customer preferences | Increase in sales of insulation materials due to the popularization of ZEB | ⊕⊕ | ⊕⊕⊕ |
| | Increase in sales of fuel cell bipolar plates due to proliferation of fuel cells | ⊕⊕⊕⊕ | ⊕⊕⊕⊕ |
| Precipitation, Weather patterns | Increase in demand for disaster prevention products and services due to increased flood risk | ⊕⊕ | ⊕⊕ |
| Severity of extreme weather events | Physical damage and loss of business interruption caused by flooding | ⊖ | ⊖ |

4. Identify potential responses

• All Departments

To minimize risks related to GHG emissions, we will work to reduce GHG emissions, avoid carbon taxes by saving energy and reduce energy costs.

• Solutions Business within the Wireless and Communications Business

As the risk of flooding increases due to the frequent occurrence of natural disasters, the demand for disaster prevention products and services is expected to increase, thus we intend to steadily capture rising demand.

• Automobile Brakes

While demand for brake friction materials is expected to grow due to rising demand for automobiles, as the ratio of EVs increases, the demand

for brake repairs might decrease, thus we will provide products and services corresponding to changes and regulations associated with decarbonization.

• Chemicals

As demand for cross-linking agents, insulation for building materials and fuel cell separators is expected to increase, we intend to steadily capture these rising demands. In response to increased flooding risks, we will promote efforts to prevent and mitigate damage.

Furthermore, to expand support for the TCFD recommendations, in fiscal 2022, we will widen the scope of climate change scenario analysis to include the Wireless and Communications (Marine systems, ICT and Mechatronics, Mobility), Micro Devices, Precision Instruments and Textiles businesses.

Risk Management

Regarding risks and opportunities related to climate change to which the Group should pay attention, risks are unambiguously ascertained, analyzed and evaluated in each business based on the Risk Management Rules. The persons in charge of each business prioritize risks and hypothesize the magnitude of their impacts on business and future scenarios. This information is comprehensively mapped at the Corporate Strategy Center and deliberated by the Corporate Strategy Conference and the Board of Directors.

Indicators and Targets

The Nisshinbo Group aims to seize business opportunities related to climate change while mitigating risks. To mitigate climate change-related risks, we are aiming for carbon neutrality by 2050 and proactively promoting climate change countermeasures such as energy conservation activities and reduced perfluorocarbon (PFC)* emissions.

*Perfluorocarbon is a fluorine-based greenhouse gas used for dry etching in the semiconductor manufacturing process.

Target for 2024 (The 5th Three-Year Environmental Target)
 Reduce greenhouse gas emissions by **35%** or more compared to fiscal 2014

Target for 2030 (The Medium-Term Environmental Target)
 Reduce greenhouse gas emissions by **50%** or more compared to fiscal 2014

Target for 2050 (The Long-Term Environmental Target)
 Aim to be **Carbon Neutral**



Masaya Kawata

Chairman and Director
 Nisshinbo Holdings Inc.

The Board of Directors will deepen discussions regarding the necessity of linking economic value and financial information to social value initiatives, which will lead to the enhancement of corporate value over the medium to long term

At present, the Board of Directors comprises 12 members, of which seven are inside directors and five are outside directors. Of the five outside directors, three are male and two are female. The five outside directors are diverse, with expertise spanning management, IT and human resources, the legal profession, university professorships and the semiconductor industry. From the perspective of the skills matrix, each plays a role appropriate for improving offensive and defensive Group governance.

Regarding outside directors and outside members of the Audit & Supervisory Board, as Chairman of the Board, I welcome guidance and questions from third-party perspectives differing from those of inside managers and strive to elicit frank comments enabling the Board to draw out and dig deep into potential issues from the perspective of a diverse range of stakeholders. I also bear in mind the connection to improving departmental and executive accountability to better inform the Board of Directors.

Furthermore, amid growth in the importance of ESG, the SDGs and other social value and non-financial

information, Nisshinbo has taken a more active approach toward the environment, carbon neutrality, TCFD, human rights and D&I. We will engage in discussions that take sustainability management into consideration to determine the degree to which we are able to link economic value and financial information to social value initiatives, and how best to approach the relationship between the two.

Although immediate costs might increase, long-term, global efforts toward the environment, human rights and the value of human resources constitute the foundation upon which we will generate new business opportunities, while avoiding social costs and future cost increases due to market failures and negative externalities. I also want to deepen Board of Directors discussions in line with current realities to share with various stakeholders the robust scenarios and objectives that will contribute to enhancing corporate value and society over the medium to long term.

For more detailed information, please visit the Sustainability section of the Nisshinbo Group website.
<https://www.nisshinbo.co.jp/english/csr/index.html>

Corporate Governance Global compliance

Basic Stance

Nisshinbo is aiming to increase corporate value over the medium to long term as an *Environment and Energy Company* group by operating its various businesses based on global business management and cash flow management. We follow the Nisshinbo Group corporate philosophy: "Change and Challenge! For the creation of the future of Earth and People." To achieve this, we are improving the quality of corporate governance and other aspects of our organizational culture. In parallel, we are striving to deliver quantitative growth in earnings and shareholder value, focusing on ROE to improve profitability and placing importance on the share price in management decisions.

By making rapid and bold decisions based on risk-taking in line with our management principles, we are working to enhance management efficiency while ensuring transparency, as well as improve accountability, act ethically and build a stronger corporate governance structure founded on our Corporate Philosophy.

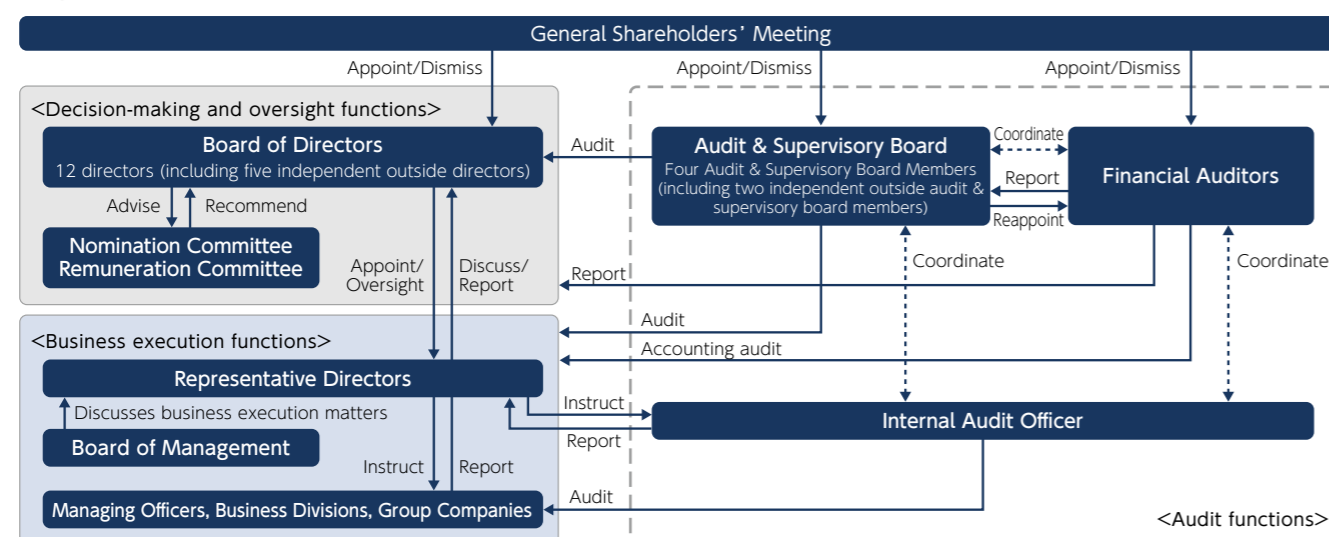
Corporate Governance Policy

We have formulated the Nisshinbo Corporate Governance Policy, which clearly states our basic thinking on corporate governance and related initiatives. By steadily implementing the principles of the policy and revising and improving its content as needed, we aim to improve the effectiveness of governance and create a framework for rapid and bold decision-making that contributes to sustained growth and increased corporate value over the medium to long term.

Matters concerning the composition of governing bodies and organization management

| | |
|---|--|
| Organizational form | Company with Auditors |
| Number of directors under the Articles of Incorporation | 14 |
| Term of office for directors under the Articles of Incorporation | 1 year |
| Chairman of the Board of Directors | Chairman (except when concurrently serving as President) |
| Number of directors (including outside directors) | 12 (5) |
| Outside director appointment status | Appointed |
| Number of outside directors designated as independent officers | 5 |
| Number of Audit & Supervisory Board Members under the Articles of Incorporation | 5 |
| Number of Audit & Supervisory Board Members (including outside members) | 4 (2) |
| Number of outside corporate auditors designated as independent officers | 2 |

Corporate Governance Structure



Corporate Governance Structure

The Group has adopted a Company with Audit & Supervisory Board system. In addition, Nisshinbo has separated decision-making and oversight from business execution and adopted a managing officer system to reinforce those functions. By transferring responsibility for business execution to managing

officers and strengthening oversight by the Board of Directors, we are improving management efficiency and transparency and creating an effective governance structure that will support the Group's sustained growth and enhance corporate value over the medium to long term.

Board of Director Duties and Diversity

Directors and the Board of Directors recognize that they have a fiduciary duty to shareholders and thus strive to appropriately reflect shareholders' intentions within the board. By overseeing the preparation and management of internal control and risk management systems, directors and the board help to monitor business execution and decision-making. At the same time, the Company fearlessly confronts risk and works to achieve governance that is focused on quick and bold decision-making. In this manner, the Company aims to achieve greater accountability to stakeholders, increased profitability and higher returns for shareholders.

To promote the globalization of each Nisshinbo company along the lines of environment and energy, the Board of Directors

selects management talent as candidates for directors who possess outstanding management experience, have the necessary firm commitment and ability to realize the Company's Corporate Philosophy and increase corporate value, and who enhance the composition of the board through greater diversity in areas such as gender and nationality. Furthermore, the Nomination Committee, which includes outside directors, deliberates the experience, knowledge, expertise and other skills required for the Board of Directors, as well as the skills of each Board member. As of March 30, 2022, the Board of Directors was composed of 12 directors, of which five are independent outside directors (including two women). The skills and expertise of each Board member are listed in the Skill Matrix on page 48.

Composition of the Directors

| | |
|-----------------------------------|-----------------------|
| Independence | Diversity |
| Ratio of Outside Directors: 41.7% | Ratio of women: 16.7% |

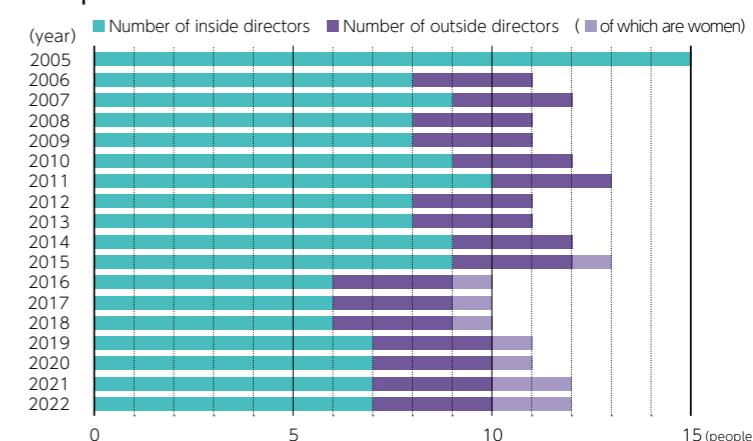
Corporate Governance Reforms

Improvement Efforts in 2021

As a Prime Market-listed company, in response to Corporate Governance Code revisions (June 2021), the Group began conducting climate change scenario analyses in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

- 2006** Introduced outside director system and managing officer system, reduced term of office for directors from two years to one
- 2015** Abolished takeover defense measures
- 2016** Corporate Governance Policy formulated, established Remuneration Committee and Nomination Committee (both discretionary bodies), started evaluating effectiveness of Board of Directors
- 2017** Abolished internal advisor and consultant system
- 2018** Introduced restricted stock compensation system

Composition of the Board of Directors



Evaluating the Effectiveness of the Board of Directors

The Board of Directors conducts a survey on the efficacy of the Board in which all officers participate to evaluate the efficacy of the Board of Directors through the analysis of aggregated data and the comparative verification of previous year results. Furthermore, discussions regarding measures and initiatives aimed at improving

efficacy are held to confirm the status of responses to priority issues set each year. The 2021 efficacy survey results confirmed that Board members with various backgrounds leverage their management experience and expert knowledge to actively offer opinions and engage in discussions.

2021 Priority Issues

- Provide materials and lecture planning aimed at inculcating a deeper understanding of the business environment behind the issues
- Facilitate focused discussions regarding the overall direction of management strategies and the business portfolio

Status of Response to Priority Issues

- Increased outside director and outside Audit & Supervisory Board member participation in internal meetings and opportunities to utilize the video conferencing system to promote an understanding of diverse business environments

- Systematically deliberated the overall direction of management strategies and multiple projects related to the business portfolio
- Planned and held conferences related to the TCFD recommendations and global environmental problems

2022 Priority Issues

- Facilitate discussions related to priority themes such as sustainability, the business portfolio and management strategies
- Implement various measures contributing to deeper discussions by, and the increased efficacy of, the Board of Directors and independent committees

Remuneration for Directors and Senior Managers

To increase transparency and objectivity in processes for determining remuneration, Nisshinbo has established a Remuneration Committee as an advisory body for the Board of Directors. As of March 30, 2022, the committee comprised the chairman, the president and five outside directors. The committee chairman is selected by members of the committee.

Remuneration for directors comprises basic remuneration (monthly payment) and bonuses and stock-based remuneration (restricted stock compensation plan), both of which are set within

the maximum limits approved by the General Shareholders' Meeting. Stock-based remuneration for each role is set within separate maximum limits for amounts and shares determined by resolutions of the General Shareholders' Meeting. However, outside directors receive only basic remuneration (monthly payment) and retirement benefits are not paid to directors. Remuneration for managing officers is based on the same policies and procedures.

Remuneration for Directors and Auditors (fiscal period ended December 2021)

| Classification | Total remuneration (millions of yen) | Remuneration breakdown (millions of yen) | | | Total number of payees |
|---|--------------------------------------|--|----------------------------|------------------------------------|------------------------|
| | | Basic remuneration (Fixed) | Bonus (Performance-linked) | Restricted stock compensation plan | |
| Directors (excluding outside directors) | 230 | 162 | 48 | 19 | 8 |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 34 | 34 | — | — | 2 |
| Outside directors and outside Audit & Supervisory Board members | 60 | 60 | — | — | 7 |

Notes: 1. Total maximum remuneration for directors: No greater than ¥400 million per year (Employee salaries of individuals simultaneously appointed as employee and director are not included in payments to directors. Directors are also eligible to receive compensation through a restricted stock compensation plan, up to a maximum value of ¥40 million per year.)
 2. Total maximum remuneration for members of the Audit & Supervisory Board: No greater than ¥70 million per year
 3. The Company had 12 directors (including five outside directors) and four Audit & Supervisory Board members (including two outside members of the Audit & Supervisory Board) as of March 30, 2022.
 4. The actual amount of bonus payments reflects degree of achievement regarding performance targets such as net sales, pretax profits, operating cash flow and other indicators related to the Group or businesses remitted at a fixed rate according to position.

Selection and Dismissal of Directors and Senior Managers

To increase transparency and objectivity in processes for selecting and dismissing directors, Nisshinbo has established a Nomination Committee as an advisory body for the Board of Directors. As of March 30, 2022, the committee comprised the chairman, the president and five outside directors. Regarding senior

management, directors and executive officers, the Nomination Committee informs the Board of Directors of candidates based on prescribed criteria. If reasons for ineligibility arise with respect to senior management, directors or executive officers, their dismissal or removal is reported to the Board of Directors.

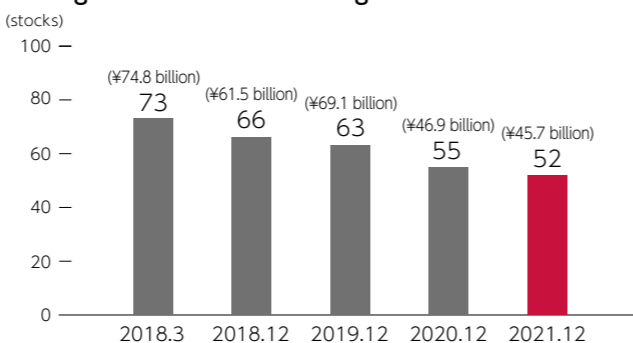
Protecting the Rights and Ensuring the Equal Treatment of Shareholders

The Company shall ensure that the exercise of minority shareholder rights is not impeded and will take appropriate measures to fully protect shareholder rights. The Company will implement various measures related to communication with shareholders and investors and ensure the appropriate operation of the General Shareholders' Meeting.

The Company has set out a policy for cross-shareholdings. In line with that policy, it regularly assesses the purpose and economic rationale for cross-shareholdings based on capital costs and other indicators.

Shares with diminished strategic value are sold incrementally and systematically.

Changes in Cross-Shareholdings



Dialogue with Shareholders

The director in charge of IR supervises numerous measures aimed at communicating with shareholders and investors, actively engaging in IR activities that include accurate and fair information

disclosure outside the Company and various types of direct dialogue.

Stakeholder Engagement

Nisshinbo recognizes that continuous dialogue with stakeholders is key to supporting sustained growth in corporate value. In line with the aims of our VALUE commitment, we work hard

to resolve any issues by emphasizing dialogue with customers, shareholders, employees and all other stakeholders connected to the Nisshinbo Group.

Stakeholder Engagement Initiatives

| Stakeholder | Examples of engagement | Times | Key department/site |
|------------------------------------|--|---|------------------------------------|
| Customers | Exhibitions | 29 times | Marketing/engineering |
| | Online seminars | Six times | |
| Shareholders/ investors | General Meeting of Shareholders | One time | Corporate communications |
| | Briefings and small meetings for institutional investors | Briefings: Twice annually, One-on-one meetings: 68 times | |
| | Online information and publications for investors | Publication of integrated report | |
| Employees | Publication of internal newsletter | Published seasonally (published quarterly) | Corporate communications |
| | Employee surveys | One time | Diversity |
| | ESG education | Four times | Sustainability Development |
| | Internal whistleblower system | Six cases | Sustainability Development |
| | Disclose and raise awareness of Green Procurement Guidelines | One time | Procurement Division |
| Suppliers | Group education | One time | Sustainability Development |
| | Water consumption volume and hazardous substance product inspections | Water consumption four times annually Chemical substances in products annually | |
| | Sustainable procurement surveys | One time | |
| NGOs, NPOs, government agencies | Factory tours, workshops | 13 times | Factories, engineering departments |
| | Participation in projects to protect biodiversity | Four times | Business sites |
| | Participation in neighborhood cleaning activities | 17 times | Business sites |

Compliance

Based on Public Entity and Consistent Integrity—the fundamental spirit of Nisshinbo’s Corporate Philosophy—the Group’s mission is to act with fairness and integrity to contribute to society through its business activities. To achieve our mission, we have formulated Business Conduct Guidelines in order to win trust from the public through fair and honest business activities.

Corporate Ethics Committee and Corporate Ethics Reporting System

Nisshinbo has established a Corporate Ethics Committee to handle all compliance matters across the Group.

Nisshinbo has also established a Corporate Ethics Reporting System to rapidly identify and prevent any reoccurrence of suspected or actual legal violations. Group employees and external parties can submit reports to the system. Group employees can report their concerns internally to the Corporate Ethics Committee or directly to an outside corporate attorney. All information provided by whistleblowers is treated in the strictest of confidence, and every effort is made to protect whistleblowers from unfair treatment. The Corporate Ethics Committee takes appropriate steps to deal with issues raised by reports.

Compliance Education

To ensure fair and honest business practices, the Nisshinbo Group conducts compliance training for different employee levels and work sites and provides training to employees prior to overseas assignments.

From the fiscal year ended March 2017, we added annual compliance training for manager-grade employees in the Group to our list of KPIs in order to raise awareness about compliance. We also created a compliance training manual for managers in both Japanese and English to be used in training sessions across the Group.

In addition, compliance training is provided at each subsidiary in accordance with conditions in each country, region and industry.

Initiatives to Prevent Corruption

In recent years, countries worldwide have been reinforcing regulatory systems and stepping up efforts to prevent and expose bribery and corruption. Nisshinbo has created a Corruption Prevention Guidebook, which includes information about responding to related regulations overseas. The guidebook is distributed to all subsidiaries, including overseas Group companies. In addition to information about Article 18 of Japan’s Unfair Competition Prevention Act (prohibition of provision of illicit profit, etc., to foreign public officials, etc.), the guidebook provides information about international treaties and laws designed to prevent corruption, such as the United Nations Convention Against Corruption (UNCAC), OECD treaties on preventing corruption of overseas public officials in international transactions, the U.S. Foreign Corrupt Practices Act (FCPA) and its related guidelines, and the U.K. Bribery Act. Nisshinbo updates the guidebook as necessary and uses it as part of its corruption prevention measures in the Group.

Ensuring Business Confidentiality

Nisshinbo signs non-disclosure agreements with suppliers to prevent any leak of confidential information such as intellectual property, technologies and expertise disclosed during the product design and development stage and across all points of the supply chain.

We also conduct annual internal audits to check whether the Group’s trade secrets are being managed appropriately.

Sustainable Procurement Basic Policy

Nisshinbo has formulated the Nisshinbo Group Sustainable Procurement Basic Policy, clarifying its stance on seven specific areas: legal compliance, fair trade, information security, environmental protection, human rights, health and safety, and quality assurance.

1. To strictly observe all legal obligations and social norms
2. To always pursue business in a sound and fair manner
3. To properly manage all information
4. To give due consideration to protection of the environment
5. To respect all basic human rights
6. To strive for a secure and healthy living and working environment
7. To aim to ensure the quality and safety of all products and services

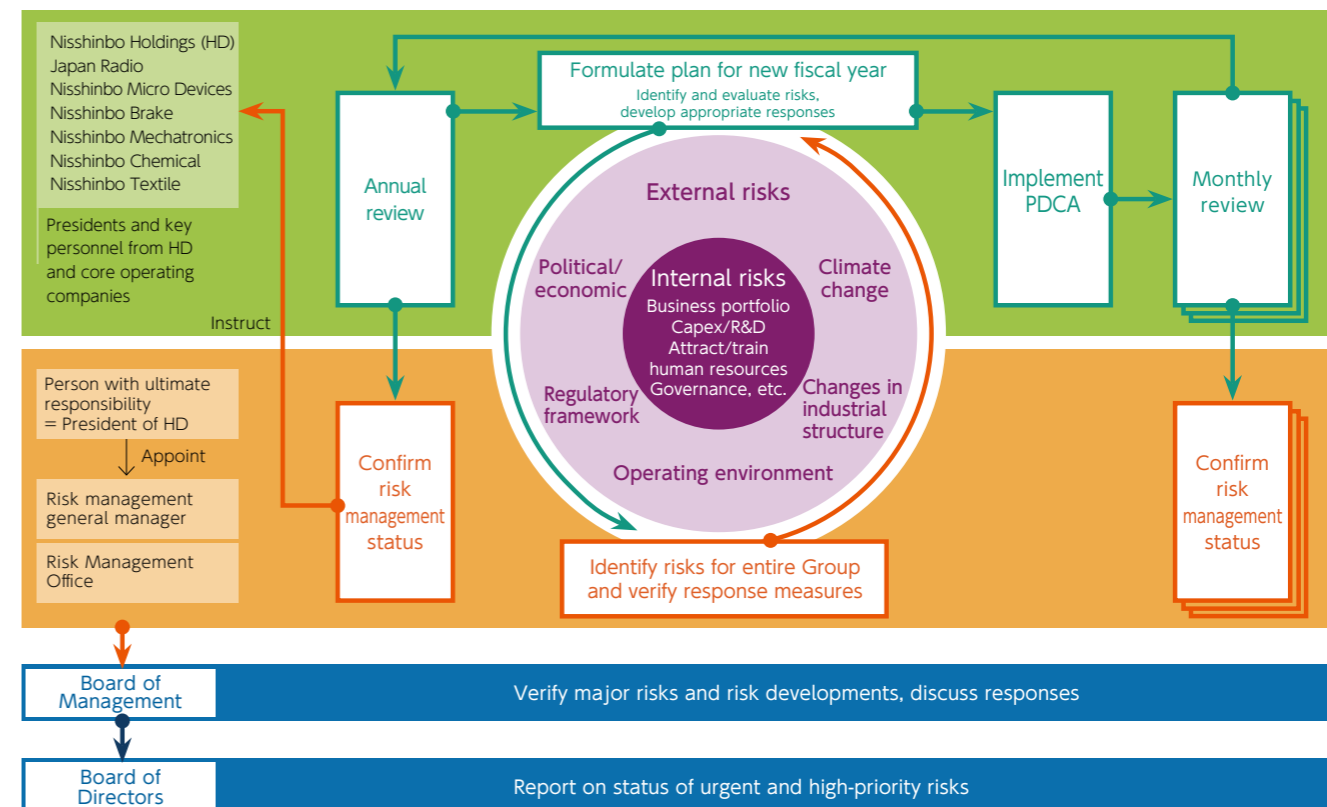
We are working to extend our sustainable initiatives across the entire supply chain by asking suppliers to adhere to our principles in those seven areas.

Risk Management

Risk Management System

The Nisshinbo Group has established a risk management system, shown in the diagram below, to appropriately address business risks and minimize any losses associated with those risks.

Risk Management Structure



Note: HD means Nisshinbo Holdings Inc.

Risk Management Structure

The Nisshinbo Group established the “Nisshinbo Group Crisis Management Regulations” to respond promptly in the event of an earthquake, fire or other emergency.

Furthermore, to prepare for large-scale earthquakes and other emergencies from the perspective of business continuity, the Group conducts annual information communication training necessary for confirming the safety of employees and quickly recovering from disasters. A “safety confirmation and emergency contact system” was developed and introduced to confirm safety quickly and reliably.

Disaster Prevention System

Self-defense fire brigades have been established at Nisshinbo Holdings and major Nisshinbo Group companies, with inspections of fire protection equipment and firehose training conducted regularly.

We have also conducted annual disaster prevention inspections for more than 50 years to strengthen response capabilities immediately after a disaster and improve our initial response system. Furthermore, we are deploying business continuity management (BCM) across the entire Group, organically linking initial response systems with business continuity planning (BCP).

Information System

The Group is promoting the transition of its major systems to the cloud with the aim of preparing for large earthquakes and other disasters, as well as realizing safe operations 24 hours a day, 365 days a year.

Please see Key Risks and Opportunities on page 29.

Further Refining “Connect Everything” Technologies to Grow as an Analog Solutions Provider in the Expanding Semiconductor Market

In January 2022, New Japan Radio Co., Ltd., and Ricoh Electronic Devices Co., Ltd., were integrated to launch Nisshinbo Micro Devices Inc. Nisshinbo Holdings Inc. outside director Naoko Tani and president of the new company Satoru Taji discuss semiconductor market growth potential and Nisshinbo Micro Devices' competitive advantages.

Naoko Tani

Ms. Tani has been involved in the semiconductor business for many years, including experience working at SEMI, which handles exhibitions and standardization activities at the international association of semiconductor manufacturing equipment and materials. In 2007, Ms. Tani was appointed president of Semiconductor Portal Inc. (current position), which is engaged in the dissemination of semiconductor and semiconductor-related information via a portal website, as well as the management of international conferences. Ms. Tani was appointed outside director in 2021.



Satoru Taji

After joining Ricoh Company, Ltd., in 1981, Mr. Taji spent the next 23 years engaged in device and process development. After gaining experience in product development and business planning, in 2015, Mr. Taji was appointed president of Ricoh Electronic Devices Co., Ltd. In 2022, Mr. Taji was appointed president of the newly inaugurated Nisshinbo Micro Devices Inc.



Q Ongoing semiconductor supply shortages have been exacerbated by the pandemic. What is your view on recent changes in the semiconductor market and its potential for growth?

Taji: Volatility in the semiconductor market has trended toward increasingly shorter cycles in recent years, demonstrating instability unlike anything experienced in the past. Since the autumn of 2020, demand has been robust on the back of demand arising from people staying at home, thus supply shortages have persisted until now. Amid the ongoing pandemic and rising geopolitical risks, many companies are holding parts inventories in anticipation of supply chain fragmentation, which tells me the way we think about proper inventories is changing. While it is difficult to predict when tides will change, I expect an adjustment phase to come eventually, mainly for automobile-related parts, during which we will see the optimization of excess inventories.

Tani: Since 2008, the players that drive semiconductor demand have changed, with smartphones replacing PCs and LCD TVs. Going forward, we expect DX and green transformation (GX) to drive demand even higher, and

because the volume of telecommunications data will increase dramatically, we see this as leading to large-scale investments in data centers and telecommunications infrastructure.

Taji: With the advent of IoT and the smart society, sensing technologies will be used everywhere, thus I think demand for telecommunications infrastructure will grow in a straight line. We believe the semiconductor industry will grow steadily over the medium to long term as the smart society and the shift to EVs spread to developing countries after having taken root in developed countries.

Q Given these conditions, what is the Nisshinbo Group's competitive advantage relative to semiconductors?

Taji: Although the two companies both had analog technologies at their core before the integration, there is almost no overlap in terms of technologies, products and, particularly, overseas customers. Each company has strengthened their respective areas of expertise and achieved growth. Amid rapid expansion in the market for sensors facilitating the realization of a smart society, by fusing the product and technological strengths of each company, we

have established a system able to consistently provide a series of inflows and outflows, filtering and amplifying various analog signals emitted from sensors, converting and processing them to a digital format, and providing real world feedback through actuators. In February 2022, D-CLUE Technologies Co., Ltd., also joined the Nisshinbo Group, further strengthening its digital processing know-how. We expect the expansion of our portfolio of high-value-added products to become a major Group strength, leading to enhanced customer proposal capabilities and synergies through cross-selling. Regarding production, we believe the Group's strengths lie in the development and commercialization, from front- to back-end processes, of proprietary robust technological capabilities that include cutting-edge technologies used on the Yashiro Plant six- and eight-inch lines and Nisshinbo Micro Devices AT Co., Ltd. (formerly SAGA ELECTRONICS Co., LTD.), primary and secondary mounting technologies.

Tani: I think it is also significant that there are many customers within the Group, including Japan Radio Co., Ltd., who use semiconductors. In addition to telecommunications infrastructure, demand for semiconductors used in automobiles will also expand, thus it will be advantageous having companies like Nisshinbo Brake, which has a network that connects it directly to car manufacturers and Tier 1 suppliers, within the Nisshinbo Group.

Q What is your view regarding business development challenges and opportunities?

Taji: As employees are the source of business developments in Nisshinbo Micro Devices, to ensure they experience the benefits of this integration, I want to raise employee awareness through repeated experiences of success in the collaborative development of new products and the dissemination and sharing of information.

Tani: In the past, I reviewed the results of a Ricoh Electronic Devices employee satisfaction survey, which made an impression on me, as employee satisfaction was extremely high. We have high expectations for your leadership, Mr. Taji.

Taji: Including its lines and group companies, Nisshinbo Micro Devices will have a large family of more than 3,500 people, so I want to foster an environment where each person can think and act autonomously. To proceed smoothly with the post-merger integration (PMI) process, including this transformation in employee awareness, and evolve into a company with a sturdy constitution, I think it is important to ensure that direct interactions with other cultures and methods are perceived positively as an opportunity to change for the better. Reducing adverse environmental impacts is another major issue for semiconductor factories, which consume vast amounts of water and energy. To this end, we will consider various measures leading to drastic reductions in the consumption of both resources.

Q As an Environment and Energy Company group, how will you attempt to resolve issues facing the environment and society and co-create value with stakeholders through your products and services?

Taji: We possess technologies for which the greatest strengths are low power consumption, high accuracy and high efficiency. We develop products contributing to the resolution of issues commensurate with an *Environment and Energy Company*.

Tani: An urgent issue involves data centers, which will be major drivers of semiconductor demand going forward, as they consume enough power to potentially overwhelm global power supplies. While the Nisshinbo Group addresses these issues as its corporate mission, new business opportunities will emerge amid large-scale global investments aimed at realizing carbon neutrality, thus it would be optimal to capture demand for both as we move forward.

Q How do you personally perceive your role in terms of adding value to the Nisshinbo Group aim of realizing a super-smart society?

Taji: Electronics and electronic components will play an increasingly important role in the development of society. As a Nisshinbo Group company, our role is to be useful to society by firmly determining a future direction and taking a proactive approach, while also achieving our mission of realizing profit as a company.

Tani: After being appointed outside director, I learned that my mother was also involved with Nisshinbo in the 1940s, which I feel is an extraordinary turn of fate. I have participated in management for more than a year now, and my sense is that the Group values human resources and is managed with strong governance. Functioning as a check on management as an outside director, I want to contribute to further drawing out positive aspects of the Nisshinbo Group, which has diverse human resources and encourages the active participation of young people and women.

Q In closing, do you have a message for Nisshinbo stakeholders?

Taji: We will provide customers with valuable products and modules by “enhancing” technologies possessed by both companies and “advancing” products and services created by those technologies, with the aim of contributing to the realization of 2025 numerical targets for net sales of ¥100 billion and an operating margin of 10%. Beyond that, we will incorporate AI and digital technologies into analog technologies as we aim to become an analog solutions provider offering unprecedented new value. I sincerely thank all our stakeholders for their continued support.

Tani: As the Nisshinbo Group is creating innovations focused on society 20 years in the future, we hope to continue meeting stakeholder expectations.

Board of Directors, Audit & Supervisory Board Members and Managing Officers

(As of March. 30, 2022)

Board of Directors



Chairman and Director

Masaya Kawata

Number of Company's shares held: 140,747 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1975: Joined the Company
June 2006: Managing Officer and General Manager of Human Resources Division of the Company
Apr. 2007: Deputy General Manager of Accounting and Finance Division of the Company (served concurrently)
June 2007: Director of the Company
Apr. 2008: Deputy Chief of Business Support Center of the Company
Apr. 2009: President and Representative Director of Nisshinbo Brake Inc.
June 2010: Director and Executive Managing Officer of the Company
June 2011: Deputy Chief of Corporate Strategy Center and General Manager of Business Development Division of the Company (served concurrently)
President and Representative Director of Nisshinbo Chemical Inc.
June 2012: Director and Senior Executive Managing Officer of the Company
President and Representative Director of Nisshinbo Mechatronics Inc.
June 2013: President and Representative Director of the Company
Mar. 2019: Chairman and Representative Director of the Company
Mar. 2022: Chairman and Director of the Company (to the present)



President and Representative Director

Masahiro Murakami

Number of Company's shares held: 64,230 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1982: Joined the Company
Apr. 2008: Managing Officer, Senior Manager of Corporate Governance Department of Corporate Strategy Center, Senior Manager of Human Resources & Administration Service Department of Business Support Center (served concurrently) and General Manager of Property Management Department of the Company (served concurrently)
Apr. 2009: Deputy Chief of Business Support Center (served concurrently), Senior Manager of Corporate Strategy Department of Corporate Strategy Center (served concurrently) and Senior Manager of Finance, Accounting & IT Service Department of Business Support Center of the Company (served concurrently)
June 2010: Director and Chief of Business Support Center of the Company (served concurrently)
Jan. 2012: Responsible for Property Management Department of the Company
June 2012: Director, Executive Managing Officer and Deputy Chief of Corporate Strategy Center of the Company (served concurrently)
June 2014: Chief of Corporate Strategy Center of the Company (served concurrently)
June 2015: Director and Senior Executive Managing Officer of the Company
June 2016: Representative Director and Senior Executive Managing Officer of the Company
June 2018: Vice President and Representative Director of the Company
Mar. 2019: President and Representative Director of the Company (to the present)



Representative Director and Senior Executive Managing Officer

Takeshi Koarai

Number of Company's shares held: 4,278 shares
Board of Directors meeting participation:
Attended 13/13* meetings

Apr. 1982: Joined Japan Radio Co., Ltd.
Apr. 2010: General Manager of Technical Development Department of Research and Development Headquarters of Japan Radio Co., Ltd.
Apr. 2011: Director of Laboratory of Research and Development Headquarters of Japan Radio Co., Ltd.
Apr. 2012: Executive Officer and General Manager of Research and Development Headquarters of Japan Radio Co., Ltd.
June 2012: Executive Officer and Director of Laboratory of Japan Radio Co., Ltd.
Apr. 2017: Executive Officer and Deputy General Manager of Technical Headquarters of Japan Radio Co., Ltd.
June 2017: Director, Executive Officer, General Manager of Technical Headquarters, and Executive of Research and Development of Japan Radio Co., Ltd.
Apr. 2019: Director, Executive Officer, General Manager of Technical Development Headquarters, and Executive of Business Creation of Japan Radio Co., Ltd.
Mar. 2020: President and Representative Director of Japan Radio Co., Ltd.
Mar. 2021: Director and Senior Executive Managing Officer of the Company
Mar. 2022: Representative Director and Senior Executive Managing Officer of the Company (served concurrently, to the present)
*Mar. 2021 Since appointment as director



Director and Executive Managing Officer

Satoru Taji

Number of Company's shares held: 1,080 shares

Apr. 1981: Joined Ricoh Company, Ltd.
Apr. 2008: General Manager, Imaging System LSI Development Center, Ricoh Electronic Devices Co., Ltd.
Apr. 2014: Ricoh Group Director and Deputy General Manager of Electronic Device Division
Oct. 2014: Director, Ricoh Electronic Devices Co., Ltd.
Apr. 2015: Group Executive Officer, Ricoh Company, Ltd.
President, Ricoh Electronic Devices Co., Ltd.
Jun. 2018: Director, New Japan Radio Co., Ltd.
Mar. 2021: Managing Officer of the Company
Jan. 2022: Executive Managing Officer of the Company (to the present)
President, Nisshinbo Micro Devices Inc. (concurrent, to the present)



Director and Executive Managing Officer

Kazunori Baba

Chief of Corporate Strategy Center
Number of Company's shares held: 21,315 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1983: Joined the Company
Apr. 2009: Managing Officer, Senior Manager of Corporate Governance Department of Corporate Strategy Center and Senior Manager of Human Resources & Administration Service Department of Business Support Center of the Company (served concurrently)
June 2013: Deputy Chief of Business Support Center of the Company
June 2014: Director and Managing Officer of the Company
President and Representative Director of Nisshinbo Textile Inc.
June 2016: Executive Managing Officer of the Company
Mar. 2019: Director and Executive Managing Officer (to the present), and Chief of Corporate Strategy Center of the Company (to the present)



Director and Managing Officer

Yasuji Ishii

Number of Company's shares held: 13,590 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1988: Joined the Company
Apr. 2011: Managing Officer and General Manager of Production of Friction Materials Division of Nisshinbo Brake Inc.
Apr. 2013: Executive Managing Officer, Senior Manager of Strategy Office (served concurrently), and General Manager of Product Division (served concurrently) and Engineering Division of Nisshinbo Brake Inc. (served concurrently)
June 2013: Director and Executive Managing Officer of Nisshinbo Brake Inc.
Jan. 2015: Director, Executive Managing Officer and Senior Manager of Brake R&D Division of Nisshinbo Brake Inc.
Apr. 2015: Vice President and Director of Nisshinbo Brake Inc.
June 2015: Managing Officer of the Company
June 2017: President and Representative Director of Nisshinbo Brake Inc. (to the present)
Mar. 2019: Director and Managing Officer of the Company (served concurrently, to the present)



Director and Managing Officer

Shuji Tsukatani

Senior Manager of Finance, Accounting & IT Service Department of Corporate Strategy Center
Number of Company's shares held: 14,790 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1986: Joined the Company
Jan. 2014: Senior Manager of Finance and Accounting Group of Finance, Accounting & IT Service Department of Business Support Center of the Company
June 2015: Senior Manager of Finance, Accounting & IT Service Department of Business Support Center of the Company
Apr. 2018: Managing Officer and Senior Manager of Finance, Accounting & IT Service Department of Business Support Center of the Company
Mar. 2020: Director and Managing Officer of the Company (to the present)
Apr. 2020: Senior Manager of Finance, Accounting & IT Service Department of Corporate Strategy Center of the Company (to the present)



Director (Outside Director)

Keiji Taga

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 15/16 meetings

Apr. 1973: Joined Japan Development Bank (currently Development Bank of Japan Inc.)
Oct. 1999: General Manager of Urban Development Department of Development Bank of Japan Inc.
June 2002: General Manager of General Affairs Department of Development Bank of Japan Inc.
June 2004: Executive Director of Development Bank of Japan Inc.
Oct. 2008: Director and Executive Managing Officer of Development Bank of Japan Inc.
June 2009: Vice President and Representative Director of Tokyo Ryutsu Center Inc.
President and Representative Director of TRC Service Co., Ltd.
June 2013: President and Representative Director of Tokyo Ryutsu Center Inc.
Director of TRC Service Co., Ltd.
June 2017: Chairman and Director of DBJ Asset Management Co., Ltd.
June 2018: Adviser of DBJ Asset Management Co., Ltd.
Mar. 2019: Outside Director of the Company (to the present)



Director (Outside Director)

Shinobu Fujino

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 14/16 meetings

Apr. 1987: Joined Ryoka Systems Inc.
June 2003: Opened a counseling business office (to the present)
June 2015: Outside Director of the Company (to the present)



Director (Outside Director)

Hiroaki Yagi

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Apr. 1981: Appointed as Public Prosecutor
Jan. 2007: Special Investigation Director of Tokyo District Court Public Prosecutors Office
Dec. 2015: Chief Prosecutor of Tokyo District Court Public Prosecutors Office
Sept. 2016: Deputy Prosecutor-General of Supreme Public Prosecutors Office
July 2018: Superintending Prosecutor of Tokyo High Public Prosecutors Office
Mar. 2019: Registered as attorney-at-law (to the present)
June 2019: President of Japan International Training Cooperation Organization (JITCO) (currently Japan International Trainee & Skilled Worker Cooperation Organization) (to the present)
Mar. 2020: Outside Director of the Company (to the present)



Director (Outside Director)

Hiroyuki Chuma

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Aug. 1984: Assistant Professor of Department of Economics, Southern Illinois University Carbondale
July 1985: Associate Professor of Faculty of Economics, Tokyo Metropolitan University
Apr. 1992: Associate Professor of Graduate School of Economics/Faculty of Economics, Hitotsubashi University
Apr. 1993: Professor of Graduate School of Economics/Faculty of Economics, Hitotsubashi University
Apr. 1999: Professor of Institute of Innovation Research, Hitotsubashi University
Jan. 2000: Visiting Professor of Department of Economics, Yale University
Apr. 2000: Faculty Fellow, Research Institute of Economy, Trade and Industry (RIETI)
Apr. 2004: Director of Research, National Institute of Science and Technology Policy (NISTEP)
Apr. 2012: Professor of Graduate School of Commerce & Management/Faculty of Commerce & Management, and Institute of Innovation Research, Hitotsubashi University
Apr. 2014: Professor of Faculty of Social Innovation/Graduate School of Innovation and Social Studies, Seijo University
Apr. 2015: Professor Emeritus of Hitotsubashi University
Apr. 2015: Faculty Fellow, RIETI
Mar. 2020: Outside Director of the Company (to the present)



Director (Outside Director)

Naoko Tani

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 13/13* meetings

Apr. 1978: Joined Suntory Limited
June 1980: Joined Marcom International Inc.
Sept. 1985: Joined SEMI Japan
Apr. 2001: Joined Semiconductor Portal, Inc. Director of Semiconductor Portal, Inc.
Nov. 2002: Representative Director of Semiconductor Portal, Inc.
June 2007: President and Representative Director of Semiconductor Portal, Inc. (to the present)
Mar. 2021: Outside Director of the Company (to the present)

*Mar. 2021 Since appointment as director

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Toshihiro Kijima

Number of Company's shares held: 15,530 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Audit & Supervisory Board meeting participation: Attended 14/14 meetings
Apr. 1979: Joined the Company
Apr. 2007: Managing Officer and Deputy General Manager of Paper Products Division of the Company
Apr. 2009: Director, Managing Officer, General Manager of Strategic Planning Department, General Manager of Specialty Paper Division of Nisshinbo Paper Products Inc.
June 2010: Managing Officer and Deputy General Manager of Business Development Division of the Company, Director and Senior Executive Managing Officer of Nisshinbo Chemical Inc.
June 2012: Vice President, Director of Nisshinbo Chemical Inc.
June 2013: Director of the Company, General Manager of Business Development Division of the Company, President and Representative Director of Nisshinbo Chemical Inc.
June 2016: Executive Managing Officer of the Company
Mar. 2019: Standing Auditor & Supervisory Board Member (to the present)



Audit & Supervisory Board Member

Takumi Ohmoto

Number of Company's shares held: 20,400 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Audit & Supervisory Board meeting participation: Attended 14/14 meetings
Apr. 1978: Joined the Company
Jan. 2007: Manager of Finance Department and Accounting Department of Accounting and Finance Division of the Company
June 2010: Senior Manager of Finance, Accounting & IT Service Department of Business Support Center of the Company
June 2015: Standing Auditor & Supervisory Board Member (to the present)



Outside Audit & Supervisory Board Member

Atsushi Yamashita

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Audit & Supervisory Board meeting participation: Attended 14/14 meetings
Apr. 1988: Registered as an attorney-at-law (to the present), joined Tanaka & Takahashi Law Office
May 2001: Joined Clifford Chance Law Office
May 2011: Joined K&L Gates LLP
Oct. 2014: Joined Sonderhoff & Einsel Law and Patent Office (to the present)
Mar. 2019: Outside Audit & Supervisory Board member (to the present)



Outside Audit & Supervisory Board Member

Mitsunori Watanabe

Number of Company's shares held: 0 shares
Board of Directors meeting participation:
Attended 16/16 meetings

Audit & Supervisory Board meeting participation: Attended 14/14 meetings
Apr. 1980: Joined Shikoku Chemicals Corporation
Mar. 2002: General Manager of Corporate Planning Department of Shikoku Chemicals Corporation
June 2013: Managing Officer of Shikoku Chemicals Corporation
June 2014: Director, Managing Officer, General Manager of Corporate Planning and Secretariat (concurrent posts) of Shikoku Chemicals Corporation
Mar. 2017: Director, Managing Officer, Deputy Head of Planning and Management of Shikoku Chemicals Corporation
Feb. 2018: Director, Managing Officer, Head of Osaka Branch Office of Shikoku Chemicals Corporation
Mar. 2019: Outside Audit & Supervisory Board member (to the present)
June 2019: Director, Executive Managing Officer (to the present), Head of Corporate Strategy Division and Business Planning Division (served concurrently) of Shikoku Chemicals Corporation
Mar. 2020: Head of Corporate Strategy Division and Business Development Division (served concurrently, to the present) of Shikoku Chemicals Corporation

Expertise and Experience Required of Nisshinbo Directors (Skill Matrix)

Selecting the skills required for directors to supervise and guide various businesses from a variety of expert perspectives, and incorporating diversity into the Board of Directors enables Nisshinbo to realize highly effective governance.

| Name | Skill* | | | | | | |
|-------------------|-----------------------|--|---------------------------------|-----|---------------------------|---------------------------|------------------------|
| | Management experience | International experience and knowledge | Business and industry knowledge | ESG | Technology and innovation | Legal and risk management | Finance and accounting |
| Masaya Kawata | ● | ● | ● | ● | | | |
| Masahiro Murakami | ● | | ● | ● | | | ● |
| Takeshi Koarai | ● | | ● | | ● | | |
| Satoru Taji | ● | | ● | | ● | | |
| Kazunori Baba | ● | | ● | ● | | ● | |
| Yasuji Ishii | ● | ● | ● | | ● | | |
| Shuji Tsukatani | ● | ● | ● | | | | ● |
| Keiji Taga | ● | | | | | ● | ● |
| Shinobu Fujino | | | | ● | ● | ● | |
| Hiroaki Yagi | | | | ● | | ● | |
| Hiroyuki Chuma | | ● | ● | | ● | | ● |
| Naoko Tani | ● | ● | ● | | | | |

*Up to four major skills are listed for each Board member. Not all skills are represented.

Managing Officers

President
Masahiro Murakami*



Senior Executive Managing Officer
Takeshi Koarai*

Executive Managing Officers
Satoru Taji*
Kazunori Baba*

Executive Managing Officer
Makoto Sugiyama
Senior Manager of Sustainability Development Department and Human Resources and Administration Service Department, Corporate Strategy Center

Managing Officers
Yasuji Ishii*
Shuji Tsukatani*



Managing Officer
Toshihiro Masuda
President, Nisshinbo Mechatronics Inc.



Managing Officer
Kazuo Saito
Managing Director, Nisshinbo Singapore Pte. Ltd.



Managing Officer
Kaoru Murata
President, Nisshinbo Textile Inc.



Managing Officer
Yuzo Matsui
Senior Manager of Property Management Department

*Concurrent board member



Managing Officer
Ikuo Takahashi
President, Nisshinbo Chemical Inc.

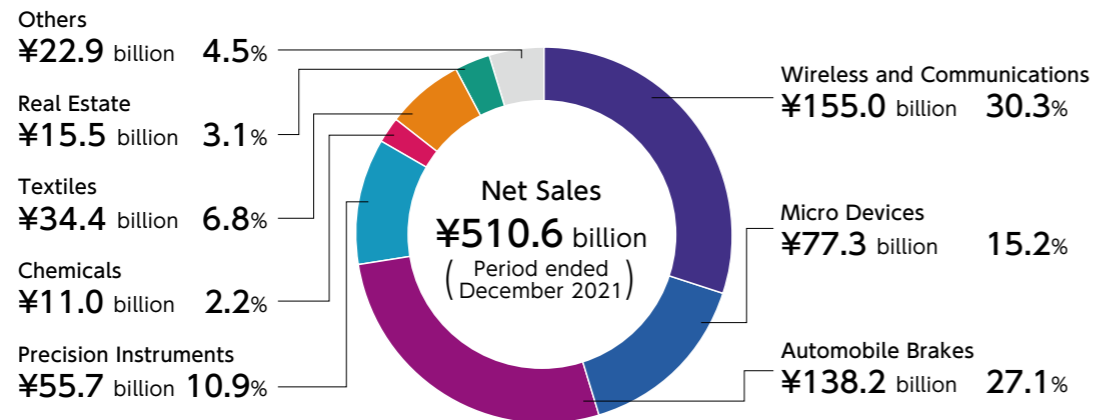


Managing Officer
Nobuyuki Adachi
General Manager, Business Development Division

At a Glance

The Nisshinbo Group is made up of seven distinct businesses—Wireless and Communications, Micro Devices, Automobile Brakes, Precision Instruments, Chemicals, Textiles and Real Estate. Nisshinbo supplies high-value-added products that meet customer needs, driven by innovation born out of the business collaboration and portfolio reorganization that has kept the Group aligned with changing needs.

Net Sales Composition by Segment



Wireless and Communications P.51

Main business areas



- Marine systems ▶ Marine radar and communications equipment
- Solutions and specialized equipment ▶ Disaster prevention systems and weather radars
- ICT and mechatronics ▶ Power supplies, large-format copiers
- Medical equipment ▶ Probes for ultrasound diagnostic equipment, oscillators for catheters
- Mobility ▶ GPS receivers, ITS equipment for vehicles

Engages in the solutions business (including disaster prevention systems and weather radars), as well as marine systems and mobility businesses.

Micro Devices P.54

Main business areas



Working to expand sales of analog semiconductors and other electronic devices, supported by microelectronics technologies.

Semiconductor devices, SAW filters and power management ICs, etc.

Chemicals P.61

Main business areas



Manufactures a range of highly promising products in the environmental and energy fields, such as Carbodilite, a modifier for biodegradable plastics and waterborne resins, and bipolar plates for fuel cells.

- Carbodilite high-performance chemical additive
- Thermal insulation products
- Bipolar plates for fuel cells
- Fine carbon products

Automobile Brakes P.57

Main business areas



The Nisshinbo Group is the world's leading maker of brake friction materials by market share; now expanding its presence as a true global supplier using its network covering key markets worldwide.

Friction materials
▶ Disc pads and brake linings

Textiles P.63

Main business areas



Mainstay business is products made from natural cotton; supplies high-quality "Made by Nisshinbo" dress shirts, uniforms and other products to markets worldwide.

- Shirts
▶ Dress shirts, casual shirts and fabric
- Textiles
▶ Uniform fabric and casual fabric

Precision Instruments P.59

Main business areas



Manufactures molding products for home appliance and automotive applications and supplies processed precision automotive parts and customized production equipment for customers worldwide, primarily in Asia.

- Molding products
- Precision parts processing including parts for electronic brake systems (EBS)
- Customized production equipment

Real Estate P.65

Main business areas



Procures funds to support the Nisshinbo Group's growth strategy by effectively utilizing idle plant sites and other real estate assets arising from business restructuring.

- Sales
▶ Housing lots
- Leasing
▶ ARIO Nishi Arai and other properties

Overview of Business Segments

Wireless and Communications



Japan Radio Co., Ltd./JRC Mobility Inc.

The Wireless and Communications business supplies communication and navigation equipment with world-leading reliability to users in the shipping sector. It also provides various disaster prevention systems, such as dam and river management systems and weather forecasting systems. In addition, JRC Mobility Inc., which was established in 2018 to develop the Group's business in the mobility field, is pushing ahead with new products that will help realize autonomous driving, drawing on ITS* products and other existing automotive and commercial wireless products transferred from Japan Radio Co., Ltd.

*Intelligent Transport Systems: Systems that use data processing technology to solve traffic issues such as accidents and congestion

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Wireless and Communications business reported sales of ¥155,085 million, up 7.5% year on year, and segment profit of ¥7,815 million, up 203.4%.

In solutions and specialized equipment, although multiplex wireless device and other backbone transmission system performance declined, dam management equipment effective at controlling floods and other water damage, water and river information systems, and water level and rainfall telemetry devices performed well. Sales and profits were also higher due to strong performance in disaster prevention administrative radio systems for prefectures and municipalities used for ascertaining conditions and transmitting information when disasters occur, as well as for the transmission of administrative information during normal times, transmission systems mounted on ships to communicate with helicopters, and overseas systems such as coastal base stations and weather radar that transmit information necessary for safe navigation from land to sea.

In marine systems, although sales declined because of intensifying price competition affecting equipment for new-build vessels due to fewer ships being built, equipment and maintenance services for small and medium-sized vessels overseas performed solidly, while a decrease in expenses due to completed goodwill amortization in subsidiary Alpatron Marine contributed to higher sales and profits.

In ICT and mechatronics, despite sluggish mechatronics performance caused by tight supplies of electronic components, there were signs of a post-COVID recovery in demand for certain ICT and component models. Multilayer

inductors from NJ Components Co., Ltd., also performed well, leading to higher sales and profits.

In mobility, the Japan Radio communications equipment business has been gradually transferred to JRC Mobility, and along with the ITS business, the transfer of commercial wireless and other business was completed in January 2021, the Japan Radio communication equipment business was constructively liquidated and JRC Mobility began handling the mobility business in 2021. In addition to sales contributions from RBI GmbH and LEAS GmbH in Germany, both of which became consolidated subsidiaries in June 2020, a recovery in commercial radio business for overseas clients led to higher sales and profits.

In medical equipment, despite higher sales of ultrasound imaging equipment driven by heightened demand for diagnostics due to the spread of COVID-19, in all other areas, sales of analysis equipment and other devices declined due to lower demand for examinations across Europe. Furthermore, global difficulties in obtaining parts affected diagnostic equipment, resulting in lower sales and profits.

Medium- to Long-Term Business Strategy

In the Wireless and Communications business, we will shift to management that emphasizes sales scale expansion and improved profitability by revising current business growth strategies, identifying and disposing of low-profit businesses, and promoting business portfolio reforms that include taking on the challenge of high-profit businesses.

Marine Systems

In terms of global growth strategy, to continue improving profitability in the commercial vessels segment, we will further expand our LCM business in the highly profitable aftermarket and increase orders for equipment retrofits and repair work. In the field of small and medium-sized vessels, we will strive to strengthen river market products, sales and services, while expanding market share by utilizing sales channels to the European market, which is the strength of Alpatron Marine. Furthermore, as an initiative in the digital sphere, to realize smart ships with automated vessel operation functionality and equipment compatible with digitization, Nisshinbo is expanding the functionality of the Smart Ship Viewer, an onboard information-sharing service utilizing ship-to-shore networks, as well as J-Marine NeCST, a vessel operation device comprising the heart of the vessel, with the aim of expanding safe vessel operation support services contributing to more efficient vessel operations and safer navigation. We will also work to develop marine system businesses such as integrated management systems for offshore wind power generation. In marine systems, we aim to generate profits by enhancing sales and service capabilities through the promotion of operational efficiencies via digital methods to reorient toward a stable profit structure.

Solutions and Specialized Equipment

In solutions and specialized equipment, while steadily capturing demand in existing businesses and strengthening profitability in government offices, private demand and overseas business fields, Nisshinbo will strive to enlarge its business domains by expanding into adjacent fields through alliances and M&A. We will also focus efforts on establishing digital businesses utilizing ICT and IoT. In the public sector, we will continue to expand profits through initiatives under a five-year plan to accelerate measures for the prevention and mitigation of disasters and enhanced national resilience as well as a drainage basin hydraulic control project. In addition, we will expand our business domain by moving into the aviation monitoring field, including support for integrated controls and operations management. In the digital business, we will take on the challenge of new initiatives such as automatically generating 3D spatial data from 2D map data and deploying it as an online service. Furthermore, we will improve efficiency by restructuring business processes and creating resources aimed at strengthening profitability and expanding business.

ICT and Mechatronics

In this business, Nisshinbo will promote SDGs and social problem-solving businesses, strengthen independent development and leverage Group synergies to expand business while making efforts to move to a highly profitable structure through expansion into new fields. In ICT, we will expand our business domain in growth fields related to IoT and AI to establish the foundation for digital business creation. In components, our aim is to make Nisshinbo an indispensable part of realizing a carbon-free society through the provision

of automotive power supply components. In mechatronics, we will expand the industrial equipment business domain, reflecting needs for digital transformation, labor savings and automated manufacturing.

Medical Equipment

In medical equipment, we continue to focus efforts on increasing profitability through business structure transformations. We will expand the high-value-added portable ultrasound business by strengthening marketing and establishing sales channels. Furthermore, we will focus efforts on wireless technologies for medical use, such as utilizing our proprietary wireless technologies in medical equipment, and aim to enter and grow the fields of prevention, prognosis, diagnosis and treatment support. We aim to expand and grow this business by creating digital businesses in new entry fields based on the existing analysis equipment and intravascular ultrasound businesses.

5G and LTE Initiatives

In Japan, the number of businesses attempting to create value through the utilization of data using IoT and other infrastructure is expected to increase, and the issuance of local 5G radio station licenses is on the rise. Having acquired a local 5G radio station license in June 2021, Japan Radio Co., Ltd. (JRC), is focused on deepening collaborations with business partners through proof-of-concepts and demonstrations, providing solutions facilitating customer value creation and developing local 5G products leveraging JRC's strengths in order to establish a highly profitable business foundation.

Overseas, we are engaged in the expansive deployment of private LTE, mainly in Europe and the United States. Nisshinbo will further expand this business through the provision of solutions leveraging JRC's strengths, including system-integrated LTE-BOX advances, wireless radio frequency and other local environment customizations, and the expansion and diversification of applications meeting customer needs.

| Net Sales | (millions of yen) | |
|---|-------------------|----------------|
| | 20.12 | 21.12 |
| Marine systems | 32,509 | 33,227 |
| Communications equipment* | 7,669 | — |
| Solutions and specialized equipment | 65,607 | 71,254 |
| ICT and mechatronics | 20,708 | 23,726 |
| Medical equipment | 8,064 | 7,794 |
| Other businesses | 3,166 | 4,613 |
| JRC Mobility | 7,857 | 17,494 |
| Eliminations, retirement benefits and other adjustments | (1,271) | (3,024) |
| Total | 144,312 | 155,085 |

| Segment Profit | (millions of yen) | |
|---|-------------------|--------------|
| | 20.12 | 21.12 |
| Marine systems | (303) | 791 |
| Communications equipment* | 200 | — |
| Solutions and specialized equipment | 2,683 | 5,557 |
| ICT and mechatronics | (237) | 128 |
| Medical equipment | 456 | 102 |
| Other businesses | (7) | 788 |
| JRC Mobility | (571) | 610 |
| Eliminations, retirement benefits and other adjustments | 353 | (162) |
| Total | 2,575 | 7,815 |

*Completed transfer of communications equipment to mobility in fiscal 2021

Micro Devices

Nisshinbo Micro Devices Inc.

In the Micro Devices business, Nisshinbo has created new value in audio equipment, automotive and industrial devices, ICT and other fields, drawing on its competitive advantages in analog semiconductors and microwave technologies. In January 2022, a merger was concluded between the former New Japan Radio Co., Ltd., and the former Ricoh Electronic Devices Co., Ltd. Nisshinbo will combine the technologies held by both companies to create new, high-value-added products and solutions businesses in the areas of automotive CASE, industrial equipment and healthcare.

Related SDGs



| | |
|------|---|
| P.44 | Outside Director Discussion with the President of Nisshinbo Micro Devices |
| P.55 | Business Results and Strategy |
| P.56 | Key Products |

Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Micro Devices business reported sales of ¥77,374 million, up 26.6% year on year, and segment profit of ¥4,292 million (an improvement of ¥8,186 million year on year).

In mainstay electronics devices, the market recovery trend that began in the fourth quarter of the previous fiscal year continued in 2021, with plants commencing full production from the beginning of the year and remaining in operation all year. COVID-19 lockdowns across Southeast Asia caused fragmentation in supply chains, which resulted in global supply shortages of parts and materials, mainly electronic components. This resulted in parts shortages that led to lower production in the automotive and industrial equipment industries. However, automotive products centered on LSIs such as ASSP and ASIC, and industrial equipment products including power supply ICs, sensors, encoders and pin drivers all performed well, buoyed by strong demand. In communication-related products, in addition to solid sales of lithium battery protection IC for mobile telephones, sales of products such as GaAs products (e.g., antenna switches, LNAs) and SAW filters were strong due to the ongoing switchover from mobile phones to 5G base stations and automotive GNSS. In consumer products, while the sale of conventional products declined, overall sales remained at the same level as in the previous fiscal year due to Nisshinbo's provision of products facilitating the societal changes necessitated by COVID-19.

In microwave products, amid a swift increase in shipping due to rapidly recovering market conditions at the beginning of 2021, radar uptime increased, demand for replacement magnetrons grew significantly and electron tube and radar components performed favorably throughout the year. Orders for satellite communications components, a key growth driver, and sensors made using microwave technologies were strong. Despite being significantly hindered by parts shortages that affected critical electronic components and connectors, we communicated with customers from an early stage while encouraging advanced preparations and product schedule revisions in response to extended parts delivery times, enabling us to maintain solid sales.

Medium- to Long-Term Business Strategy

With the launch of Nisshinbo Micro Devices Inc., under the themes of "promotion of the electronic device business with a competitive advantage" and "expansion of the microwave business and profit generation," Nisshinbo will combine technologies held by the former New Japan Radio Co., Ltd., and the former Ricoh Electronic Devices Co., Ltd., and strengthen competitive standard products as a base business while attempting to develop signal processing and high-value-added power module products. Enhancing the quality of both hardware and software, we will create new solutions with the aim of becoming an analog solutions provider that customers can count on.

Electronic Devices

In electronic devices, we will focus on signal processing (SP) and energy management (EM).

The signal processing IC includes sensor product lines that will expand markets for operational amplifiers and IoT. We will attempt to combine signal processing ICs with microwave sensors while aiming to provide modules and even solutions from conventional single IC provision. With EM, a power control system IC required for a wide range of devices, we aim to develop high-value-added power module products such as PMIC and IPM for power supply control system ICs amid rising demands for low power consumption and other highly precise functions. The primary target markets are automotive, industrial equipment and consumer products. We will strengthen the planning and development of customer-oriented, high-performance ASIC and ASSP products for automotive and industrial equipment applications. In consumer products, we will accelerate the planning and development of products including touchless sensors that facilitate the societal changes necessitated by COVID-19, as well as in new product areas such as beauty equipment. Furthermore, by expanding the ratio of products for automotive and industrial equipment, we aim to establish a stable business portfolio.

Net Sales

(millions of yen)

| | 20.12 | 21.12 |
|-----------------------------------|---------------|---------------|
| New Japan Radio | 41,931 | 51,072 |
| (former Ricoh Electronic Devices) | 20,515 | 28,014 |
| Eliminations, etc.* | (1,306) | (1,713) |
| Total | 61,141 | 77,374 |

*Includes goodwill amortization and revisions to retirement benefits

Segment Profit

(millions of yen)

| | 20.12 | 21.12 |
|-----------------------------------|----------------|--------------|
| New Japan Radio | (2,427) | 2,864 |
| (former Ricoh Electronic Devices) | (1,205) | 1,698 |
| Eliminations, etc.* | (263) | (271) |
| Total | (3,895) | 4,292 |

In terms of production, we will engage in additional reductions in outsourcing costs to further improve profitability. Regarding the wafer process (pre-process), Nisshinbo will mass-produce 0.18-um CDMOS achieving miniaturization with a high withstand voltage process at the Yashiro Plant (Hyogo Prefecture), while manufacturing in-house a portion of new products that are outsourced. In terms of the assembly process (post-process), we will transfer the testing and assembly of products manufactured at the Yashiro Plant to manufacturing subsidiaries in Saga Prefecture and Thailand, while expanding the use of low-cost outsourced semiconductor assembly and testing (OSAT) overseas. In addition, we will consider discontinuing the production of SAW filters at our products' end of life (EOL). With respect to materials, we will promote the replacement of gold wires used in post-processing with copper wires. Regarding lead frames, for which there is a shrinking number of suppliers, we will evaluate the quality of products made in South Korea and China, then purchase products satisfying adoption criteria from multiple companies.

In terms of sales, we will strive to further improve customer awareness and satisfaction through product planning and development that incorporates new projects and customer needs while demonstrating integrated synergies such as cross-selling. In addition, we will strengthen the production and sales matching system through fixed order manufacturing management, reduce inventories and strive to maintain appropriate inventories.

Microwave Products

For microwave products, electron tubes and radar components, Nisshinbo will make an effort to increase profitability by improving production efficiency while responding to ongoing increases in demand. We will also strengthen sales of electron tubes and electron guns for Linac.

Key Products



Electronic devices

Automotive products

The number of ICs per vehicle continues to increase amid the shift to vehicle electrification and advances in autonomous driving technology. ICs are now needed for a growing array of applications, from car audio to power control units, which support basic vehicle functions, electric power-assisted steering and battery management systems, as well as sensors that are integral to parking assist systems, collision avoidance and prevention systems and autonomous driving.

Industrial equipment products

Nisshinbo has a diverse lineup of products to meet customers' needs: operational amplifiers that play a key role in improving the sensing precision of encoders, which support movement in industrial robots; PMICs that support stable, low-noise operation of various industrial equipment; and analog front-end ICs that optimally integrate industrial equipment functions.



Industrial equipment products



Microwave products

Satellite communication system components

VSATs* are satellite ground stations that play a crucial role in satellite-based Internet connectivity, data transmission and telephony. New Japan Radio is Japan's only supplier of key components for VSAT and one of only a handful of suppliers worldwide. It has the top share in the global market.

*Very Small Aperture Terminals

In satellite communication components, amid ongoing difficulties in procuring parts, we will strive to ensure stable production of transmitters and receivers compatible with VSAT (small ground station) system terminals, which are performing well. At the same time, we will upgrade existing product models, develop high-power transmitters for base stations anticipated to have high added value and develop new markets.

In the microwave sensor product line, we will launch millimeter-wave band (60 GHz) products in 2022 that will be integrated with electronic device packaging and modularization technologies, as well as sensor technologies and signal processing combined with other sensors to accelerate advances in smart sensor technologies that stably generate the required data. We will also enhance our technical capabilities to support the design and development of systems using sensors and respond to a wide range of customer requests.

With regard to satellite component and sensor products, as the impact from sensor part supply shortages is expected to become increasingly severe, we will attempt to realize stable production with a parts procurement strategy focused on market expansion, while utilizing our Thai manufacturing subsidiary to strengthen price competitiveness, acquire a wide range of customers and respond to production increases.

Overview of Business Segments

Automobile Brakes



Nisshinbo Brake Inc./TMD Friction Group S.A.

Nisshinbo is a global supplier with world-class development capabilities in the field of friction materials, which are key components in automobile brake systems. Our strategy in the Automobile Brakes business is to address the specific requirements of each market and customer with three businesses—Nisshinbo Brake, TMD Friction Group and Saeron Group—aiming to meet global automaker needs for optimum parts procurement as the world's leading friction materials company.

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Automobile Brakes business reported sales of ¥138,295 million, up 20.4% year on year, and segment profit of ¥3,558 million (an improvement of ¥5,847 million compared with the previous fiscal year).

Global automobile production, which significantly affects the Automobile Brakes business, recovered substantially in the first half of 2021. However, in the second half, automakers were forced to slash production due to supply chain disruptions, including difficulties in sourcing parts from Southeast Asia, and semiconductor shortages. For these reasons, the full-year recovery was only about 5% compared with the previous year. In addition, the soaring cost of steel and other raw materials starting in the second quarter of 2021 exerted downward pressure on profits.

Under these conditions, at Nisshinbo Brake Inc., in addition to robust sales in Japan and at the subsidiary in Thailand, sales and profits were higher at the China subsidiary, where the main customers are Japanese auto manufacturers enjoying strong sales. In the United States, effective from 2021, environmental regulations prohibit the sale of friction materials or vehicles

fitted with friction materials that have a copper content of more than 5%. Amid movements toward stricter rules that will come into force in 2025 further reducing the limit on copper content to less than 0.5%, new orders are steadily increasing for copper-less (copper content less than 5%) and copper-free (less than 0.5%) friction materials from Nisshinbo Brake Inc. The increased market share driven by orders for copper-free friction materials contributed significantly to higher sales in Japan and at subsidiaries in the United States and China. Investments in production equipment for copper-free materials are proceeding as planned. And although sales at our South Korean subsidiary remained at the same level as the previous fiscal year due to the impact of curtailed production by major customers, profits increased due to cost reductions and other efforts.

The TMD Group, for which Europe is its main market, expanded market share and increased sales by creating a strategic supply system for aftermarket friction materials amid economic stagnation caused by COVID-19. In addition, significant progress has been made on business revitalization plans, enabling a return to profitability.

Medium- to Long-Term Business Strategy

Market Environment and Business Strategy

Semiconductor shortages that arose last year and supply chain disruptions brought about by the pandemic continued into 2022, with manufacturers facing frequent shutdowns. That being said, demand for automobiles has not entirely vanished, and we expect an increase in sales of Nisshinbo Brake assembled products when demand returns. Regarding high-performance copper-free products, for which orders are increasing in the United States and other countries, full-scale production is slated to launch soon. As many lineups have already been adopted by the world's best-selling models, this will enable Nisshinbo to capitalize on a major growth opportunity.

At the same time, we will attempt to increase the market share of the TMD Group aftermarket business through strategic production facility enhancements. Business revitalization plans are on track, with the integration of assembled parts manufacturing at the Essen plant in Germany linked to facilitating efficient production and improved profitability. We will continue to enhance cost competitiveness through the promotion of optimized local production utilizing the Romania plant, among other efforts.

Furthermore, as a measure launched in 2021 aimed at mitigating the impact of the soaring cost of steel and other raw materials, we are passing on cost increases through sales prices. To this end, we are engaged in tenacious negotiations, starting with aftermarket products developed by the TMD Group.

Toward the Spread of Electrification and Autonomous Driving

Plans are under way for electrification and autonomous driving-related next-generation vehicles and new brakes at finished vehicle manufacturers. HVs, EVs and other electric vehicles accumulate energy when braking by using an electric drive system that reduces wear on conventional mechanical brake friction materials, thus we expect demand for repair parts to decrease in the long run. On the other hand, the

assembled product must be durable enough to withstand long-term use, realizing stable braking force through coordination with electronically controlled regenerative braking. In addition, in response to the enhanced silence of the vehicle, there are demands for high-quality products with excellent noise and vibration suppression during braking. Anticipating changes in demand for friction materials due to the way automobiles will be used going forward, Nisshinbo is focusing efforts on the research and development of products that are highly compatible with electronically controlled braking. We will also promote and adopt technological developments from various fields aimed at reducing greenhouse gases to proactively engage in the creation of a sustainable society. In addition, we have commenced research regarding vehicle undercarriage sensing in collaboration with Group companies focused on the future of mobility in society. We will promote our value as a partner trusted by customers. In these product development initiatives, we are transitioning to data-driven systems able to effectively utilize the culmination of our experience and knowledge and promoting the digitized representation of events by combining advanced analysis methods and CAE analysis to create processes that facilitate more efficient and accurate proposals. We are moving quickly forward with plans to optimize operations using production controls incorporating ICT into the manufacturing process; visualize equipment operating status and equipment prognosis and predictive maintenance; control quality using AI to analyze manufacturing and inspection data; and use RPA to review operational efficiency.

Improvement Activities

Improvement activities under way at sites throughout the world have been proactively implemented in all regions and levels despite COVID-19, resulting in achievements that include increased profitability and quality through equipment automation and image testing. Improvement activity meetings, which are held regularly to facilitate reciprocal communication across the Group and share knowledge, have been conducted online during the pandemic to devise ways of perpetuating the *kaizen* (improvement) culture.

| Net Sales | (millions of yen) | |
|---------------------|-------------------|----------------|
| | 20.12 | 21.12 |
| Nisshinbo Brake | 44,057 | 49,048 |
| TMD | 75,106 | 94,072 |
| Eliminations, etc.* | (4,337) | (4,825) |
| Total | 114,827 | 138,295 |

*Including amortization of intangible fixed assets at TMD

| Segment Profit | (millions of yen) | |
|---------------------|-------------------|--------------|
| | 20.12 | 21.12 |
| Nisshinbo Brake | 788 | 3,202 |
| TMD | (3,219) | 366 |
| Eliminations, etc.* | 142 | (10) |
| Total | (2,289) | 3,558 |



Overview of Business Segments

Precision Instruments

Nisshinbo Mechatronics Inc.

Utilizing various areas of expertise accumulated over more than 70 years, this segment is focused on precision metal parts processing for the automotive sector and parts molding and processing for the automotive and home appliance sectors. The segment also makes customized production equipment to meet the specific needs of customers. We work closely with subsidiary Nanbu Plastics Co., Ltd., to develop these businesses globally, centered on Asia.

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Precision Instruments business reported sales of ¥55,769 million, up 8.5% year on year, and segment profit of ¥716 million (an improvement of ¥1,663 million compared with the previous fiscal year).

Although precision parts for automobiles were affected by semiconductor supply shortages in automotive-related industries, as well as curtailed production by auto manufacturers, North American demand was strong for automotive exhaust valves manufactured by Nisshinbo Precision Instrument & Machinery Hiroshima Corp. The transfer and concentration of MK100 electronic brake system (EBS) valve block production to Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd., has enabled Nisshinbo to meet growing customer demand for this product and increase productivity, driving sales and profits higher. In March 2021, Nisshinbo launched mass production of next-generation "MKC1" EBS valve blocks supporting vehicle electrification and autonomous driving, and we are already preparing for mass production of the next-generation "MKC2," an even smaller and lighter version of this product.

In molding products for automobiles and air-conditioning equipment, the pandemic drove up demand for high-end air conditioners equipped with ventilation functions, leading to increased customer orders for home appliances, mainly in Japan and China. At Nisshinbo Mechatronics (Thailand) Ltd., despite production delays caused by a shortage of wire harnesses for home appliance customers and semiconductors for automotive customers, overall demand was headed toward a recovery. Within the Nanbu Plastics Group, production at the Nanbu Plastics Indonesian subsidiary was discontinued in an effort to reorganize this unprofitable business. As a result of these factors, slumping demand recovered in automotive, home appliance, housing and medical applications, leading to higher sales and profits.

Medium- to Long-Term Business Strategy

In the Precision Instruments business, we will enhance production systems at all plants with a focus on products for which demand is expected to grow in the future, including precision parts and lenses for automobile headlamps and medical molding products. At the same time, we will move forward with manufacturing site consolidation and other business restructuring efforts, identifying unprofitable operations and products to further strengthen our operating base.

Business/Product Identification and Closeout

The Nisshinbo Mechatronics Inc. molding products business and Nanbu Plastics Co., Ltd., have production bases in Japan and Asia (Thailand, China, India, the Philippines and Indonesia). We will continue to optimize production bases to efficiently capture global demand leading to the realization of higher profits. In the molding products business, we are implementing strict cost management to identify unprofitable products and intensify cost-reduction activities, advancing reasonably priced proposals to customers to improve profitability.

Following the discontinuation of production at its Indonesian subsidiary, the Nanbu Plastics Group is reorganizing business at its subsidiary in Guangzhou, China, in preparation for the transfer of production. Kyushu Nanbu Plastics Co., Ltd., is also revising production systems in response to changes in the business environment, including policy decisions by major clients to shift production in-house and shrinking demand for vapor deposition components caused by the switch to LED automobile headlamps. The Nanbu Plastics Group will continue to identify and dispose of unprofitable businesses, allocating management resources to high-value-added businesses and improving profitability.

Precision Parts Business Expansion Measures

In the precision parts business, with regard to automotive EBS valve blocks for which customer demand is expected to rise in the future, we will attempt to improve capacity utilization rates at Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd., where production is concentrated, to focus efforts on the production and sales of automotive EBS valve blocks. In addition, the market for two- and four-wheeled vehicles in India is expected to grow, and in line with the Indian government's national "Make in India" policy (measures promoting local procurement and production), Nisshinbo plans to launch a joint venture with Continental in India by the end of 2022 and will proceed with preparations for the start of mass production in 2023.

Molding Products Business Expansion Measures

In the Nisshinbo Mechatronics molding products business, as new inquiries for home appliance and office equipment fans rise, we will strengthen proposal capabilities leading to new orders. We will promote the development of new, high-value-added products such as antifouling fans and small cooling fans and maintain efforts targeting product launch.

At Nisshinbo Mechatronics (Thailand) Ltd., we will enhance the price competitiveness of existing products through automation and labor saving within production processes, further increase orders through the development and launch of high-value-added fans, and attempt to recover sales and profits to pre-pandemic levels. At Nisshinbo Mechatronics (Shanghai) Co., Ltd., we will maintain efforts to expand orders for Eco Cross® and Eco Blade Turbo®, while targeting higher profitability through joint developments

with motor manufacturers achieving product differentiation through the development and launch of high-value-added fans. Regarding automobile headlamp lenses for Chinese customers, the production of which was transferred from Nanbu Plastics, we will attempt to further increase orders by expanding production while strengthening quality control systems. At Nisshinbo Mechatronics India Private Limited, as the air-conditioner market in India is expected to expand, we will make the capital investments necessary to capture demand and expand market share.

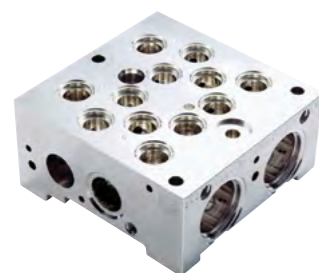
The Nanbu Plastics Group will focus on highly profitable lenses within automotive applications, capturing new orders and implementing sales promotion measures for high-value-added PES (aspherical) lenses.

Medical applications are another promising growth field for the Precision Instruments business. In September 2021, the Nanbu Plastics medical business (Yoshida site) was relocated to the Nisshinbo Group Fujieda site where it was set up and subsequently commenced operations. We will implement production equipment and capacity enhancements, and introduce automation, labor saving and other production efficiency improvements to further expand orders.

| Net Sales | (millions of yen) | |
|--------------------|-------------------|---------|
| | 20.12 | 21.12 |
| Precision parts | 14,387 | 15,891 |
| Molding products | 40,669 | 44,038 |
| Eliminations, etc. | (3,637) | (4,161) |
| Total | 51,419 | 55,769 |

| Segment Profit | (millions of yen) | |
|--------------------|-------------------|-------|
| | 20.12 | 21.12 |
| Precision parts | (78) | 223 |
| Molding products | (38) | 1,306 |
| Eliminations, etc. | (832) | (814) |
| Total | (948) | 716 |

Key Products



Automotive EBS valve block



Automotive headlight components



Fans for residential and commercial air conditioners



Overview of Business Segments

Chemicals

Nisshinbo Chemical Inc.

Drawing on a broad base of expertise and intellectual property in the chemical field, this segment is working to develop products that help protect the environment and make life more comfortable. Our environment- and energy-related products include bipolar plates for fuel cells and Carbodilite, a high-performance plastic material that increases the durability and chemical resistance of biodegradable plastics and water-based resins, which have minimal environmental impact. We are prioritizing the investment of management resources in these promising growth areas.

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Chemicals business reported sales of ¥11,083 million, up 15.7% year on year, and segment profit of ¥2,054 million, up 13.4%.

In 2021, bipolar plates for fuel cells from the In-vehicle Development Division of Nisshinbo Holdings were integrated into the Chemicals business. Amid a boom in global fuel cell development, there were many inquiries regarding the development and trial production of bipolar plates, which are being developed for high-durability applications and are superior to competing materials in terms of light weight and durability. As a result, sales and profits rose due to increased orders for home appliance and fixed- and in-vehicle prototype products.

In functional materials, despite the impact of soaring chemical raw material and transportation costs, sales and profits increased due to higher sales of modifiers for waterborne cross-linking agents and pulverized modifier for biodegradable plastics amid a growing environmental awareness of problems such as marine microplastic pollution. In addition to robust sales of food packaging materials, home appliances and PC-related products, for which demand expanded under restrictions on movement due to COVID-19, a recovery in demand for automobile parts and building materials contributed to higher sales.

In thermal insulation products, although bio-carriers for wastewater treatment were affected by fewer orders in the domestic market amid skyrocketing raw material costs, movements toward a post-pandemic market recovery led to higher orders for refrigeration/freezing equipment and undiluted solutions for civil engineering, which are used in prefabricated refrigerators, clean rooms, exterior wall materials and tunnel repair backfill injection work, all of which lifted sales and profits higher. Orders for cold storage and urethane blocks used in automotive design models were also brisk.

Sales and profits of glass-like carbon products increased due to a full-scale recovery in demand for semiconductor manufacturing equipment parts and an increase in orders. In the first half of the fiscal year, although the market continued to stagnate due to COVID-19, demand grew on the expansion of 5G communications and cloud services in the semiconductor market, while semiconductor manufacturing equipment demand also expanded dramatically due to supply chain reorganization efforts triggered by semiconductor frictions between the United States and China, all of which resulted in increased orders of parts for capital investment.

Medium- to Long-Term Business Strategy

Enhanced Capacity and Accelerated Development of Bipolar Plates for Fuel Cells

Attracting attention as technologies for realizing carbon neutrality, demand is rising for fixed hydrogen cells and fuel cells as power supplies for use during emergency and normal operations.

Nisshinbo has received many global inquiries regarding our bipolar plates. As we expect to exceed current production capacity in 2023, the decision was made to expand the plant and install a new line to meet rapidly growing demand with increased capacity. In-vehicle applications, particularly those for buses and trucks, are being developed throughout the world. Having engaged in development with several leading manufacturers until now, Nisshinbo is targeting commercialization in response to strong demand for bus and truck prototypes. In November 2021, we acquired IATF16949, a required certification for automobile parts factories. We intend to expand business through further product developments, improved productivity and enhanced quality.

Expanding Carbodilite Sales, Contributing Solutions to Environmental Issues

Faced with environmental issues such as ocean plastic pollution, global warming and air pollution caused by volatile organic compounds (VOCs), amid growing global environmental awareness, there are demands for the use of biodegradable resins and water-based paints. Demand for Carbodilite products is growing as it is a material that is indispensable for the spread of biodegradable plastics that contribute to resolving these issues, as well as water-based paints and coating agents and high-performance electronic materials. Nisshinbo is accelerating product development and sales channel expansion, mainly targeting environmentally friendly products. We will accelerate sales, specifically in the rapidly growing environmental and energy markets where Carbodilite is undeveloped. In Japan, Europe and the United States, there is rising demand for advanced performance Carbodilite. By developing and launching high-value-added products that meet these needs, we will expand our sales channels.

Differentiating and Increasing the Added Value of Thermal Insulation Products

In thermal insulation products, we will work to further expand business by maintaining and expanding civil engineering base solutions and hard blocks constituting core products in the heat insulation field, as well as by launching highly flame-retardant products. In the anti-vibration field, to grow railway anti-vibration materials into non-form pillars, we will work to increase orders for products that enable the extension of track maintenance work cycles, as well as orders for large overseas properties. In the water treatment field, we will promote a differentiation strategy in the

| Net Sales | (millions of yen) | |
|--|-------------------|---------------|
| | 20.12 | 21.12 |
| Environment and energy-related products* | 8,271 | 9,601 |
| Carbon products, etc. | 1,492 | 1,730 |
| Eliminations, etc. | (186) | (248) |
| Total | 9,577 | 11,083 |

*Fuel cell bipolar plates, Carbodilite, insulation materials

Key Products



Bipolar plates for fuel cells



Carbodilite



Bio-carriers: APG

Chinese market leveraging the advantages of Japanese brand power and strong technological development capabilities. At the same time, in Japan, we will develop new products that meet market needs, acquiring orders in the private wastewater field and expanding into the water purification tank market.

In addition, regarding developments in infrastructure safety measures, we will cultivate high-value-added products through new developments that do not rely on insulation to expand our business domains. Despite global difficulties in procuring raw materials, Nisshinbo will continue to develop alternative products with an emphasis on ensuring a stable supply of products.

Long-Term Growth Expected in Glass-Like Carbon Products

Although volatility will continue in the market for semiconductors, the main application for glass-like carbon products, the spread of CASE and the Metaverse are expected to drive long-term growth. Amid changes among major players, including the rapid advance of fabless manufacturers and foundries, and insourcing in China, we are strengthening collaborations with semiconductor manufacturing equipment manufacturers and component manufacturers, both of which play vital roles in technological development and industrial equipment supplies. In particular, we will focus on the advanced semiconductor segment, which is the driver of capital investments in semiconductors, meet demand for advanced materials and aim for business growth by providing key materials that support the mass production of miniaturization processes. We will continue to increase the production capacity of glassy carbon products, for which strong demand is expected, and develop new products compatible with advanced semiconductor miniaturization.

| Segment Profit | (millions of yen) | |
|--|-------------------|--------------|
| | 20.12 | 21.12 |
| Environment and energy-related products* | 1,630 | 1,697 |
| Carbon products, etc. | 182 | 358 |
| Eliminations, etc. | (1) | (1) |
| Total | 1,811 | 2,054 |

Overview of Business Segments

Textiles

Nisshinbo Textile Inc.

Since its founding in 1907 as Nisshin Cotton Spinning Co., Ltd., Nisshinbo has led the Japanese textile industry with its state-of-the-art technologies and high quality. Nisshinbo subsequently expanded its business globally in the fields of spinning, weaving, processing and sewing, and today possesses some of the world's most advanced technologies in product development and production. Nisshinbo is currently working to increase global sales of the APOLLOCOT brand by mobilizing its sophisticated textile processing technologies.

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Textiles business reported sales of ¥34,479 million, up 1.5% year on year, and a segment loss of ¥1,023 million (a deterioration of ¥210 million year on year).

In the shirts segment, demand for business apparel declined due to the spread of COVID-19, as sales of wrinkle-free shirt fabric fell sharply due to abrupt inventory adjustments at the distribution stage. At TOKYO SHIRTS CO., LTD., ebbing demand for business shirts driven by the spread of telework and a decrease in store traffic and temporary store closures due to the declaration and expansion of a state of emergency resulted in sluggish physical store sales, and although online sales increased, plan targets were not achieved. In uniforms, working apparel inventory adjustments have concluded, with market conditions recovering from the second half of the fiscal year, whereas sales increased in line with robust sales to food processing plants and the medical field, where demand was firm. In developed materials, because the market shrank considerably, sales of nonwoven fabrics for cosmetic sundries and spandex yarns for legwear declined significantly amid lifestyle changes brought about by the impact of voluntary bans on leaving home, and although U.S.-bound exports of MOBILON tape for medical face masks were solid, performance in developed materials was lower than in the previous fiscal year.

Overseas, our Indonesian subsidiary saw a decrease in production resulting from curtailed social activities due to COVID-19, while sales to Japan and other countries and regions were sluggish, with sales and losses at about the same level as in the previous year. At our Brazilian subsidiary, we were able to pass on increases in raw cotton costs, while sales of differentiated yarn made using new spinning equipment were favorable, resulting in higher sales and profits.

Medium- to Long-Term Business Strategy

Market Environment and Business Strategy

The Textiles business, which is directly linked to apparel consumption, was greatly affected by changes in lifestyle and consumption behaviors such as voluntary bans on leaving home and the spread of telework due to COVID-19. However, there are significant business opportunities for services and products that support the online sales of apparel and casual business styles, as well as environmental products that embody the SDGs centered on natural materials. In addition, as the world's population is still growing, and economic growth is robust in Asia, the global textiles market is expected to expand further.

In this market environment, the Textiles business will proactively promote the "conversion to sustainable textiles businesses." We will focus resources on the development of highly functional products centered on the environment, health and comfort, while rapidly expanding global business leveraging Nisshinbo's environmentally friendly manufacturing approach in an attempt to rebuild business profitability.

Rebuilding Business Profitability

In anticipation of market needs, Nisshinbo aims to maintain and expand its top market share by proactively launching products centered on the environment, health and comfort. We will also rebuild profitability by developing next-generation products and reducing raw material and other manufacturing costs. In the shirts segment, we will attempt to expand market share through the rapid development and launch of next-generation products contributing to new functionality for APOLLOCOT non-iron fabric, which helps reduce electricity consumption.

Business Transformation in Response to Market Changes

At TOKYO SHIRTS CO., LTD., we will reshuffle physical stores and promote DX to realize business transformations targeting a profit structure led by online-merge-offline (OMO) businesses. Viewing this as an opportunity to reduce reliance on China and diversify risks across Asia, Nisshinbo will leverage the advantages of Indonesian integrated materials to accelerate global business expansion.

Developing Sustainable Textile Businesses in the Environment and Healthcare Domains

Nisshinbo will promote the development and launch of sustainable product groups centered on eco-friendly, healthy and comfortable products. At the same time, we will strive to break away from the use of coal fuel as a manufacturing environment initiative, including proactive efforts to reduce CO₂ emissions and water consumption, converting to eco-friendly plants that comply with environmental regulations.

Furthermore, we will promote the use of more environmentally friendly and recyclable nonwoven fabrics used for cosmetic

sundries, spandex yarns for legwear and elastomer business materials. We will also take on challenges including the "shirt rebirth project" and other circular economy business formats.

Cultivating Environmentally Themed New Business Domains

In terms of new environmental businesses, we are engaged in a shirt rebirth project and a cellulose nanofiber utilization project.

The shirt rebirth project involves joint research conducted by the Nisshinbo Holdings Business Development Division and Shinshu University. Unused cotton shirts are collected and cut up, the cotton is dissolved and converted into recycled fibers, and the fibers are used to make a new shirt. The full-scale research and development of practical applications launched in 2021 with the goal of commencing trial production in 2023.

The cellulose nanofiber utilization project, which is being promoted as a next-generation environmental product, involves converting surplus such as cuttings and cotton waste generated in the manufacturing process into nanofibers, recompacting them and utilizing them for various purposes. Soaps that use the cellulose nanofibers currently under development as scrubbing agents aim to contribute to solving the problem of marine microplastics.

| Net Sales | (millions of yen) | |
|--------------------|-------------------|---------------|
| | 20.12 | 21.12 |
| Japan | 29,514 | 27,651 |
| Overseas | 14,166 | 17,075 |
| Eliminations, etc. | (9,723) | (10,248) |
| Total | 33,957 | 34,479 |

| Segment Profit | (millions of yen) | |
|--------------------|-------------------|----------------|
| | 20.12 | 21.12 |
| Japan | (842) | (1,269) |
| Overseas | (31) | 213 |
| Eliminations, etc. | 61 | 34 |
| Total | (813) | (1,023) |

Key Products



Non-Iron Shirts Apollocot

Our Apollocot shirts, developed with the full capabilities of Nisshinbo Textile Inc., have been highly appraised by customers as next-generation non-iron shirts, and the technology is being extended to other items as well, such as handkerchiefs, business knit shirts and cotton business pants.



Oikos fabric

Oikos nonwoven fabrics employ the spunlace manufacturing method, which uses water jets to finish fibers in a sheet format. These extremely safe and hygienic ecological materials are used in a wide range of fields, from cosmetics and household sundries to industrial applications.



Mobilon/Elastomer

Mobilon is a type of spandex (polyurethane elastic fiber) developed by Nisshinbo Textile using proprietary technologies. Leveraging its soft touch when stretched and ability to maintain shape, the range of applications continues to expand into a variety of categories including clothing and materials.

Our elastomer is a thermoplastic polyurethane material also developed using proprietary technologies. Thanks to its excellent elasticity, flexibility and durability, it is used widely in apparel, face masks and other industrial materials.



Overview of Business Segments

Real Estate

Nisshinbo Holdings Inc.

Nisshinbo's Real Estate business redevelops properties that have become vacant because of business changes at Group companies. Income from those activities is used to fund the Group's growth strategy, such as launching new businesses and expanding global operations. Income is generated from two main sources—property leasing and the sale of housing lots. Nisshinbo has actively developed the housing lot sales business since 2009, when the Group moved to a holding and operating company structure. The Group's domestic real estate portfolio includes many land and property sites with excellent locations, generating strong earnings for the Real Estate business.

Related SDGs



Business Results and Strategy

Summary of Financial Results for 2021

In 2021, the Real Estate business reported sales of ¥15,584 million, down 23.2% year on year, and segment profit of ¥9,389 million, down 18.4%.

In the housing lot sales business, profitability remained at high levels, driven by sales of condominiums in Mitaka, Tokyo, and sales of land in Kitajima, Tokushima Prefecture; Higashiomi, Shiga Prefecture; and Okazaki, Aichi Prefecture. However, sales and profits declined overall as more Mitaka condominiums were sold in the previous fiscal year. At the same time, leasing operations in the property leasing business were firm for land, office buildings and commercial facilities.

Medium- to Long-Term Business Strategy

In 2022, we expect to continue securing high profits as in the previous fiscal year. Leasing operations in the property leasing business were firm for land, office buildings, commercial facilities and other properties, while sales of land and other properties are ongoing in the housing lot sales business.

The Real Estate business will continue to fulfill its role as a source of funds to help Nisshinbo attain its management targets by effectively utilizing the real estate assets of the whole Group.

| Net Sales | (millions of yen) | |
|-----------|-------------------|--------|
| | 20.12 | 21.12 |
| | 20,279 | 15,584 |

We plan to continue generating stable earnings by focusing on the projects shown below.

For the redevelopment of the former Miai Plant site (Aichi Prefecture), we will continue sales of all 357 detached homes and medical and welfare facilities.

Regarding the redevelopment of employee housing in Nishiara (Tokyo) as rental condominiums, construction of Phase 1 (50 units) was completed and leasing has begun, with Phase 2 (149 units) leasing slated to commence in April 2024.

We have commenced redevelopment of the former Notogawa factory site (Shiga Prefecture) as 129 condominium units, with plans to launch sales in 2023.

In terms of new projects, we plan to sell the site of the former Hamamatsu factory (Shizuoka Prefecture) for use as a commercial facility in 2022-2023.

Furthermore, we are moving forward with plans to construct 50 rental condominium units on the site of the former Japan Radio Co., Ltd., Seifu Dormitory (Tokyo). Development and construction work will begin in 2022, with leasing scheduled to start in 2024.

In addition, at the Shibaura Nissin Building (Tokyo) owned by Nisshinbo Urban Development Co., Ltd., we are moving forward with construction plans for rental condominiums in collaboration with a major housing manufacturer.

| Segment Profit | (millions of yen) | |
|----------------|-------------------|-------|
| | 20.12 | 21.12 |
| | 11,512 | 9,389 |

Eleven-Year Summary

| | 2012.03 | 2013.03 | 2014.03 | 2015.03 | 2016.03 | 2017.03 | 2018.03 | 2018.12 | 2019.12 | 2020.12 | 2021.12 |
|---|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|----------|----------|
| Operating Results (millions of yen) | | | | | | | | | | | |
| Net Sales | ¥379,340 | ¥450,693 | ¥494,350 | ¥523,758 | ¥533,989 | ¥527,274 | ¥512,048 | ¥416,221 | ¥509,661 | ¥457,051 | ¥510,643 |
| Electronics | 169,907 | 175,308 | 187,743 | 209,116 | 205,368 | 190,852 | 193,621 | — | — | — | — |
| Wireless and Communications | — | — | — | — | — | — | — | 90,427 | 152,213 | 144,312 | 155,085 |
| Micro Devices | — | — | — | — | — | — | — | 53,777 | 65,286 | 61,141 | 77,374 |
| Automobile Brakes | 47,450 | 118,849 | 148,699 | 161,887 | 165,037 | 146,062 | 154,205 | 135,008 | 131,338 | 114,827 | 138,295 |
| Precision Instruments | 25,191 | 24,520 | 28,655 | 28,608 | 29,525 | 60,687 | 64,918 | 62,219 | 65,429 | 51,419 | 55,769 |
| Chemicals | 8,258 | 8,150 | 8,810 | 8,138 | 8,285 | 9,483 | 11,285 | 8,173 | 9,391 | 9,577 | 11,083 |
| Textiles | 60,964 | 54,736 | 54,630 | 51,073 | 60,127 | 55,842 | 54,640 | 43,660 | 49,505 | 33,957 | 34,479 |
| Papers | 30,220 | 30,524 | 31,686 | 31,280 | 32,585 | 32,648 | — | — | — | — | — |
| Real Estate | 9,082 | 15,367 | 10,567 | 9,246 | 8,358 | 8,084 | 8,406 | 4,237 | 11,655 | 20,279 | 15,584 |
| Other Businesses | 28,268 | 23,239 | 23,560 | 24,410 | 24,704 | 23,616 | 24,973 | 18,720 | 24,844 | 21,539 | 22,974 |
| Operating Income (Loss) | 4,170 | 13,394 | 13,175 | 13,744 | 12,617 | 4,890 | 15,086 | (2,506) | 6,482 | 1,248 | 21,789 |
| Net Income (Loss) Attributable to Owners of the Company | 9,416 | 6,418 | 9,012 | 13,694 | 10,776 | 3,575 | 26,352 | (7,183) | (6,604) | 13,541 | 24,817 |
| Financial Position (millions of yen) | | | | | | | | | | | |
| Equity | ¥213,751 | ¥242,623 | ¥276,865 | ¥306,938 | ¥284,472 | ¥275,753 | ¥290,434 | ¥264,849 | ¥252,536 | ¥242,068 | ¥272,632 |
| Total Assets | 534,584 | 551,933 | 611,311 | 678,486 | 651,793 | 646,288 | 651,959 | 622,381 | 617,528 | 581,204 | 604,799 |
| Capital Expenditures | 15,705 | 20,123 | 19,896 | 36,909 | 22,862 | 30,505 | 30,103 | 27,199 | 32,387 | 25,870 | 26,482 |
| Depreciation and Amortization | 14,550 | 18,969 | 21,486 | 23,111 | 22,571 | 22,264 | 22,183 | 19,816 | 24,955 | 22,125 | 23,165 |
| Cash Flows (millions of yen) | | | | | | | | | | | |
| Net Cash Provided by Operating Activities | ¥ 12,974 | ¥ 34,095 | ¥ 26,075 | ¥ 37,120 | ¥ 39,566 | ¥ 26,768 | ¥ 32,415 | ¥ 15,495 | ¥ 26,249 | ¥ 42,590 | ¥ 39,828 |
| Net Cash Provided by (Used in) Investing Activities | (57,861) | (10,973) | (19,862) | (21,271) | (22,793) | (31,429) | (1,798) | (20,723) | (21,759) | (6,321) | (16,767) |
| Net Cash Provided by (Used in) Financing Activities | 16,835 | (24,073) | (2,321) | (6,238) | (9,044) | 3,595 | (34,785) | 11,936 | (10,065) | (24,230) | (30,819) |
| Per Share (yen) | | | | | | | | | | | |
| Net Income (Loss) Attributable to Owners of the Company | ¥ 53.83 | ¥ 36.74 | ¥ 51.60 | ¥ 80.33 | ¥ 67.93 | ¥ 22.52 | ¥ 160.59 | ¥ (43.26) | ¥ (39.45) | ¥ 81.38 | ¥ 149.08 |
| Shareholders' Equity | 1,063.19 | 1,198.67 | 1,369.78 | 1,634.07 | 1,472.26 | 1,444.94 | 1,659.29 | 1,457.26 | 1,431.35 | 1,375.19 | 1,556.01 |
| Cash Dividends | 15.00 | 15.00 | 15.00 | 15.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| Key Ratios (%) | | | | | | | | | | | |
| Shareholders' Equity Ratio | 34.7 | 37.9 | 39.1 | 38.2 | 35.9 | 35.5 | 41.2 | 40.1 | 38.6 | 39.4 | 42.8 |
| Return on Assets (ROA) | 1.9 | 1.2 | 1.5 | 2.1 | 1.6 | 0.6 | 4.1 | (1.1) | (1.1) | 2.3 | 4.2 |
| Return on Equity (ROE) | 5.1 | 3.2 | 4.0 | 5.5 | 4.4 | 1.5 | 10.6 | (2.8) | (2.7) | 5.8 | 10.2 |
| Payout Ratio | 27.9 | 40.8 | 29.1 | 18.7 | 44.2 | 133.2 | 18.7 | — | — | 36.9 | 20.1 |

Notes: 1. In the fiscal year ended March 2017, Iwao & Co., Ltd., was merged with Nisshin Toa Inc., both of which are consolidated subsidiaries. The apparel textile operations of Iwao & Co., Ltd., included in the Other Businesses segment were reclassified under the Textiles business segment as a result. Figures from the fiscal year ended March 2013 have been adjusted to reflect this change.
2. The Group's elastomer operations were transferred from the Chemicals business to the Textiles business in the fiscal year ended March 2016. Figures from the fiscal year ended March 2015 have been adjusted to reflect this change.
3. The Company changed its fiscal year-end from March 31 to December 31, effective from the fiscal period ended December 31, 2018.
4. The electronics business segment was separated into Wireless and Communications and Micro Devices as part of adjustments to earnings management classifications in the fiscal period ended December 2019.

Management's Discussion and Analysis

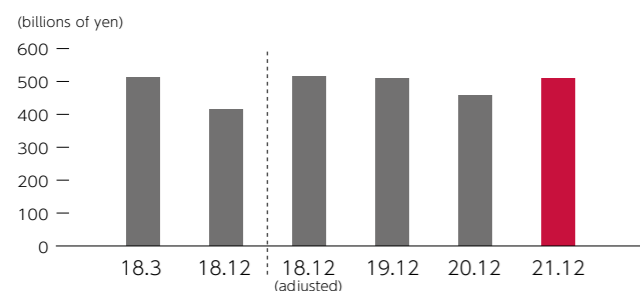
HIGHLIGHTS

- In addition to favorable performance in Wireless and Communications, higher net sales in Micro Devices, Automobile Brakes and Precision Instruments, all of which continue to recover from the impacts of the pandemic, contributed to Group sales growth.
- Net income attributable to owners of the Company expanded on ordinary income growth and lower income taxes.

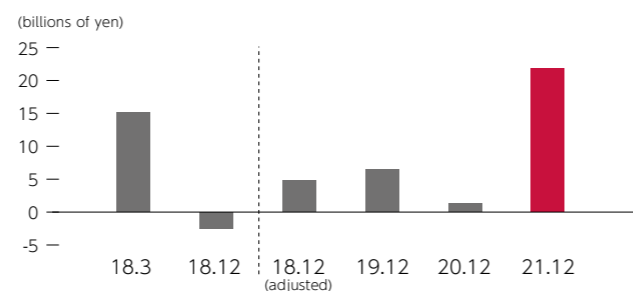
Operating Results

In 2021, in addition to favorable performance in wireless and communications, higher net sales in Micro Devices, Automobile Brakes and Precision Instruments, all of which continue to recover from the impacts of the pandemic, resulted in net sales of ¥510,643 million (US\$4,440 million), up ¥53,592 million (11.7%) year on year. Higher net sales resulted in operating income of ¥21,789 million (US\$189 million), up ¥20,541 million year on year. Net income attributable to owners of the Company amounted to ¥24,817 million (US\$216 million), an improvement of ¥11,276 million (83.3%) year on year, as a decline in extraordinary income from gains on sales of investment securities was offset by ordinary income growth, lower income taxes and other factors.

Net Sales



Operating Income/Loss



Note: Operating income for the fiscal year ended December 2018 has been adjusted to facilitate year-on-year comparison.

Dividends

In principle, there are two distributions per fiscal year: the interim dividend and the year-end dividend. We aim for a consolidated payout ratio of around 30% as we implement the stable and continuous distribution of dividends. In addition to confirming that internal reserves are sufficient for future growth strategies, our policy is to engage in more proactive shareholder returns, including consideration for the purchase of our own shares. In principle, we will cancel treasury shares, but in the event an M&A project will contribute substantially to increased shareholder value, we will utilize stock swaps or issue new shares. In the fiscal year under review, the full-year dividend amounted to ¥30 (US\$0.26) per share.

Financial Position

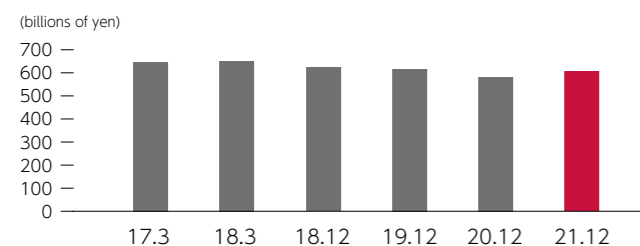
Total assets as of December 31, 2021, stood at ¥604,799 million (US\$5,259 million), an increase of ¥23,595 million from the end of the previous fiscal period. This was mainly due to increases of ¥6,495 million in inventories, ¥11,251 million in receivables and ¥5,398 million in deferred tax assets.

Total liabilities were ¥332,167 million (US\$2,888 million), a decrease of ¥6,969 million from the end of the previous fiscal period. This was mainly due to increases of ¥5,807 million in short-term bank loans and ¥9,017 million in payables, and a decrease of ¥24,754 million in long-term debt (including the current portion).

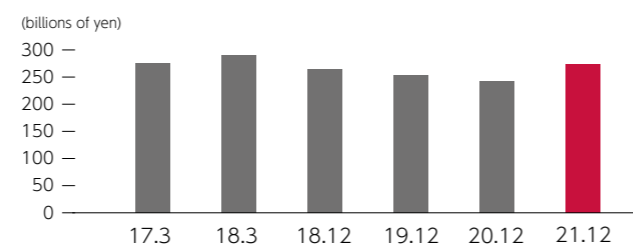
Equity totaled ¥272,632 million (US\$2,370 million), an increase of ¥30,564 million from the end of the previous fiscal period. This was mainly due to increases of ¥19,823 million in retained earnings and ¥7,172 million in foreign currency translation adjustments.

As a result of the above, the consolidated shareholders' equity ratio increased 3.4 percentage points to 42.8%.

Total Assets



Equity



Fund Procurement

In the fiscal year under review, with consideration for the long-term risks posed by the impact of COVID-19, the Company maintained the same amount of commitment line contracts with major banks, renewing them for ¥30,000 million. The Company also continues to have access to approved funding through overdraft facilities and commercial paper, ensuring necessary levels of liquidity.

Cash Flows

Cash Flows from Operating Activities

Cash provided by operating activities totaled ¥39,828 million (US\$346 million). This was mainly due to income before income taxes of ¥22,896 million and depreciation and amortization of ¥23,165 million.

Cash Flows from Investing Activities

Cash used in investing activities totaled ¥16,767 million (US\$146 million), mainly reflecting ¥20,112 million used for the purchase of property, plant and equipment.

Cash Flows from Financing Activities

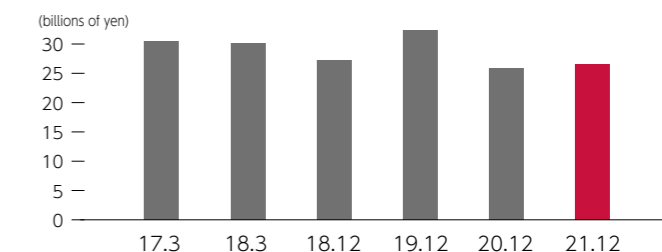
Cash used in financing activities totaled ¥30,819 million (US\$268 million). This was mainly due to a ¥5,280 million increase in short-term bank loans—net, ¥28,149 million for repayment of long-term debt and ¥4,994 million for cash dividends paid.

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled ¥42,596 million (US\$370 million), a decrease of ¥6,103 million from the end of the previous fiscal period.

Capital Expenditures

Based on focused capital investment in long-term growth fields, the Nisshinbo Group is committed to cutting-edge manufacturing equipment and environmental measures, engaging in capital investments to meet growing demands in developing markets. In the fiscal year under review, capital expenditures totaled ¥26,482 million (US\$230 million). In the Wireless and Communications business, ¥4,535 million was invested in Japan Radio Group backbone IT systems as well as solutions and specialized equipment business testing equipment. In the Micro Devices business, ¥2,888 million was invested in New Japan Radio Co., Ltd., mainly for electronic device manufacturing and R&D facilities, while ¥1,348 million was invested in Ricoh Electronic Devices Co., Ltd., mainly for electronic device manufacturing facilities. In the Automobile Brakes business, ¥6,093 million was invested in the TMD Group, mainly for friction material manufacturing facilities, whereas ¥1,005 million was invested in Nisshinbo Automotive Manufacturing Inc., mainly for manufacturing facilities for friction materials complying with copper content regulations. In the Precision Instruments business, ¥1,996 million was invested in Nanbu Plastics Co., Ltd., mainly for molding product manufacturing facilities, and ¥1,472 million was invested in Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd., mainly for precision machined parts manufacturing facilities.

Capital Expenditures



Medium-Term Management Strategy

The Nisshinbo Group will strive for unity through diversity in Group and global management and contribute to the realization of a sustainable society through the embodiment of our corporate philosophy "Change and Challenge! For the creation of the future of Earth and People." Nisshinbo will proactively engage in the provision of products and systems that contribute to global environmental preservation and alternative energy as an *Environment and Energy Company* group, while steadily promoting business portfolio transformation with the awareness that "the quality of a company is the sum of its people, not the business itself." Furthermore, Nisshinbo will increase its focus on "experiences" and "services," backed by its strengths in manufacturing "things," transforming the company into a business that provides solutions for new social issues through DX with the aim of realizing a super-smart society.

In addition to expanding the mobility field, which is the Nisshinbo Group's mainstay business, we concentrate the allocation of management resources on strategic business areas also including Infrastructure & Safety and Life & Healthcare and expand business across the Group by integrating technologies such as wireless and communications, electronic devices and chemicals. In automobile-related products, we are leading global markets due to the development and sales promotion of copper-reduced and copper-free friction materials and will accelerate the commercialization of carbon separators and other fuel cell vehicle components. Furthermore, we provide devices and develop sensors that are key for autonomous driving technologies, while building communication networks linking automobiles with traffic infrastructure and developing radar, sensors and other devices needed for autonomous ship operation, satellite communications, and control systems for aircraft and drones. Nisshinbo provides safe and secure social infrastructure as a solution to climate change. In the medical field as well, we promote Group-wide efforts focused on wireless, communications and electronic device technologies. Furthermore, we are making efforts to create service businesses that utilize data gathered from the systems and platforms Nisshinbo develops. Focused on sustainability and governance as we aim for carbon neutrality, Nisshinbo will launch TCFD initiatives while flexibly and proactively responding to the paradigm shift brought about by COVID-19. Through such business activities, the Nisshinbo Group is targeting ROE of 12% in 2025.

Selection of Accounting Standards

The Nisshinbo Group currently uses Japanese accounting standards. However, given that the Company's basic management policy is to develop its business globally, overseas operations will likely account for a growing share of consolidated earnings. Thus, we are considering voluntarily adopting International Financial Reporting Standards (IFRS), a common set of global accounting standards. At present, no final decision has yet been made regarding timing and other factors related to the voluntary adoption of these standards.

Consolidated Balance Sheet

December 31, 2021 and 2020

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|------------------|------------------|----------------------------------|
| ASSETS | 2021 | 2020 | 2021 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | ¥ 42,596 | ¥ 48,699 | \$ 370,400 |
| Time deposits | 2,344 | 1,848 | 20,383 |
| Receivables: | | | |
| Trade notes | 17,556 | 18,133 | 152,661 |
| Trade accounts | 104,277 | 96,456 | 906,757 |
| Unconsolidated subsidiaries and affiliates | 675 | 807 | 5,870 |
| Other | 7,357 | 3,120 | 63,974 |
| Allowance for doubtful receivables | (720) | (622) | (6,261) |
| Inventories | 122,841 | 116,346 | 1,068,183 |
| Other current assets | 7,227 | 7,472 | 62,842 |
| Total current assets | 304,153 | 292,259 | 2,644,809 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Land | 34,364 | 34,297 | 298,817 |
| Buildings and structures | 162,797 | 159,642 | 1,415,627 |
| Machinery, equipment and tools | 359,175 | 347,962 | 3,123,261 |
| Construction in progress | 6,708 | 6,803 | 58,330 |
| Other | 13,989 | 11,906 | 121,643 |
| Total | 577,033 | 560,610 | 5,017,678 |
| Accumulated depreciation | (404,284) | (391,685) | (3,515,513) |
| Net property, plant, and equipment | 172,749 | 168,925 | 1,502,165 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities | 52,631 | 55,612 | 457,661 |
| Investments in and advances to unconsolidated subsidiaries and affiliates | 31,709 | 31,647 | 275,730 |
| Deferred tax assets | 9,984 | 4,586 | 86,817 |
| Goodwill | 3,304 | 4,595 | 28,730 |
| Other | 30,269 | 23,580 | 263,210 |
| Total investments and other assets | 127,897 | 120,020 | 1,112,148 |
| TOTAL | ¥ 604,799 | ¥ 581,204 | \$ 5,259,122 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|--|-----------------|-----------------|----------------------------------|
| LIABILITIES AND EQUITY | 2021 | 2020 | 2021 |
| CURRENT LIABILITIES: | | | |
| Short-term bank loans | ¥ 41,054 | ¥ 35,247 | \$ 356,991 |
| Commercial paper | 30,000 | 30,000 | 260,870 |
| Current portion of long-term debt | 6,356 | 27,991 | 55,270 |
| Payables: | | | |
| Trade notes | 23,255 | 21,080 | 202,217 |
| Trade accounts | 42,631 | 37,348 | 370,704 |
| Unconsolidated subsidiaries and affiliates | 13 | 79 | 113 |
| Other | 11,926 | 10,301 | 103,704 |
| Accrued expenses | 17,491 | 14,773 | 152,096 |
| Accrued income taxes | 3,432 | 6,316 | 29,843 |
| Other current liabilities | 24,233 | 19,717 | 210,722 |
| Total current liabilities | 200,391 | 202,852 | 1,742,530 |
| LONG-TERM LIABILITIES | | | |
| Long-term debt | 53,972 | 57,091 | 469,322 |
| Liability for retirement benefits | 51,984 | 52,804 | 452,035 |
| Deferred tax liabilities | 11,001 | 12,136 | 95,661 |
| Other long-term liabilities | 14,819 | 14,253 | 128,861 |
| Total long-term liabilities | 131,776 | 136,284 | 1,145,879 |
| Total liabilities | 332,167 | 339,136 | 2,888,409 |
| EQUITY: | | | |
| Shareholders' equity: | | | |
| Common stock—authorized, 371,755,000 shares; issued, 179,042,894 shares in 2021 and 178,978,479 shares in 2020 | 27,699 | 27,669 | 240,861 |
| Capital surplus | 19,882 | 20,450 | 172,887 |
| Retained earnings | 193,921 | 174,098 | 1,686,270 |
| Treasury stock—at cost, 12,552,280 shares in 2021 and 12,549,457 shares in 2020 | (15,953) | (15,950) | (138,722) |
| Total shareholders' equity | 225,549 | 206,267 | 1,961,296 |
| Accumulated other comprehensive income: | | | |
| Net unrealized gain (loss) on available-for-sale securities | 25,813 | 25,782 | 224,461 |
| Deferred gain (loss) on derivatives under hedge accounting | 5 | (2) | 44 |
| Foreign currency translation adjustments | 6,014 | (1,158) | 52,294 |
| Postretirement liability adjustments | 1,680 | (2,017) | 14,609 |
| Total | 33,512 | 22,605 | 291,408 |
| Stock acquisition rights | 125 | 151 | 1,087 |
| Noncontrolling interests | 13,446 | 13,045 | 116,922 |
| Total equity | 272,632 | 242,068 | 2,370,713 |
| TOTAL | ¥604,799 | ¥581,204 | \$5,259,122 |

Note: The translations of Japanese yen amounts into U.S. dollar (\$) amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥115 to \$1, the approximate rate of exchange at December 31, 2021.

Consolidated Statement of Profit or Loss

Years Ended December 31, 2021 and 2020

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|---|-----------------|-----------------|----------------------------------|
| | 2021 | 2020 | 2021 |
| NET SALES | ¥510,643 | ¥457,051 | \$4,440,374 |
| COST OF SALES | 395,161 | 365,434 | 3,436,183 |
| Gross profit | 115,482 | 91,617 | 1,004,191 |
| SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES | 93,693 | 90,369 | 814,721 |
| Operating income | 21,789 | 1,248 | 189,470 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividend income | 1,649 | 1,931 | 14,339 |
| Interest expense | (1,144) | (1,138) | (9,948) |
| Gain on sales of property, plant, and equipment | 1,105 | 1,315 | 9,609 |
| Equity in earnings of an unconsolidated subsidiaries and affiliates | 2,674 | 2,574 | 23,252 |
| Loss on impairment of long-lived assets | (1,619) | (3,837) | (14,078) |
| Gain on sales of securities | 2,418 | 19,211 | 21,026 |
| Business structure improvement expenses | (4,617) | (909) | (40,148) |
| Other—net | 641 | (365) | 5,574 |
| Other income (expenses)—net | 1,107 | 18,782 | 9,626 |
| INCOME BEFORE INCOME TAXES | 22,896 | 20,030 | 199,096 |
| INCOME TAXES: | | | |
| Current | 4,273 | 7,962 | 37,157 |
| Deferred | (7,565) | (593) | (65,783) |
| Total income taxes | (3,292) | 7,369 | (28,626) |
| NET INCOME | 26,188 | 12,661 | 227,722 |
| NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 1,371 | (880) | 11,922 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY | ¥ 24,817 | ¥ 13,541 | \$ 215,800 |
| | | Yen | U.S. Dollars |
| PER SHARE OF COMMON STOCK: | | | |
| Net income | ¥149.08 | ¥81.38 | \$1.30 |
| Cash dividends | 30 | 30 | 0.26 |

Consolidated Statement of Comprehensive Income (Loss)

Years Ended December 31, 2021 and 2020

| | Millions of Yen | | Thousands of U.S. Dollars (Note) |
|--|-----------------|-----------------|----------------------------------|
| | 2021 | 2020 | 2021 |
| NET INCOME | ¥26,188 | ¥12,661 | \$227,722 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | | |
| Net unrealized gain (loss) on available-for-sale securities | 31 | (13,787) | 270 |
| Deferred gain on derivatives under hedge accounting | 7 | 22 | 61 |
| Foreign currency translation adjustments | 6,893 | (5,004) | 59,939 |
| Postretirement liability adjustments | 3,772 | 927 | 32,800 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | 1,224 | 13 | 10,643 |
| Total other comprehensive income (loss) | 11,927 | (17,829) | 103,713 |
| COMPREHENSIVE INCOME (LOSS) | ¥38,115 | ¥(5,168) | \$331,435 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | |
| Owners of the Company | ¥35,723 | ¥(4,296) | \$310,635 |
| Noncontrolling interests | 2,392 | (872) | 20,800 |

Consolidated Statement of Cash Flows

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 | Thousands of U.S. Dollars (Note) |
|---|----------|-----------------|----------------------------------|
| | | Millions of Yen | |
| OPERATING ACTIVITIES: | | | 2021 |
| Income before income taxes | ¥22,896 | ¥20,030 | \$199,096 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Income taxes—paid | (10,998) | (4,413) | (95,635) |
| Depreciation and amortization | 23,165 | 22,125 | 201,435 |
| Amortization of goodwill | 1,334 | 1,832 | 11,600 |
| Equity in losses (earnings) of unconsolidated subsidiaries and affiliates | (2,674) | (2,574) | (23,252) |
| Provision for (reversal of) doubtful receivables | 178 | 9 | 1,548 |
| Interest and dividends income | 3,725 | 3,692 | 32,391 |
| Provision for business structure improvement | 2,922 | 446 | 25,409 |
| Provision for contingent loss | — | (331) | — |
| Provision for product warranties | — | (296) | — |
| Increase (decrease) in liabilities for retirement benefits | (1,189) | (321) | (10,339) |
| Loss (gain) on sale of property, plant, and equipment, net | (775) | (682) | (6,739) |
| Loss on impairment of long-lived assets | 1,619 | 3,837 | 14,078 |
| Loss (gain) on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates, net | (2,418) | (19,207) | (21,026) |
| Loss on write-down of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates | 36 | 308 | 313 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in receivables | (9,536) | 14,483 | (82,923) |
| Decrease (increase) in inventories | (5,432) | 5,499 | (47,235) |
| Increase (decrease) in payables | 7,387 | (3,114) | 64,235 |
| Other—net | 9,588 | 1,267 | 83,374 |
| Total adjustments | 16,932 | 22,560 | 147,234 |
| Net cash provided by (used in) operating activities | 39,828 | 42,590 | 346,330 |
| INVESTING ACTIVITIES: | | | |
| Proceeds from sale of property, plant, and equipment | 1,852 | 2,265 | 16,104 |
| Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates | 5,596 | 22,304 | 48,661 |
| Purchase of property, plant, and equipment | (20,112) | (24,601) | (174,887) |
| Purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates | (118) | (36) | (1,026) |
| Decrease (increase) in time deposits—net | (284) | (1,726) | (2,469) |
| Purchase of investments in subsidiaries with changes in consolidation scope | — | (1,329) | — |
| Other—net | (3,701) | (3,198) | (32,183) |
| Net cash provided by (used in) investing activities | (16,767) | (6,321) | (145,800) |
| FORWARD | ¥23,061 | ¥36,269 | \$200,530 |
| FINANCING ACTIVITIES: | | | |
| Proceeds from long-term debt | 2,698 | 36,519 | 23,461 |
| Repayment of long-term debt | (28,149) | (41,468) | (244,774) |
| Increase (decrease) in short-term bank loans—net | 5,280 | (11,210) | 45,913 |
| Cash dividends paid | (4,994) | (4,992) | (43,426) |
| Purchase of treasury stock | (3) | (4) | (26) |
| Increase (decrease) in other long-term liabilities | (730) | (531) | (6,348) |
| Other—net | (4,921) | (2,544) | (42,791) |
| Net cash provided by (used in) financing activities | (30,819) | (24,230) | (267,991) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 1,655 | (608) | 14,391 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (6,103) | 11,431 | (53,070) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 48,699 | 37,268 | 423,470 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥42,596 | ¥48,699 | \$370,400 |

Segment Information

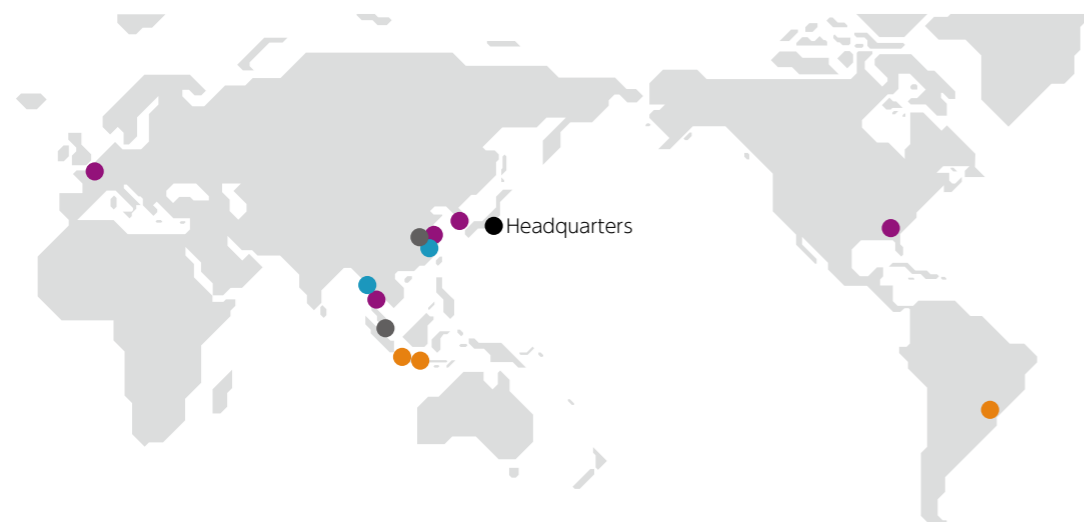
Years Ended December 31, 2021 and 2020

| | Millions of Yen | | | | | | | | | |
|--|-----------------------------|---------------|-------------------|-----------------------|-----------|----------|-------------|------------------|------------------------|--------------|
| | Wireless and Communications | Micro Devices | Automobile Brakes | Precision Instruments | Chemicals | Textiles | Real Estate | Other Businesses | Eliminations/Corporate | Consolidated |
| 2021 | | | | | | | | | | |
| Sales: | | | | | | | | | | |
| Sales to external customers | ¥155,085 | ¥77,374 | ¥138,295 | ¥55,769 | ¥11,083 | ¥34,479 | ¥15,584 | ¥22,974 | ¥— | ¥510,643 |
| Intersegment sales or transfers | 946 | 1,089 | 25 | 565 | 160 | 23 | 1,383 | 1,867 | (6,058) | — |
| Total | ¥156,031 | ¥78,463 | ¥138,320 | ¥56,334 | ¥11,243 | ¥34,502 | ¥16,967 | ¥24,841 | ¥(6,058) | ¥510,643 |
| Segment profit (loss) | ¥7,815 | ¥4,292 | ¥3,558 | ¥716 | ¥2,054 | ¥(1,023) | ¥9,389 | ¥133 | ¥(5,145) | ¥21,789 |
| Segment assets | 175,886 | 75,312 | 148,709 | 71,824 | 11,311 | 38,099 | 37,582 | 32,757 | 13,319 | 604,799 |
| Other: | | | | | | | | | | |
| Depreciation and amortization | 3,935 | 3,966 | 7,726 | 4,417 | 330 | 1,361 | 915 | 226 | 289 | 23,165 |
| Increase in property, plant, and equipment and intangible assets | 4,701 | 4,236 | 9,879 | 4,511 | 1,378 | 562 | 1,783 | 85 | (653) | 26,482 |

| | Millions of Yen | | | | | | | | | |
|--|-----------------------------|---------------|-------------------|-----------------------|-----------|----------|-------------|------------------|------------------------|--------------|
| | Wireless and Communications | Micro Devices | Automobile Brakes | Precision Instruments | Chemicals | Textiles | Real Estate | Other Businesses | Eliminations/Corporate | Consolidated |
| 2020 | | | | | | | | | | |
| Sales: | | | | | | | | | | |
| Sales to external customers | ¥144,312 | ¥61,141 | ¥114,827 | ¥51,419 | ¥9,577 | ¥33,957 | ¥20,279 | ¥21,539 | ¥— | ¥457,051 |
| Intersegment sales or transfers | 398 | 876 | 20 | 421 | 181 | 17 | 1,399 | 2,571 | (5,883) | — |
| Total | ¥144,710 | ¥62,017 | ¥114,847 | ¥51,840 | ¥9,758 | ¥33,974 | ¥21,678 | ¥24,110 | ¥(5,883) | ¥457,051 |
| Segment profit (loss) | ¥2,575 | ¥(3,895) | ¥(2,289) | ¥(948) | ¥1,811 | ¥(813) | ¥11,512 | ¥248 | ¥(6,953) | ¥1,248 |
| Segment assets | 170,435 | 74,114 | 131,964 | 70,057 | 10,433 | 42,569 | 40,984 | 30,422 | 10,226 | 581,204 |
| Other: | | | | | | | | | | |
| Depreciation and amortization | 3,736 | 4,316 | 6,744 | 4,059 | 214 | 1,439 | 914 | 225 | 478 | 22,125 |
| Increase in property, plant, and equipment and intangible assets | 7,167 | 4,819 | 7,684 | 3,870 | 108 | 1,070 | 398 | 7 | 747 | 25,870 |

| | Thousands of U.S. Dollars (Note) | | | | | | | | | |
|--|----------------------------------|---------------|-------------------|-----------------------|-----------|-----------|-------------|------------------|------------------------|--------------|
| | Wireless and Communications | Micro Devices | Automobile Brakes | Precision Instruments | Chemicals | Textiles | Real Estate | Other Businesses | Eliminations/Corporate | Consolidated |
| 2021 | | | | | | | | | | |
| Sales: | | | | | | | | | | |
| Sales to external customers | \$1,348,565 | \$672,817 | \$1,202,566 | \$484,948 | \$96,374 | \$299,817 | \$135,513 | \$199,774 | \$— | \$4,440,374 |
| Intersegment sales or transfers | 8,226 | 9,470 | 217 | 4,913 | 1,391 | 200 | 12,026 | 16,235 | (52,678) | — |
| Total | \$1,356,791 | \$682,287 | \$1,202,783 | \$489,861 | \$97,765 | \$300,017 | \$147,539 | \$216,009 | \$(52,678) | \$4,440,374 |
| Segment profit (loss) | \$67,957 | \$37,322 | \$30,939 | \$6,226 | \$17,861 | \$(8,896) | \$81,643 | \$1,157 | \$(44,739) | \$189,470 |
| Segment assets | 1,529,443 | 654,887 | 1,293,122 | 624,557 | 98,357 | 331,296 | 326,800 | 284,843 | 115,817 | 5,259,122 |
| Other: | | | | | | | | | | |
| Depreciation and amortization | 34,217 | 34,487 | 67,183 | 38,409 | 2,870 | 11,835 | 7,956 | 1,965 | 2,513 | 201,435 |
| Increase in property, plant, and equipment and intangible assets | 40,878 | 36,835 | 85,904 | 39,226 | 11,983 | 4,887 | 15,504 | 739 | (5,678) | 230,278 |

Key Companies in the Nisshinbo Group



| Company | Location | Main Products and Services |
|--|-------------|--|
| Wireless and Communications | | |
| Japan Radio Co., Ltd. | Japan | Disaster prevention systems, mobile communications equipment |
| JRC Mobility Inc. | Japan | Automotive radars, ultrasound sensors |
| Micro Devices | | |
| Nisshinbo Micro Devices Inc. | Japan | Electronic devices, microwave products |
| Automobile Brakes | | |
| Nisshinbo Brake Inc. | Japan | Automobile brake friction materials |
| TMD Friction Group S.A. | Europe | Automobile brake friction materials |
| Saeron Automotive Corporation | South Korea | Automobile brake friction materials |
| Nisshinbo Automotive Manufacturing Inc. | USA | Automobile brake friction materials |
| Nisshinbo Somboon Automotive Co., Ltd. | Thailand | Automobile brake friction materials |
| Nisshinbo Saeron Changshu Automotive Co., Ltd. | China | Automobile brake friction materials |
| Precision Instruments | | |
| Nisshinbo Mechatronics Inc. | Japan | Molding products, automotive precision parts |
| Nanbu Plastics Co., Ltd. | Japan | Molding products |
| Nisshinbo Precision Instrument & Machinery Hiroshima Corporation | Japan | Automotive precision parts |
| Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd. | China | Automotive precision parts |
| Nisshinbo Mechatronics (Thailand) Ltd. | Thailand | Molding products |
| Continental Automotive Corporation | Japan | Automotive precision parts |
| Chemicals | | |
| Nisshinbo Chemical Inc. | Japan | Urethane products, high-performance chemical products |
| Textiles | | |
| Nisshinbo Textile Inc. | Japan | Shirt fabric, developed materials |
| NISSHINTOA IWAO INC. | Japan | Textile products |
| TOKYO SHIRTS CO., LTD. | Japan | Shirts |
| Nisshinbo Do Brasil Industria Textil Ltda. | Brazil | Textile spinning |
| PT. Nikawa Textile Industry | Indonesia | Textile spinning and weaving |
| PT. Nisshinbo Indonesia | Indonesia | Textile weaving and dyeing |
| Real Estate | | |
| Nisshinbo Urban Development Co., Ltd. | Japan | Real estate operations |
| Other | | |
| Nisshinbo Singapore Pte. Ltd. | Singapore | Group company support |
| Nisshinbo Business Management (Shanghai) Co., Ltd. | China | Group company support |

Major External Assessments

(As of June 1, 2022)

ESG Index

MSCI ESG RATINGS



THE USE BY NISSHINBO HOLDINGS INC. OF ANY MSCI ESG RESEARCH L.L.C. OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF NISSHINBO HOLDINGS INC. BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED "AS-IS" AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

FTSE Russell (trading name of FTSE International Limited and Frank Russell Company) certifies that Nisshinbo Holdings, Inc., has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index based on the results of a third-party survey and has become a constituent of this index. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.

MSCI Japan ESG Select Leaders Index

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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MSCI Japan Empowering Women (WIN) Index

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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S&P/JPX Carbon Efficient Index

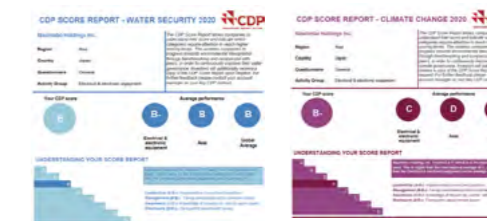


SOMPO Sustainability Index



External Assessments of ESG Activities

CDP Water Security 2021 Evaluation CDP Climate Change 2021 Assessment



Selected as a "Company Taking on the Zero-Emission Challenge" by the Ministry of Economy, Trade and Industry (METI)



Selected as a 2022 Certified Health & Productivity Management Outstanding Organization



Selected as a "Kurumin" Certified Child-Rearing Support Company

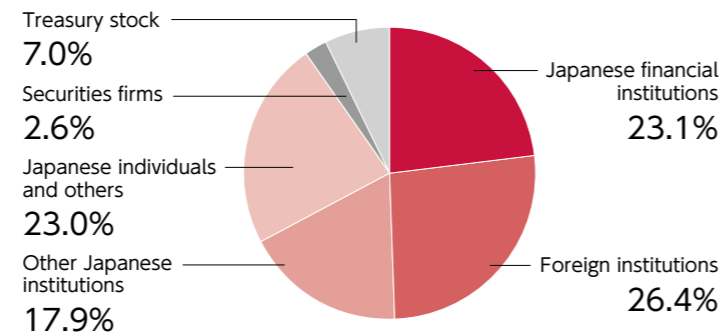


Corporate Data

(As of December 31, 2021)

| | |
|--|----------------------------------|
| Founded | February 5, 1907 |
| Common Stock | 27,698 million (US\$240 million) |
| Employees | |
| Parent Company | 219 |
| Subsidiaries | 20,893 |
| Total | 21,112 |
| Head Office | |
| 2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo 103-8650, Japan | |
| Shareholders | 37,979 |

Composition of Shareholders



Basic Stock Information

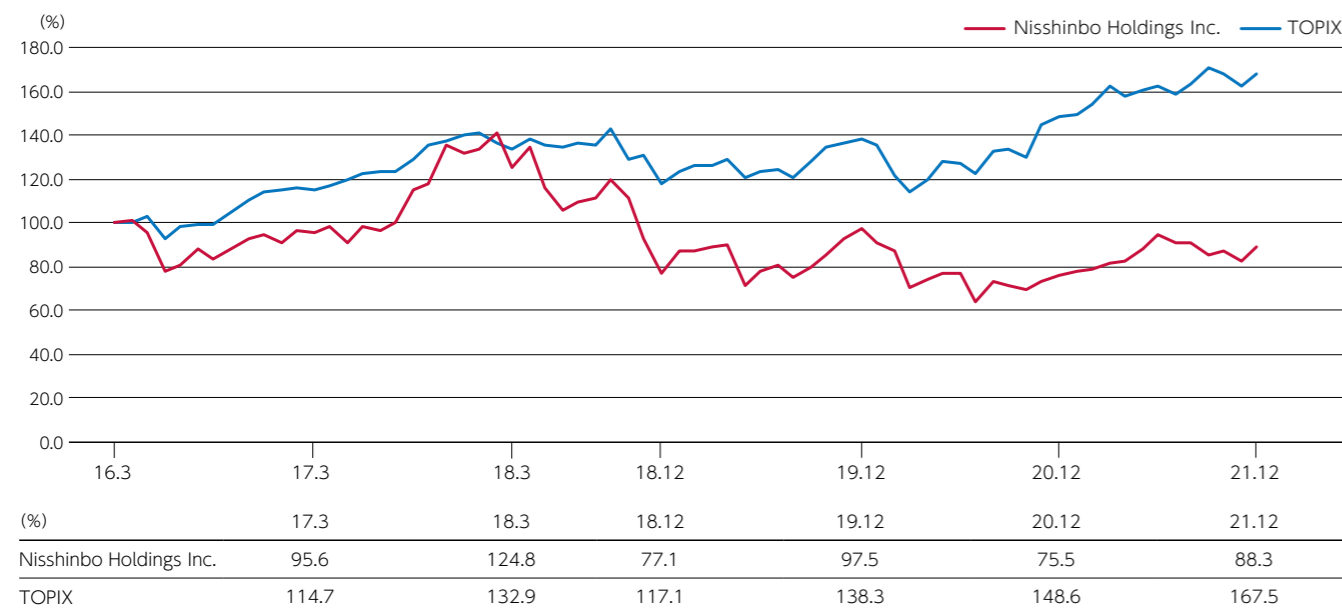
| | |
|---------------------------------------|--|
| Sector | Electrical equipment |
| Stock code | 3105 |
| Number of shares per trading unit | 100 shares |
| Business year | January 1 to December 31 |
| Shareholder record date for dividends | December 31 (June 30 for interim dividend) |
| Total shares authorized | 371,755,000 shares |
| Total shares issued | 179,042,894 shares (As of December 31, 2021) |
| Treasury stock | 12,552,280 shares (As of December 31, 2021) |
| Transfer agent | Mitsubishi UFJ Trust and Banking Corporation: 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan |

Major Shareholders

(As of December 31, 2021)

| Shareholder name | Number of shares held (thousand shares) | Shareholding ratio (%) |
|--|---|------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 18,032 | 10.83 |
| Fukoku Mutual Life Insurance Company | 9,000 | 5.41 |
| Teijin Limited | 7,370 | 4.43 |
| Custody Bank of Japan, Ltd. (Trust Account) | 6,333 | 3.80 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 4,821 | 2.90 |
| CITY INDEX ELEVENTH CO., LTD. | 4,249 | 2.55 |
| Shikoku Chemicals Corporation | 2,600 | 1.56 |
| THE BANK OF NEW YORK MELLON 140044 | 2,553 | 1.53 |
| Japan Wool Textile Co., Ltd. | 2,282 | 1.37 |
| DFA INTL SMALL CAP VALUE PORTFOLIO | 2,239 | 1.34 |

Total Shareholder Return (5-Year Period)



Note: Share price index trends including dividends (March 31, 2016 = 100)

Integrated Report 2022 Publication

Thank you for reading the Nisshinbo Group Integrated Report 2022.

This Integrated Report explains how the Group will achieve sustainable growth from multiple perspectives, including the potential for market growth in three strategic business areas and value co-creation initiatives. Regarding ESG, the report includes a dialogue between an outside director and the president of Nisshinbo Micro Devices Inc., our human resource strategy and a report based on TCFD recommendations, constituting a substantial amount of content in relatively few pages.

In creating this report, we solicited feedback on Integrated Report 2021 from institutional investors and incorporated their opinions from the initial planning stages, shared information with departments responsible for report creation and senior management to ensure the report reflects the voice of the market, and collaborated with the relevant departments to improve report content as described above. I attest that the editing process and published content are appropriate and honest.

My hope is that this report aids in understanding the Nisshinbo Group's medium- to long-term value creation capabilities.

Masahiro Murakami
President and Representative Director
Nisshinbo Holdings Inc.

Guidelines Used to Prepare the Report

"International Integrated Reporting Framework," Value Reporting Foundation (VRF)
"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation," Ministry of Economy, Trade and Industry (METI)
"Sustainability Reporting Standards," Global Reporting Initiative (GRI)



Corporate Website Guidance

Investor Information

- Financial results
- Securities Report
- Presentation materials
- Integrated Report/Annual Report
- Corporate Governance Report, etc.



Sustainability

- Environment
- Social
- Governance

