

A NEW SOURCE OF STRENGTH
FOR THE ECONOMY OF JAPAN AND BEYOND

In Partnership with Management



2021
NSSK
ESG Report

Nippon Sangyo Suishin Kiko Ltd.

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Nippon Sangyo Suishin Kiko Ltd.

2021 NSSK ESG Report

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2020 PEI Private Equity Firm of the Year

Nippon Sangyo Suishin Kiko (NSSK) was chosen by Private Equity International (PEI) as the Private Equity Firm of the Year in Japan in 2020. The annual PEI awards "showcase the firms that have, in the eyes of their peers, set the benchmark during the year." It is a tremendous honor for us to receive such recognition, which NSSK also received in 2017 and 2018, in addition to the Operational Excellence Award in 2019/2020. NSSK will continue to strive to deliver superior financial and ESG outcomes.

Thank You!

With much appreciation to all of our Partners,
Friends, Families and Supporters.



———— In loving memory of Sam who shared our vision ————



NSSK's Commitment to ESG

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Jun Tsusaka

Chief Executive Officer,
CIO and Chairman of the ESG Committee

Dear Partners and Friends,

When we formed NSSK, we established a Mission to “build a best-in-class investment firm that will generate superior outcomes while contributing to the Environment, Society and Governance of Japan and beyond.” In addition to our global top quartile performance to date, we have made great strides in our efforts to promote ESG principles within and outside of NSSK. This Annual Review will highlight our various activities and showcase some of the amazing outcomes that the NSSK team (led by our management and employee partners) has achieved.

Our Outcomes as of February 2020 of Fund II Portfolio Companies

- We have increased the number of jobs by **12%**
- **40%** of our CEOs/COOs are Women or Minority
- **78%** of our total employee base of over 5,000 are Women
- **49%** of the managerial positions are held by Women

➔ Please see pages 31 - 33 for the details behind the data

NSSK Commitment to Diversity and Inclusion

We chose to have a differentiated focus on Diversity and Inclusion at NSSK. As you may know, Japan does not fare well in most gender gap indexes. For example, according to World Economic Forum Data which looks at economic, educational, health and political disparities between the sexes, Japan is ranked at number 121. We have work to do with respect to narrowing this gender gap in Japan and that is why NSSK has decided to dedicate itself to improving diversity and inclusion. What we are most excited about is that our data, limited as it may be, suggests a correlation between strong fund performance and greater diversity and inclusion! *

* Please see the following article for more background www.nssk-japan.com

Our ESG Committee, Chief Philosophy Officer and ESG Audit Officer

So NSSK has made it its Mission to make a difference and start in our corner of the world. Our ESG Committee is comprised of members from all parts of the Firm and represents almost a quarter of our organization. Each member has specific responsibilities and performance accountability. We have learned from gender equality pioneers like Kathy Matsui that actions must start at the top.* The CEO of NSSK will always bear the title of Chairman of the ESG Committee and proudly so. In addition, we have created the ever important position of Chief Philosophy Officer (read about this exciting role and the CPO's contributions on Page 28) and have tasked one of our Operating Leaders (a former CFO of Pfizer Japan) to be a full time ESG and Compliance Audit Officer. Our commitment to ESG does not end here.

* Kathy Matsui (Publication)
"Goldman Sachs-style human resource development for female workers" (in Japanese)

Our Regional Impact Fund Initiative

We were one of the first firms in our industry to successfully launch an Impact Fund through our Regional Impact Fund Platform (see page 15). In 2017, we successfully closed the Chubu-Hokuriku Vitalization Fund, dedicated to creating social impact in central Japan focusing on 8 prefectures and executing an investment strategy designed to create positive social outcomes (increase in employment, gender diversity, local community commitment among others). In 2021, we are proud to have launched four new vehicles which enable us to bring our ESG initiatives to all of Japan. This is possible thanks to the support of the government, local governments and regional financial institutions and stakeholders.

In Closing

This is just the beginning. It is almost unthinkable how quickly ESG and SDGs have practically become household terms. When my nephew received his Masters in Sustainability from the United Nations University in 2015, many people asked what that even was. Today, the recognition of the importance of ESG and SDG initiatives is unquestionable. Now we need to figure out better processes to achieve these goals in our own ways. Good things come when there is a big common goal. And this is a daunting task where outcomes are created only through the daily, steadfast commitment to these objectives. Please take the time to flip through our Annual Review and celebrate the exciting work and contributions that the NSSK team has made over this last year. And join us in this global mission. Warmest regards and wishing all of you the best of health, safety and happiness,

NSSK MISSION

Our MISSION is to build a BEST-IN-CLASS investment firm that will generate SUPERIOR OUTCOMES and contribute to the Environment, Society and Governance of Japan and beyond.

ESG POLICY

NSSK believes that implementing an Environmental, Social and Governance (“ESG”) policy is socially responsible and is designed to improve the returns in our investment portfolio. Since the establishment of NSSK, we have embedded the following principles in our investment process:

1. Consider ESG issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Seek to engage with relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which we invest for long-term sustainability; work with portfolio companies through representation on their boards or other governance structures, with the goal of improving performance and minimizing adverse impacts in ESG areas.
4. Seek to provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement policies that align the interests of owners and management.
5. Comply with applicable labor laws in all respects, including those on wages, workplace safety, equal employment opportunities and rights of employees to join unions and collective bargaining, in the countries where we invest.
6. Maintain strict policies that prohibit bribery and other improper payments in order to gain commercial advantage.
7. Respect the human rights of those affected by our investment activities and seek to confirm that our investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to our limited partners on our commitment to ESG matters.
9. Seek ESG disclosure from our portfolio companies, and encourage our portfolio companies, service providers and industry peers to advance ESG principles.

NSSK is a PRI signatory

NSSK is a signatory to the United Nations-supported Principles for Responsible Investment (“PRI”), to express our commitment towards incorporating Environmental, Social and Governance (“ESG”) principles in our business activities.

Signatory of:



(Appendix: <https://www.unpri.org/pri>)

NSSK is a signatory to the “Operating Principles for Impact Management”

NSSK is a signatory to the “Operating Principles for Impact Management”, a global market standard for impact investing developed by the International Finance Corporation (“IFC”).



* IFC: An institution of the World Bank Group, established in 1956. Founded in 1956, it is one of the world's largest international financial institutions specializing in private sector development in developing countries. It works with the private sector in about 100 countries to help eradicate extreme poverty and promote shared prosperity.

Components of NSSK's Approach to ESG

Regarding ESG, NSSK executes responsible investment based on awareness of the importance of offering fair opportunities, diversity, employment creation, best governance practice and health/welfare while protecting the environment.



- Putting ESG front and center of what we do
- Driving ESG relevant portfolio construction
- Integrating our mission to promote responsible investing
- Conducting training and coaching led by our Chief Corporate Philosophy Officer (NSSK Philosophy Program)

**“We believe that injecting ‘heartware’
in addition to software and hardware
into our businesses, is core to successful outcomes.
It is about investing in our people.”**



Jun Tsusaka
CEO

Japan's Economic Environment and NSSK's Purpose

Managers of small and medium-sized companies face numerous challenges, including business succession, human resource shortages, and the need to respond to changes in the market environment. While business is becoming increasingly concentrated in the Kanto region, the overall Japanese economy is in greater need of revitalization. With the globalization of businesses and the digitization trends, industry must also revise its conventional structures. In an effort to contribute to resolving these important issues, NSSK leverages knowledge and expertise acquired by its members while working for leading global companies. We undertake investment and management support in attractive Japan-based companies with high growth potential, boosting corporate and share value, and contributing to economic development both in Japan and globally, with an emphasis on ESG. ESG is at the center of NSSK's business activities, forming the basis of our investment processes and driving enhanced returns.

Business Activities

	Overview	ESG Initiatives
Fund raising	<ul style="list-style-type: none"> Composition of funds procured from government agencies, global corporate pension plans, major financial institutions, regional banks, etc. 	<ul style="list-style-type: none"> Briefings on key initiatives and action guidelines around ESG Active promotion of ESG principles through conference participation
Pre-investment	<ul style="list-style-type: none"> Undertaking investment and concrete management support in attractive Japan-based companies with high growth potential, to contribute to regional economic development in Japan 	<ul style="list-style-type: none"> Execution of ESG due diligence including Third Party DD Assessment of ESG issues Investment committee deliberation Identification of risks and improvement measures
Post-investment	<ul style="list-style-type: none"> Operational improvement support based on our unique expertise (NSSK Value-Up Program = NVP) Investment return through dividends, share offerings, share transfer to strategic investors, etc. 	<ul style="list-style-type: none"> Introduction of an ESG framework Setting of KPIs for each investment target Continuous monitoring Measurement and evaluation of results Quarterly reporting Compliance and ESG auditing

NSSK Value-Up Program NVP



NSSK's Approach to Management Support

NSSK offers its unique NSSK Value-Up Program (NVP) to businesses for management support. NVP is deployed by excellent companies worldwide, providing expertise for management improvement, human resource development, and financial optimization, organized according to the circumstances of businesses in Japan. It is implemented by NVP support teams comprised of our highly specialized personnel. Furthermore, we offer opportunities to leverage the management instruction of experts with global management experience and extensive networks in North America, Europe and Asia. We thus aim to support or help create more globally competitive Japan-based companies, while striving to strengthen the management foundations of our portfolio companies.



NSSK's ESG Initiatives in Action

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NSSK's Fund Platform

The funds contribute to the development of the local economy in Japan by investing in companies with high growth potential and providing them with management support.

Nippon Sangyo Suishin Kiko I

Nippon Sangyo Suishin Kiko I Investment Limited Partnership was formed in 2015. The partnership is intended to be a long-term shareholder in the companies that it invests in. This allows NSSK and the management teams of the portfolio companies to focus on sustainable long-term value creation. NSSK, through the NSSK Value-Up Program (NVP) provides critical business process improvement measures, balance sheet and cost structure optimization and the addition of management talent. As a result, the businesses are experiencing solid sales growth and earnings improvement, in addition to increases in the numbers of their employees.

NSSK Fund II and its successor funds

NSSK Fund II was formed in 2016. The fund invested mainly in Japan-based attractive small to medium-sized companies with high-growth potential that can contribute to the development and the revitalization of the local economy in Japan. With a focus on investing in "good" companies and transforming them into "great" companies, NSSK seeks to generate superior outcomes through its differentiated investment sourcing, highly disciplined pricing approach and implementation of its NSSK Value-Up Program (NVP).

Regional Impact Funds

As part of its ESG activities, NSSK's Regional Impact Fund Platform has been active since 2016, with the Chubu/Hokuriku Vitalization Investment L.P. as the first impact fund, in order to bring NSSK's investing and value up platform in a way that contributes to domestic regional communities. With a focus on business succession and attractive small and medium-sized companies with high growth potential in the local area, the Regional Impact Funds aim to contribute to the development of the local economy and society by providing growth capital for operational improvement, reinforcing and development of human capital and supporting business and sales development both in Japan and overseas. This will result in the creation of employment opportunities as well as the improvement of corporate and shareholder value together in partnership with local financial institutions. In addition to the Chubu/Hokuriku Vitalization Investment L.P., NSSK Group has expanded its Regional Impact Fund initiatives to include the Kanto/East Japan, Kinki/West Japan and nationwide areas. As a result, the NSSK Group operates 5 impact funds focusing on regional vitalization in Japan.

"NSSK enjoys a unique nationwide footprint and presence."



Aki Ishida
Partner



For details of portfolio companies, please refer to our website
<https://www.nssk-japan.com/en/portfolio/>

Regional Impact Funds

The Impact Funds are designed to execute NSSK's SDG commitments with the aim of producing benefits for society.

Regional Impact Fund Overview

In addition to our core funds, NSSK manages impact funds that invest and provide concrete management support in attractive Japan-based companies with high growth potential, to contribute to regional economic development in Japan. NSSK's Regional Impact Funds execute initiatives based on the 17 Sustainable Development Goals (SDGs), aiming to produce benefits for society through our portfolio companies.

Social Benefit through Impact Investment and Funds

Impact Investment

Social Benefit

&

Financial Return

Impact investment refers to investment activities that deliver positive and measurable social and environmental results while providing solid financial returns. NSSK executes such investment through its Regional Impact Funds, aiming to produce both social and economic value.

Social Benefit

In operating the Regional Impact Funds, key targets have been set for the following eight Sustainable Development Goals (SDGs), in an effort to produce social benefit.



“We are dedicated to job creation and creating attractive career paths for all.”



Joe Matsunaga
President, Regional Impact Funds

Selected SDGs and Impact Investment

SDG Targets	Social Benefits	NSSK's Initiatives
	Support for Small and Medium-sized Companies	<ul style="list-style-type: none"> Regional Impact Funds targeting small and medium-sized companies with investments of up to one billion yen Globally-competent management improvement tools deployed by leading companies worldwide (NSSK Value-Up Program = NVP), targeting small and medium-sized companies and leveraging NSSK's expertise, resources, and network
	Employment Creation	<ul style="list-style-type: none"> We consider employee numbers as one KPI, striving to create employment while increasing revenue Promoting creation of work-friendly environments and reducing staff turnover through revision of personnel systems, including introduction of performance-linked remuneration and incentive plans
	Human Resource Education	<ul style="list-style-type: none"> Supporting creation of work environments that are rewarding for employees and provision of necessary professional training - NSSK Philosophy Program (NPP) (see pages 27-28) - Building and strengthening education and training systems
	Digitalization	<ul style="list-style-type: none"> Understanding and applying industry-leading technology and expertise - Strengthening digital marketing - Advancement of data-based management decision-making (use of cloud and other systems)
	Environment	<ul style="list-style-type: none"> Our ESG, Diversity and Inclusion Committee leads pre-investment analysis of ESG issues, and support for post-investment strengthening of ESG - Including creation of products developed with awareness of issues such as food waste reduction, power and water conservation, paperless operation, and environmental protection
	Advancement of Women	<ul style="list-style-type: none"> We also actively promote advancement of female employees - Providing education on creation of work-friendly environments (including anti-harassment training) - Active promotion of women into management at investment targets
	Compliance Reinforcement	<ul style="list-style-type: none"> Support for strengthening of compliance systems, which are lacking in many small and medium-sized companies - Introduction of personnel for internal management positions - Implementation of accounting audits, strengthening internal controls, thorough labor management systems, creation of systems to exclude antisocial forces * All 100% executed
	Healthcare Sector	<ul style="list-style-type: none"> We consider employee numbers as one KPI, striving to create employment while increasing revenue Promoting creation of work-friendly environments and reducing staff turnover through revision of personnel systems, including introduction of performance-linked remuneration and incentive plans

“We believe that greater diversity and inclusion is correlated with superior investment returns.”



Kaz Tokuyama
Partner



Vati Co., Ltd.

Business Description

Vati contributes to communities through its extensive network of nursing home services

Vati, established in 2002, operates an elderly care business which manages nursing homes, elderly housing, and daycare services throughout Japan's Kanto and Chubu regions. As of September 2020, it is the 9th largest player in the industry in terms of number of facilities.



Providing high quality nursing care services at affordable prices from the standpoint of facility users



ESG Initiatives

- Vati's facilities play an essential role as regional infrastructure for the elderly, while also contributing to communities through job creation
- The company provides serviced housing for the elderly at the lowest price in the industry, taking individual pension income into account in order to reduce the economic pressure on residents
- Vati actively employs women, appointing them to key roles. Presently, over 70% of employees are women, and women account for over 60% of management
- The company has established a Compliance Promotion Division, which conducts regular internal audits and compliance education for all employees

Ratio of women in management
48% ▶ 65%



Niwakyu Co., Ltd.

Business Description

With a 130-year history, Niwakyu manufactures environmentally and people-friendly cleaning and food products

Niwakyu is a household cleaning products manufacturer, founded in 1880 and based in Ena, Gifu Prefecture. Its main product lines are natural household cleaners based on four natural ingredients. It also manufactures and sells Kesco, a natural deodorizer and cooking seasoning, including natural rock salt.



The "Smart Cleaner" series (top row), natural cleaning agents that do not contain surfactants or other chemicals, and the "Disinfectant Soaking Solution for Masks" and "Disinfectant Soaking Solution for Water Bottles/Bottles" (bottom row)

ESG Initiatives

- The company is certified under EcoAction 21, an environmental management system devised by Japan's Ministry of the Environment. Its facilities are also certified for HACCP, meeting the food hygiene management standards stipulated by the Gifu prefectural authorities. It also eliminated the inclusion of plastic accessories, such as spoons
- The company strives to create a work-friendly environment, with measures such as two full days off a week and progression from part-time to full-time employment

Ratio of Environmentally Friendly Product About 60%





EdulinX Corporation

Business Description

Providing innovative education solutions for human resource development and those in need through edtech

EdulinX makes extensive use of advanced educational technology (edtech) to provide comprehensive education solutions for human resource development at all levels. The company is committed to reshaping learning by applying personalization, video on demand, gamification and immersion technology, as well as intuitive and interactive learning experiences, to transform the way people learn.



EdulinX products and services have been introduced at over 1,200 corporations and educational facilities in Japan and worldwide.

ESG Initiatives

- EdulinX employs people of diverse nationalities, and internal communications are written in both English and Japanese to cater to this
- The company has established a work environment where all employees can fully exercise their talents, through the introduction of systems such as remote working and flexi-time for those raising children
- EdulinX has acquired ISO 27001 certification and strives to boost implementation of internal governance in areas of privacy and data security
- CEO is a foreign national
- Incorporate AI to dramatically improve productivity



Hotel Castle Inn Group

Business Description

A hotel chain in Mie Prefecture that caters to business and leisure travelers

Hotel Castle Inn Group operates a chain of hotels in Ise, Suzuka and Yokkaichi cities, Mie Prefecture, where there is strong demand for hotels that cater to business and leisure travelers. The company executes its social responsibilities in line with stakeholder expectations, creating good relationships with hotel guests, trading partners, employees, and the local community.



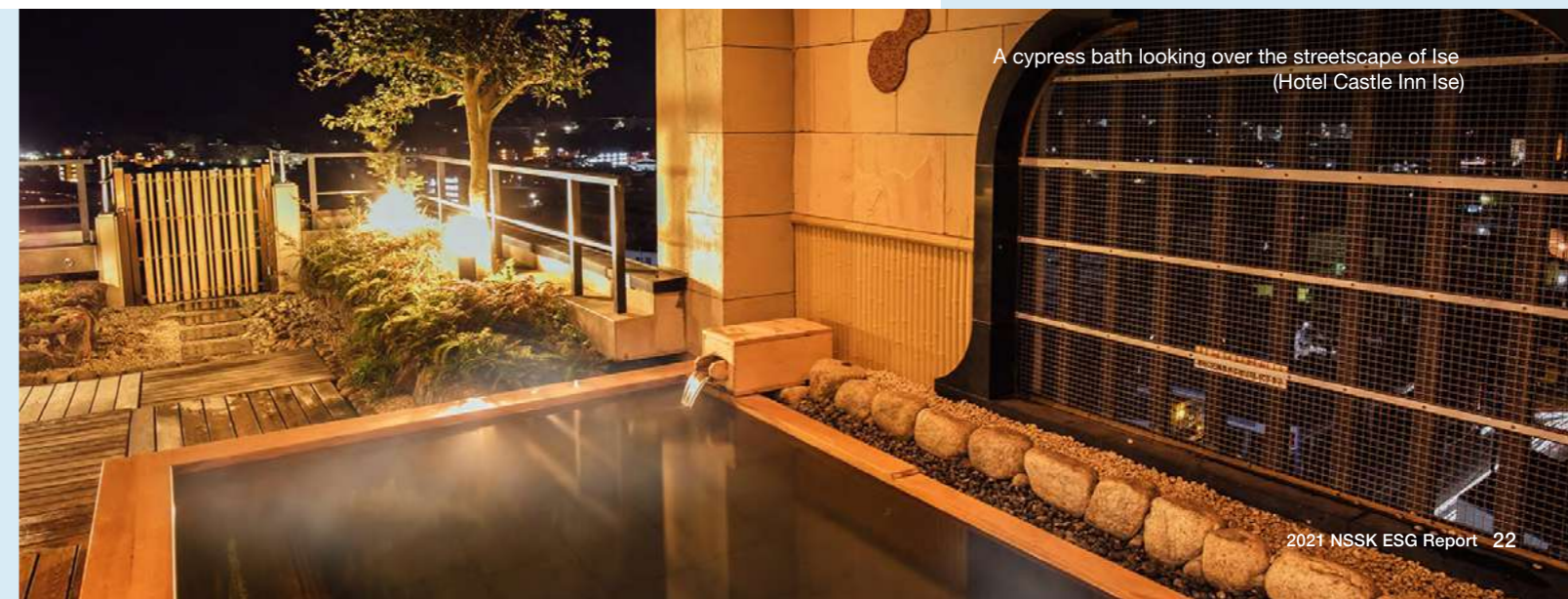
An amenity bar (photograph on left) that was installed at the front desk to cut plastic wastage and LED lighting (photograph on right) that was introduced to reduce energy costs

ESG Initiatives

- Through installation of LED lighting and amenity bars to cut plastic wastage, the company strives to reduce its environmental burden
- The company has successfully reduced staff turnover through expansion of locally focused employment, the introduction of a staff award system, and improvements to employee-management communication
- It has revised internal regulations and established policies for handling personal data in an effort to strengthen governance
- The company has also increased customer satisfaction through measures including investment in renovations, enhancement of product plans, and boosting guest reviews on travel reservation websites

Staff turnover **43% decrease**

Employees (including part-timers) **12% increase**



A cypress bath looking over the streetscape of Ise (Hotel Castle Inn Ise)



The Link Between ESG and Value Creation at NISSK

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NSSK strives to actively support local communities by implementing various measures for regional vitalization.

NSSK undertakes a variety of activities that lead to regional vitalization, in order to fulfill its responsibility as a member of the local community. A range of those activities are introduced below.

Supporting Earthquake Recovery in Tohoku

Sokan, with plants in Tochigi and Iwate Prefectures, manufactures and distributes healthy ingredient-based snacks such as wakame seaweed, pickled and processed plums, dried fruits and dried sweet potatoes. In May 2016, the Company opened a new factory in Otsuchi-Cho, Iwate Prefecture, an area severely damaged by the 2011 Great East Japan Earthquake. In August 2012, it began sales of a special wakame product, donating 10% of proceeds from sales to a wakame agriculture recovery project, thus contributing to the revival of local industry and to job creation.



Sokan Co., Ltd.

Contributing to the Regional Economy through Management Support

Ise Sea Paradise operates an integrated leisure facility that includes souvenir stores, restaurants and an aquarium, in a highway service area near to Meotoiwa, a key tourist attraction in Mie Prefecture. Recently, the company renovated the aquarium and other facilities, and bolstered operations by renewing relationships with travel agencies and offering tour packages. It also introduced an overall facility concept and content tailored to tourist tastes, to contribute to the local economy.



Ise Meotoiwa Sea Paradise Co., Ltd.

Enhancing Regional Infrastructure to Meet the High Demand for Elderly Nursing and Healthcare

Welfare Suzuran operates seven residential style nursing homes, three group homes for persons with disabilities and one group home for persons with cognitive disorders in and around Nagoya, offering high quality service at an affordable price. The company is working to strengthen its business foundation, through introduction of business management techniques, and support to boost revenue and enhance internal control systems, whereby it can fulfill its role as regional infrastructure to meet the high demand for nursing and healthcare for elderly people.



Welfare Suzuran Co., Ltd.

Protecting the Environment – Beach Clean Up

Clean up activities in one's local community is an important aspect of protecting the environment and being good members of society. Whether it be the weekend Shibuya cleanup or regularly participating in the cleanup of our coastlines, every bit helps. The entire NSSK team will be participating in a beach clean up as part of our annual off site in order to support our local community and for everyone at NSSK to learn about the environmental effects of trash on our beaches.



Nippon Sangyo Suishin Kiko Ltd.

Establishing New Businesses to Boost Local Client Satisfaction

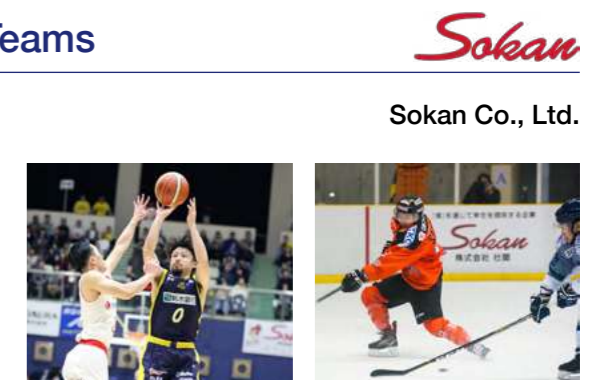
U.S. Mart, operator of indoor playground facilities (Kid's US. LAND) in shopping centers, is building new partnerships with toy and game companies and event organizers to further boost satisfaction for its local customers. The company is also working to establish new businesses, expanding its target beyond just children, to include housewives and the elderly.



U.S.Mart Corporation

Support for Local Professional Sports Teams

Sokan supports professional sports teams in Tochigi Prefecture with the aim of regional vitalization. Currently, Sokan is an official sponsor for locally active teams Utsunomiya Brex (basketball), H.C. Tochigi Nikko Icebucks (ice hockey) and Utsunomiya Blitzen (road cycling).



Sokan Co., Ltd.

Contributing to local communities through cleaning activities and blood donation

ELSONIC has deployed THANK YOU MART outlets throughout Japan and offers all of its products, including character products, miscellaneous items and clothing, at 390 yen. To contribute to local communities, workers engage in waste cleaning as volunteer work in nearby areas. ELSONIC also conducted blood donation activities at the head office in collaboration with the Japanese Red Cross Society. Going forward, ELSONIC will continue to proactively engage in activities to contribute to local communities.



ELSONIC Co., Ltd.

“Happy” Employees

NSSK supports the education of employees and human resource development based on its NSSK Philosophy Program (NPP).

NSSK Philosophy Program Ideals

NSSK has established its NSSK Philosophy Program (NPP) as an approach to support the education of employees and human resource development. One ideal of NPP is to do what is right in life. All employees connected to NSSK are encouraged to follow this life philosophy, which we believe leads to the happiness of all employees and prosperity for the company.

NSSK Philosophy Program Details

The NPP was developed based on six elements by, among others, Yoshihito Ohta, Chief Corporate Philosophy Officer (CPO) of NSSK, who supported Kyocera Corp. founder Kazuo Inamori for over 30 years. It describes the importance of corporate philosophy and how to form and promulgate it and supports the establishment of independent corporate philosophies at portfolio companies.



NSSK Philosophy Program Aims

NSSK’s Approach

Project Team Formation
NPP Project Teams are formed through the invitation of next-generation leaders from among management-level employees, transcending division and job category.

Program Introduction
Based on his experience at NSSK group portfolio companies, Kyocera and JAL, CPO Yoshihito Ohta expounds the importance of corporate philosophy to each and every employee at portfolio companies.

Establishing or Restructuring Independent Corporate Philosophy
Based on NPP, all project team members play a central role in establishing or restructuring corporate philosophy that all employees can agree with.

Promulgation of Corporate Philosophy to All Employees
We conduct education on the corporate philosophy until it becomes second nature to all employees.



An NPP lecture given by CPO Yoshihito Ohta (US.Mart Corporation)



An NPP lecture given by CPO Yoshihito Ohta (Hotel Castle Inn Group)

Chief Corporate Philosophy Officer Comment

Aiming for Management with All-Member Participation

It goes without saying that a business is ultimately just a gathering of people: people are its most valuable asset. There is no doubt that work is extremely important for employees to earn a living and for their self-realization.

Consequently, it is beneficial for employees, and for management, to create a workplace environment that provides job satisfaction to the majority of employees. But many companies are unable to create such an environment, and consequently, fail to increase productivity or improve their results: essentially, employees are unable to exercise their full capabilities. Because a business is a social entity, in such cases, it is a social loss.

NPP is a program based upon specific cases such as the restructuring of JAL. It teaches the approach and methods for management to communicate with employees in order to facilitate enthusiastic engagement in work. I believe that if management sincerely implements NPP, it can significantly contribute to management reform.



Yoshihito Ohta
Executive Advisor
Chief Corporate Philosophy Officer

- Former Chairman of Kyocera Communication Systems Co., Ltd.
- Engaged in corporate restructuring as Aide to the Chairman and Senior Managing Executive Officer at Japan Airlines Co., Ltd. (JAL)
- Supported Mr. Kazuo Inamori for many years as General Manager of Secretary’s Office and served as Director and Managing Executive Officer of Kyocera Corporation.

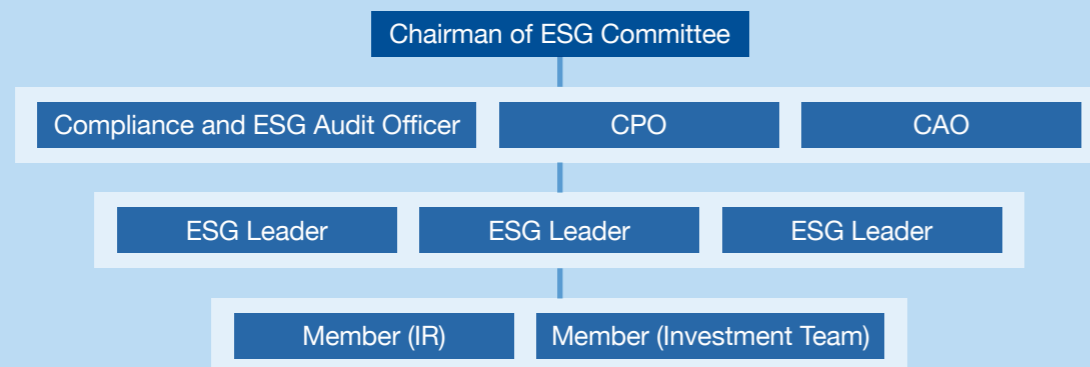
Establishment of ESG, Diversity and Inclusion Committee

NSSK has established the ESG, Diversity and Inclusion Committee as an organization to promote ESG. The committee establishes key ESG-related policies and conducts ongoing reviews of issues. In addition, it shares ESG information in-house, monitors handling of issues, continuously updates the ESG checklist used at portfolio companies, and regularly updates stakeholders about ESG initiatives.



ESG, Diversity and Inclusion Committee Structure

The ESG, Diversity and Inclusion Committee is comprised of nine members, including CEO Jun Tsusaka, the Chairman, together with members from various divisions (Investment, IR and Business Support Teams), together with the Chief Corporate Philosophy Officer and the Compliance and ESG Audit Officer. This Committee deliberates ESG issues at NSSK, portfolio companies and prospective investment targets. Takaharu Itoh, who has extensive experience as CFO in global businesses, is the Compliance and ESG Audit Officer, overseeing ESG-related activities at NSSK.



Details of Specific Activities

- Once a month, the ESG Committee deliberates ESG strategy for NSSK and its portfolio companies, as well as initiatives for ESG promotion
- Auditing of investment target businesses by the ESG Officer
- ESG training for management and employees at portfolio companies
- Arrangement of disclosure documentation for signatories

NSSK ESG Committee Members



Jun Tsusaka

CEO
Chairman of ESG Committee



Takaharu Itoh

Compliance and
ESG Audit Officer



Yoshihito Ohta

Executive Advisor
Chief Corporate Philosophy
Officer (CPO)



Shohei Akiyama

Director
Chief Administrative Officer



Kiyomi Matsuda

Finance Director
ESG Leader



Kurama Sato

Associate & Manager
ESG Leader



Masatoshi Takara

Senior Analyst
ESG Leader



Tsuneo Endo

Senior Executive Officer
Regional Impact Funds
Member (IR/Impact Funds)



Makoto Iwami

Director
Member (Investment Team)

Compliance and ESG Audit Officer Comments

Nippon Sangyo Suishin Kiko (NSSK) was conscious of the importance of ESG and conducted ongoing in-house ESG study sessions even before demand for ESG reached the current levels. ESG is an essential standard and requirement in the operation of funds entrusted by investors. Such awareness is shared with management at portfolio companies, such that they establish respective SDGs and strive towards their realization. In spite of the current COVID-19 pandemic, the company will commence auditing in May and June. We also expect to conduct the second audit for the year around October.



Takaharu Itoh
Compliance and
ESG Audit Officer



Many female managers are actively involved in our businesses which drives performance.

In order to promote diversity and inclusion and to eliminate gender gaps, NSSK is making efforts to promote opportunities for workers at portfolio companies and establish work environments that promote long-term career development. We are pleased to introduce a number of our outstanding performers and contributors to our ESG mission.

Ms. Makiko Nagata, Deputy Director of ISE Sea Paradise Aquarium



Joined as a contractor and currently a manager responsible for facility operation.

After joining the company as a contractor, I was promoted to a full-time employee and then to a manager. I used to be satisfied by accomplishing the things I wanted to do and improving my skills through my duties at work. Now that I am in a management position, I am thrilled when my efforts contribute to the company, and when young staff members persevere and take on challenges at their own volition. At this workplace, I have never been discriminated against for being a woman. I have been able to actively engage in challenges leading to the happiness of our animals and the customers who visit our aquarium, and I believe that my results have received fair evaluation. In terms of my personal life, I am truly grateful that I can prioritize my family and that the staff on site will cover for me if I have to go home unexpectedly.

I believe that in order for women to advance their careers in our industry, it's critical to have a work environment where we can work long-term. In terms of gender-related reasons why women can't continue work long-term, marriage and childbirth both play a role. In my case, I was able to keep working thanks to the support of my family and my husband's parents. In addition, the company's flexibility in creating an accommodating working environment is also a major factor. If I could ask the company for one thing, it would be to make the work environment attractive not just for women, but for men as well. Right now, my husband and I split household and child rearing responsibilities in half. I feel that my husband's company doesn't yet seem to understand that men also have duties as fathers. In our company, there are many male employees who are raising children. If there is company support not only for women but also for men to be able to contribute to housework and child rearing, I think it would lead to an environment that makes it easier for women to advance in society and continue working long-term.

Diversity and Inclusion

NSSK has made progress in diversity and inclusion initiatives, already achieving excellent results.

In its investment activities, NSSK focuses especially upon diversity and inclusion, among all of the aspects of ESG. The gender gap is currently a major issue in Japan. There are many tasks to tackle to address this. NSSK considers diversity and inclusion improvement among its missions. Its actively promotes advancement of female employees at investment targets, with numerous achievements to date.

12%
Employee increase ratio

40%
Ratio of women/minorities of CEO/COO at investment target businesses

78%
Ratio of women among employees (5,300)

49%
Ratio of women in management

*As of February 2020 of Fund II portfolio companies

Diversity and Inclusion

Ms. Marie Sugimoto, Manager of the Division of Product Planning Design, ELSONIC Co., Ltd.,

Leading the company's product design team with a strong sense of job satisfaction.

I work as manager of a design team for original products planned and developed at our company. Products move quickly from planning to commercialization at our company and I enjoy always being able to take the lead in making new proposals. Our team has many young members, and the lively in-house communication is a daily stimulus for me. This, as well as the rich responses received from customers, gives me job satisfaction. While many efforts are being made to make workplaces easier to work in, I hope to contribute to promoting diversity at our company by focusing on gender disparities, childcare leave-taking and return to work rates, and encouraging improvements in these.

Ms. Naomi Kondo, Director of the Operations & Finance Division, EdulinX Corporation

Contributing to corporate performance improvement by fulfilling one's responsibilities as well as promoting development and growth of subordinates.

Regardless of one's gender, it is imperative that we fulfill our responsibilities. I will continue to engage in the improvement of our business and also provide opportunities for education and growth of my subordinates so they can make outstanding contributions to the company with a sense of responsibility. At EdulinX, we value work-life balance in which it is easy to take time off, and an environment that encourages everyone to express their own opinions. Conversely, the recent pandemic conditions have meant that there have been reduced opportunities for collaboration amongst our employees, and occasionally creating some misunderstandings. I think that establishing a workplace environment that fosters collaboration even in such conditions enables all workers, including women, to be able to perform their job function duties with peace of mind.

Ms. Miho Obo, Chief of the Division of Administration, Castle Inn Hotel & Resort

Taking on general affairs and accounting for the entire Group, and working hard on projects that promote the company Credo.

I am involved in accounting and general affairs at the head office of the Hotel Group. I feel a strong sense of responsibility as I am in a position that oversees the entire group, but it is very rewarding to play a role in coordinating with each hotel. I was appointed as a member of the project to launch the company Credo (mindset and action guidelines that all employees should keep in mind) and I'm also working hard to promote the Credo within the Group. It is a work environment where I can express my opinions freely and without hesitation, and there is flexibility in accommodating my daughter's school events, for which I am very grateful. Looking forward, I hope for a system where each employee will be able to further demonstrate their abilities and be rewarded for their efforts.

NSSK Group Overview

The Link Between ESG and Value Creation at NSSK
NSSK Group Overview

Name	Nippon Sangyo Suishin Kiko Group
Established	September 3, 2014
Representative	Jun Tsusaka
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