



**Let's Grow a Sustainable Future**

**2022**

Nikke Group Integrated Report 2022

**NIKKE**  
Group



# ***Let's Grow a Sustainable Future***

At Nikke Group, under our philosophy of being a corporate group that is gentle and warm toward people and the planet, we have contributed to the realization of a sustainable society by responding flexibly to the changing business environment of the times and by taking on new business challenges with passion and pride.

It has been 126 years since Nikke's inception as a woolen manufacturer in 1896. Today, in addition to four business fields, we are aggressively implementing business strategies that foster new drivers of growth. Moving forward, we will continue to utilize management resources created by current business to earnestly and steadily conduct business that creates social value, thus achieving sustainable management in a way unique to Nikke Group.

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**Editorial policy:** In addition to financial information including business results and strategy, this report is edited with the intention of informing shareholders, investors, and other stakeholders of Nikke Group's non-financial information such as ESG topics.

**Period covered:** FY2021 (December 1, 2020 to November 30, 2021)

**Organizations covered:** Nikke Group initiatives and the activities of each group company

Scope of environmental reporting:	<ul style="list-style-type: none"><li>• Nikke mills: 2 locations (Innami Mill, Gifu Mill) • Offices: 6 locations</li><li>• Domestic group companies: 8 companies (Ambic Co., Ltd.; Gosen Co., Ltd.; Kanaya Knit Co., Ltd.; Bisyuu Wool Co., Ltd.; Taisei Keori Co., Ltd.; Tsukineko Co., Ltd.; Nikke-Okoshi Dyeing Co., Ltd.; Hokuren Co., Ltd.);</li><li>• Shopping centers: 2 locations (Nikke Parktown, Nikke Colton Plaza)</li></ul>
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**Note:** Figures may differ from the data reported in the previous fiscal year, as data prior to the reporting year has been reviewed and revised in accordance with the companies covered in this report. Furthermore, figures may differ from those reported in the previous fiscal year due to rounding off.

**Disclaimer:** This report contains forward-looking statements on Nikke and Nikke Group. Such forward-looking statements are based on information available at the time and may differ from the results of our future business activities.

# A spirit of tireless challenge is the foundation of Nikke Group's sustainable management

With growing interest in the SDGs and their 2030 achievement target, the public expects companies to contribute to creating a better world for all through sustainable management. Nikke Group has ever since its establishment earnestly and prudently continued to take on challenges and innovate, while always valuing its tradition. This unwavering spirit is alive in our corporate philosophy: Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet. It is also the bedrock of Nikke Group's sustainable management, which is aimed at being a company that creates future lifestyles toward a better future for society.

Let's look at the results of Nikke Group's sustainable management for the fiscal year ended November 2021.

## 4 focal points of the fiscal year ended November 2021

- 1 Completed first year of RN130 Vision second medium-term management plan → **Good progress made**
- 2 Took corporate governance initiatives → **Improvements made**
- 3 Strengthened business foundation through portfolio reforms → **New business emerging**
- 4 Built value creation story → **Studied and identified materiality**

With an eye to 2026, its 130th year in business, Nikke Group has formulated its medium- to long-term RN130 (Renewal Nikke 130) Vision as a guideline towards the corporate group we want to become. In the first year (fiscal year ended November 2021) of the second medium-term management plan, we were able to exceed the previous fiscal year's figures for sales and profit. (See p.13)



**First year of RN130 Vision second medium-term management plan**  
**Net income attributable to owners of parent: 8,308 million yen (207.7% of target)**

	1st year (fiscal year ended November 2021)		Final year (fiscal year ending November 2023)
	Medium-term plan	Results	Medium-term plan
Sales	107,000 million yen	106,619 million yen	127,000 million yen
Operating income	8,600 million yen	9,900 million yen	11,500 million yen
Net income attributable to owners of parent	4,000 million yen	8,308 million yen	7,800 million yen
ROE	—	8.4%	8.0% or more

Strengthening corporate governance is a crucial part of managing companies today. Nikke Group has so far reformed its corporate governance by making the Chairman of the Board of Directors a director with no right of representation, shortening the term of director to one year, establishing an Advisory Board, and abolishing the retirement allowance system for directors. Also, we are improving the transparency of management through the introduction of an executive officer system that speeds up management implementation and streamlines the Board of Directors, and the appointment of independent external directors (at least one-third of the Board of Directors), which strengthens the board's supervisory functions. (See pp.39–44)

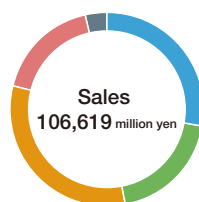


**Ratio of external officers: 41.7% (5/12)**  
**Ratio of female officers: 8.3% (1/12)**

One of Nikke Group's strengths is its ability to build robust business foundations by staying one step ahead of current trends and flexibly reviewing its portfolio. Since our beginning as a woolen manufacturer solely focused on textiles, more than 120 years later our aim is to build a stable business foundation with a four-segment system. Furthermore, as we move forward we intend to proactively cultivate new seedlings of growth in the medical-related field. (See pp.19–29)



**Cultivating new business in the medical-related field**



■ Textile & Clothing Materials	: 29,872 million yen (28.0%)
■ Industrial Machinery & Materials	: 20,390 million yen (19.1%)
■ Human & Future Development	: 34,059 million yen (31.9%)
■ Consumer Goods & Services	: 18,685 million yen (17.5%)
■ Others (e.g., medical)	: 3,612 million yen (3.4%)

Companies know that they must waste no time in putting climate change and other environmental issues at the top of their list of management tasks. They also must engage with stakeholders such as shareholders, investors, and business partners and tackle a wide range of social issues such as human rights and labor-related matters. Nikke Group has identified materiality (key issues) by re-evaluating social issues that it can get involved in through its business. We have identified four materiality action items—improve health and comfort, improve safety and security, protect the environment, and strengthen our business foundation—through which we are building a value creation story to realize our corporate philosophy. (See pp.15–18)



**4 materiality action items**

1. Improve health and comfort
2. Improve safety and security
3. Protect the environment
4. Strengthen business foundation





*Yutaka Nagaoka*

Nikke Group Representative Director  
The Japan Wool Textile Co., Ltd.  
President and Chief Executive Officer

**Yutaka Nagaoka**

# Our corporate philosophy—to be a corporate group that is gentle and warm toward people and the planet—is our guiding principle for the sustainable business management that will lead to greater corporate value.

My name is Yutaka Nagaoka. It was my honor to be appointed President and Chief Executive Officer in February 2022. I would like to take this opportunity to write a few words to our shareholders, investors, and other stakeholders.

“Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet.” This is the corporate philosophy to which we aspire. It is the Group’s spiritual foundation: a concept born of our origins as a textiles business and reaffirmed through the identification of all businesses as our core business. Recent years have brought an increased focus on initiatives for ESG and the SDGs, and we believe that this philosophy perfectly applies to sustainable business management.






## Assessment and analysis of results for the fiscal year ended November 2021

The highlight of the fiscal year ended November 2021 was the achievement of our highest-ever net profit and ROE exceeding 8%. Despite headwinds due to the COVID-19 pandemic, we believe we are making good progress in building a resilient corporate group through a continuing review of our business portfolio and creative innovation in each business. We have had to exit, shrink, or let go of some businesses for which we cannot see a future, while aggressively engaging in capital investment in other businesses. We also decided to rebuild the Tokyo office building as part of our efforts to redevelop the facilities we hold.

The issue, however, is those businesses in which profitability has slumped due to the COVID-19 pandemic. We cannot expect lifestyles to revert to how they were before COVID-19, even in the future. The key to success will be how we can recover and grow through and after

## Highlights of the Fiscal Year Ended November 2021

Year-on-year increases in revenue and operating income, a record-high net income attributable to owners of parent, and ROE exceeding 8%

		Year-on-year
Sales	106.6 billion yen	1.6% 
Operating income	9.90 billion yen	9.4% 
Ordinary income	9.78 billion yen	▲22.7% 
Net income attributable to owners of parent	8.30 billion yen	16.7% 
ROE	8.4%	+0.7% 

the pandemic. Responding to Japan's shrinking and aging population with fewer children is another challenge that we must face. Not even 10% of our sales come from overseas. The Group has a robust domestic revenue base in its Textile & Clothing Materials business and Human & Future Development business, but capturing future trends to expand our overseas business will be a challenge for us. We plan to focus on recruiting and developing human resources to respond to this challenge.

We have been asked whether the Group is valued at a conglomerate discount, but I think that our results for the fiscal year ended November 2021 aptly answer this question. Sustainable business management has become a hot topic in recent times. Companies aiming for perpetuity must change to adapt to changes in the environment. Nikke Group has flexibly transformed itself to suit its changing environment. We aim to achieve resource synergies (sales, production, investment, and management synergies) across businesses that appear at first sight to have little in common.

## How is the 2nd Medium-term Management Plan progressing in its second year?

We have established four key strategies under the 2nd Medium-term Management Plan: (i) prioritize allocation of resources to growth businesses, new businesses, and streamlining, (ii) expand overseas business, (iii) improve capital efficiency, and (iv) create synergy through reorganization within business divisions.

### 1 Prioritize allocation of resources to growth businesses, new businesses, and streamlining

First, in the Textile & Clothing Materials business, we aim to maximize domestic profits and maximize overseas growth. Japan's current trend towards declining and aging population with a lower birthrate is expected to persist, while overseas apparel markets continue to grow. We are working to strengthen our revenue base in Japan, and use this as a foundation to grow our overseas businesses. Recently, however, the progress of overseas businesses has been delayed by restrictions on movement due to

## Four key strategies under the 2nd Medium-term Management Plan

### 1 Prioritize allocation of resources to growth businesses, new businesses, and streamlining

-  **Textile & Clothing Materials:**
  - Foster growth drivers (functional materials, uniforms for the Chinese market, textile sales to overseas markets)
  - Invest in manpower saving and streamlining of manufacturing
-  **Industrial Machinery & Materials:**
  - Further expansion of automotive and environment-related business (especially strengthen business overseas)
  - Strengthen alliance with Fuji Corporation
-  **Human & Future Development:**
  - Further expansion of the lifestyle support field (nursing care, childcare, sports schools, and child-related businesses)
  - Generate revenue without relying on the utilization of unused land in the development and real estate businesses
-  **Consumer Goods & Services:**
  - Expansion of e-commerce business
-  **Medical-related:**
  - Make developed products profitable

### 2 Expand overseas business

- Develop the Chinese market for the school uniform business
- For the Industrial Machinery & Materials business, expand overseas business and collaborate with Fuji Corporation

### 3 Improve capital efficiency

- Redevelopment, re-redevelopment, and divestment of from low-profit real estate
- Thoroughly prioritize businesses and promote withdrawal from or reorganization of unprofitable businesses

### 4 Create synergy through reorganization within business divisions





the COVID-19 pandemic. We aim to engage in the school uniform business in China from a long-term perspective, while monitoring market movements. The market is growing for textile sales to Europe and elsewhere, but we have been unable to begin sales promotions due to factors such as travel restrictions. On the other hand, we are making progress on our initiatives for functional materials, which we have identified as a growth driver. In terms of flame-proof materials, sales of flame-proof clothing using PBI materials\* have been robust, and we are proceeding with a broad range of projects for edge-proof materials, including for industrial applications. We also have a number of highly-anticipated materials and products in the pipeline to suit the trend of the times, such as the development of the energy-saving Breeza® thread as an environmentally-friendly material, and the reassessment of wool as a natural material in the context of our orientation towards sustainability. The future of the school uniform business in Japan is not assured, given the continuing aging population with a declining birthrate. We must engage in these growth businesses and new businesses with an awareness of timing.

\* PBI materials: Fabrics with outstanding flame resistance, durability, and comfort, used in a range of protective clothing such as fire-fighters' suits.

In the Industrial Machinery & Materials business, we are engaged in expanding our efforts in automotive- and

environment-related fields. In environment-related fields, we are expanding and enhancing our manufacturing base for the ADMIREX® high-performance bag filter in China, with production beginning in 2022. We made this capital investment in China specifically because it is a promising market for expanding sales of the Group's high-performance bag filter in the context of tightening environmental regulations. Production has begun smoothly, but our sales promotion activities are not progressing because of movement restrictions due to COVID-19. When the situation settles down, we intend to engage in aggressive sales promotions demonstrating the superiority of the Group's products, and we look forward to the future of this endeavor. In the automotive-related field, materials sales are strong at present, despite the impact of semiconductor shortages on the number of automobiles produced. We do have some concerns, however, about the manufacture of factory automation equipment (FA equipment). This is mainly affected by capital investment in automotive-related industries, demand for which is yet to see a recovery. We are currently awaiting a revival in capital investment associated with enhancing production equipment to meet the recovery in the number of automobiles produced, as well as the rise of new technologies such as those associated with electric vehicles (EVs). This is where we need to be patient. The Group's FA business has gained the trust of customers by working with them through all stages, from design to production, and I think that we can demonstrate this strength, especially in the context of capital investment related to new technologies.

In September 2021, we made Fuji Corporation ("Fuji Corp.") a wholly-owned subsidiary of the Company, and we aim to strengthen our non-woven fabrics business through an even stronger alliance with Ambic Co., Ltd. ("Ambic"). Through these measures, we have already achieved synergies such as improved mill operating rates due to the consolidation of production. After recording net losses for each of the previous three fiscal years, the Fuji Group has recently returned to profit, and I look forward to its future growth. Fuji Corp. has several overseas bases, and I expect it to play an important role in our planned expansion of overseas businesses in the Industrial Machinery & Materials business.

In the Human & Future Development business, we target further expansion in the lifestyle support field and are progressively expanding the scope of the business. In spring 2021, we opened three new nursing care facilities (including two specially designated facilities and one group home) and one licensed nursery school. Profitability is still low, however, due to the burden of up-front investment needed to open these new facilities. We will endeavor to improve profitability while expanding our

bases, working towards stable operations and efficiency improvements at existing facilities, and reviewing the operation of unprofitable facilities. In the SC business, both Nikke Parktown (Kakogawa City) and Nikke Colton Plaza (Ichikawa City) have performed strongly as community-based shopping centers, even in the midst of the COVID-19 pandemic. We undertook a large-scale renovation of Nikke Parktown in 2016, and the benefits of this renovation persist even today, thanks to the support of the local community. I feel that we must continue to enhance the attractiveness of these facilities through continuing renovation.

In the Consumer Goods & Services business, we have been able to expand profits by capturing the expansion of the e-commerce market due to factors such as stay-at-home demand during the COVID-19 pandemic. We expect the e-commerce market to continue to grow, but the barriers to entry are low and we are concerned about increasingly intense competition, in addition to factors such as soaring advertising fees. We aim for further expansion using our unique strengths, including the variety of our product lineup, by implementing measures such as M&A, as well as expanded product offerings and shared sales routes within the Group.

In the medical-related field, a new business field for us, we have engaged in product development utilizing Nikke Group's technologies. Our technologies, such as threads, strings, and non-woven fabrics, can be used in the medical field as well. More than three years have passed since we established a new company and launched full-scale operations in this business, and at last, we have achieved a profit. We have high hopes for this field, including the progress of product development and affinity with the Company's businesses, and we look forward to it becoming our fifth pillar of growth.

## 2 Expand overseas business

We aim to expand our overseas business as a key strategy in the Textile & Clothing Materials and Industrial Machinery & Materials businesses. We regard the Chinese school uniform business and measures such as the promotion of overseas sales of textiles, ADMIREX® high-performance bag filters and Himelon® non-woven fabric as growth drivers in each business.

## 3 Improve capital efficiency

At Nikke Group, we have actively implemented capital investment aimed at reducing inventories and simplifying production processes in the manufacturing field. Item shortages are not acceptable in the uniform business, where complete sets of clothing must be worn by all. Moreover, the business has an extensive value chain, stretching from



raw materials to the finished product. It is therefore vital to maintain a certain level of inventory. The key going forward will be how we can reduce inventory levels through better demand forecasts, more efficient ordering, and simpler production processes. We are also aware of the importance of raising consciousness of the need to circulate cash more swiftly through the cycle from raw materials purchasing to payment collection. In the real estate development business, we are progressively implementing and further considering the redevelopment of existing facilities and idle facilities. We have already decided to rebuild the building owned by the Company in Yaesu, Tokyo, aiming to raise its asset value as an environmentally-friendly building. We also have idle facilities for which the development plan is yet to be confirmed. We intend to consider developments that will be attractive from a long-term perspective.

At the same time, we have pursued the thorough prioritization of businesses, exiting or letting go of inefficient businesses to improve capital efficiency. We have suspended operations in the capsule hotel business, as we see no sign of a recovery during the COVID-19 pandemic. We are also closing and replacing unprofitable stores in the franchise business, as appropriate, and holding back on new investment in depressed businesses while we monitor demand trends.

At Nikke Group, we use ROIC (return on invested capital) as one criterion for investment, with a minimum hurdle rate of 5%, and a target of 8% or higher. I feel that this has allowed the concept of investment efficiency to filter down to the level of employees responsible for business development and day-to-day duties. We will continue to engage in improving capital efficiency as a company-wide effort, including the reduction of cross-shareholdings and the acquisition of treasury shares. In the last fiscal year, we recorded an ROE of 8.4%, achieving our target of 7% or higher. However, this came as the result of posting extraordinary income comprising gains on negative goodwill, leading to our highest ever net profit. I hope to establish a profit structure that will enable us to make this more than just a one-off result, and continually achieve an ROE of 8% or more.

#### 4 Create synergy through reorganization within business divisions

We have engaged in creating synergies, by integrating sports-related companies in the Human & Future Development business, cooperating in non-woven fabric business between Ambic and Fuji Corp. in the Industrial Machinery & Materials business, and establishing e-commerce corporate alliances in the Consumer Goods & Services business, among other measures. Cost reduction effects from reorganization are one part of this, but our main goals are the creation of business synergies, sales growth, and higher customer satisfaction.

Overall, the COVID-19 pandemic has impacted overseas businesses and other businesses that have suffered from the restrictions on movement. We are recording strong results at present, thanks to the diversification of business across the entire Nikke Group, our continuing portfolio review, and creative innovations in each business. At the same time, we cannot expect further growth in the future unless we engage in initiatives to develop growth businesses and new businesses. Given that the present environment is here to stay, the key to success will be how we cultivate the buds of new growth through and after the pandemic.

#### Business portfolio evaluation and M&A strategy

Our focus in the evaluation of business portfolio strategy is, first and foremost, generating reliable profits. To contribute to society and generate sound profits is the first proposition for Nikke Group as a member of society. Capital efficiency is also a key focus for evaluation. When all is said and done, business funds are supplied from the funds of investors and creditors, and it is therefore vital that we

continue to generate profits that meet their expectations. We consider qualitative as well as quantitative aspects in our evaluation. In this context, we focus on points such as whether the business can provide social value in the future, even if it is not currently generating profits, and whether the person responsible for the business is passionate about presenting the business narrative. That being said, we cannot allow ourselves to be carried away by subjective factors. It is crucial that the person in charge of the business can support their narrative with numbers. We are currently incubating several potential business ideas in each business segment, to produce the second and third new businesses that will carry on from our successes in the medical-related field. We have identified M&A as a pillar of our growth strategy, and select potential targets from perspectives such as their affinity with Nikke Group, whether they correspond to our vision, whether they can be expected to generate synergies, and whether they have new customers. We are considering six or seven potential targets at any one time, focusing on downstream integration in the Textile & Clothing Materials business, automotive-related and environmental materials-related targets in the Industrial Machinery & Materials business, life value services-related targets in the Human & Future Development business, and e-commerce product-related targets in the Consumer Goods & Services business. We are considering an increasing number of potential M&As in the Consumer Goods & Services and Industrial Machinery & Materials businesses, in particular.

#### What kind of sustainable business management does Nikke Group aspire to?

Thorough compliance is vital for the perpetual growth of a company, but so are sustainability initiatives. Companies are also members of society. If society does not grow sustainably, then neither can companies. I believe that contributing to the resolution of social issues will bring recognition from stakeholders and lead to the enhancement of corporate value.

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### **What are our focus and our vision?**

Nikke Group's ideal, as presented in the Group Vision, is to "be a company creating future lifestyles." What, then, is meant by a company creating future lifestyles? I have described this as each business and person in Nikke Group aiming for and achieving highly functional products and the best services for communities. I consider it my own responsibility to create environments where each business can forge ahead to be a company creating future lifestyles. I think that the first step must be to establish a section to investigate what needs to be done from now on to develop new businesses for the future. My hope is that we can use tie-ups with universities and venture companies to bring about the establishment of new businesses that will carry on from our efforts in the medical-related field, and aim to be a company that inspires our shareholders, investors, employees, local communities, and other stakeholders with the expectation of growth.

I think that three kinds of investment are necessary for the growth of such a company: Investment in production equipment and infrastructure, investment to expand the customer base, and investment to develop human resources. Of these, I consider human resources especially important. In order to implement these investments, it is first necessary to have the necessary human resources. Our first priority should be to foster the human resources to practice Nikke Group corporate philosophy and sustainable business management.

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### **Focus on corporate governance**

An appropriate governance system to implement the PDCA cycle is vital for the promotion of sustainable business management. Since 2009, three of the Company's eight directors are independent external directors. We ensure that one-third or more of the members of the Board of Directors are external directors so that we can expect advice on management from various perspectives and strengthen the Board's supervisory function.

We have also established, in 2004, the Advisory Board which functions as an appointment and remuneration committee, from the perspective of strengthening the systems for monitoring management and selecting the most suitable managers. At least half of the members of the Advisory Board are independent external directors, ensuring its independence. A superior standard of governance is required of companies listed on the Prime Market, and Nikke Group has been an early mover in strengthening its governance system.

### **Shareholder returns**

Regarding shareholder return, we are aiming to maintain stable dividends, a payout ratio of 30%, and a DOE (dividend on equity ratio) of 2%, and continue to increase dividends in line with our profits. We have not reduced dividends since 1975, when we reduced them due to a decline in our earnings after the oil shocks. We will also enhance total shareholder returns, including through the acquisition of treasury shares. As already announced, we plan to repurchase up to three million shares this fiscal year.

Investment in growth is also crucial for sustainable business management. I think it is important to aim for a balance between growth investment and shareholder returns, meeting the expectations of present and future shareholders by sowing the seeds for future growth while also returning profits to shareholders, to gain long-term shareholder support.

### **Understanding of the corporate philosophy and declaration of resolve**

I have heard that the nuance of the Japanese term "*yasashiku, attakai*," meaning "gentle and warm," is difficult to translate. I think this shows just how much the term expresses Japanese culture and sensibility. This sensibility may prove to be an asset in our business expansion overseas. This is an interpretation that has remained unchanged throughout the New Nikke 120 Vision (NN 120 Vision) and the Renewal Nikke 130 Vision (RN 130 Vision) which clearly articulate this philosophy. I believe that this philosophy perfectly applies to sustainable business management.

This year marks the 126th anniversary of the founding of Nikke Group. I am sometimes asked how technologies and know-how have been passed down through this long history. For this, I think we have to thank the many helpful and conscientious engineers in the Group's manufacturing divisions over the generations, who have had the will to create outstanding products, and to pass on technologies to their juniors. We stand on their shoulders.

Simply passing down manufacturing methods and know-how, however, will not make us competitive. In addition to adopting new technologies and equipment, I think it is important that those engaged in production also have a marketing perspective.

Even a product integrating the most refined technologies is meaningless unless its superiority is genuinely demanded by customers and society. We must not simply pursue technologies but approach manufacturing with a marketing mind: how can we use these technologies? Otherwise,



our Group companies engaged in manufacturing will not survive.

### In closing

In 2002, I was dispatched to a yarn spinning subsidiary in China, where I engaged in expanding and improving the mill equipment. Just as we were increasing production after the completion of these works, SARS struck. For a while, I was worried about how things would progress, but by the time I returned to Japan in 2005, I had been able to expand the mill's scale and significantly increase production volumes. Then in 2015, after I was appointed President of Nikke Machine Manufacturing Corp., I focused on growing the FA business, achieving the highest net sales since the company's establishment in 1978. Looking back, it seems that results improved at every new appointment I took, and I cannot help but be thankful for my luck and the fact that I have been surrounded by such outstanding human resources. At all times, I have kept in mind the "*sampo yoshi*" spirit: good for the seller, good for the buyer, and good for society. This has been my motto as I engage in my work. I think that it is the foundation of business, and no business will last long without it. Going forward, I hope to spread "*sampo yoshi*" businesses that will contribute to achieving the SDGs and enhance the corporate value of the entire Nikke Group, so that our stakeholders can perceive in us an attractive future. I look forward to your unchanging support.

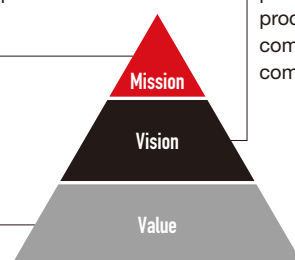


#### Corporate Philosophy

Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet.

#### Group Vision

Turning an eye toward undeveloped fields, Nikke Group will make bold efforts for the development and provision of highly functional products and the best services for communities, aiming to be a company creating future lifestyles.



#### Corporate Principles

- Aspire to be a vigorous corporate group in which all employees of the Group have a "can-do" attitude and can grow.
- Create new markets with unique products and services derived from the voice of the customer, and research and development.
- Always look to the future and maintain a global point of view, and contribute to the development of our customers around the world as well as society.
- In order to continue winning in many markets, reform and/or develop our business by widely seeking human resources and integrating various kinds of knowledge.
- Aim to achieve sustainable growth and improve our corporate value in the mid to long term, by building durable relationships of trust with a broad range of stakeholders, including our customers, shareholders, employees, business partners, and local communities.



## Completed First Year of RN130 Vision Second Medium-term Management Plan Results and Evaluation

In the first year of the RN130 Vision second medium-term management plan (fiscal 2021 to 2023), net profit reached an all-time high and ROE was over 8%. The four drivers of growth also performed well.

### Progress in Growth Drivers

		Goal	Status of initiatives
Overseas business expansion		Because markets for textiles and industrial materials in Japan are saturating or shrinking, we aim to expand overseas business riding favorable trends in the business environment (spread of electric vehicles, stricter environmental regulations in China, etc.)	<ul style="list-style-type: none"> <li>Overall progress in overseas business has been slowed due to the pandemic.</li> <li>We are cultivating the China school uniform business with a long-term perspective while closely watching the market.</li> <li>Construction was completed in December 2021 on the new factory in China for environmental filters.</li> </ul>
Community alignment, redevelopment		We aim for community-aligned, multifaceted business expansion, mainly in the lifestyle support field; and for the realization of a sustainable society and stable growth through the redevelopment of our assets.	<ul style="list-style-type: none"> <li>In 2021, operation started at three large nursing care facilities and one licensed nursery school.</li> <li>We began redevelopment of the Nikke Tokyo Building, where completion is scheduled for autumn 2024.</li> <li>We also continue to study concrete plans for proposals in prospective areas of redevelopment.</li> </ul>
E-commerce sales		E-commerce sales have increased in recent years with the addition to Nikke Group of Niceday Inc., Miyako Corporation and AQUA Co., Inc. We aim for further growth by more strongly aligning these within the Group.	<ul style="list-style-type: none"> <li>Fiscal 2021 sales of these three companies, whose main business is EC sales, were 9.2 billion yen, up 12% from the previous year.</li> <li>We are further aligning these within the Group with the aim of increasing the EC sales ratio in Nikke Group.</li> </ul>
Synergy with Fuji Corporation		We aim to consolidate production in the nonwoven fabric business and streamline management of Fuji Corp. with the goal of expanding profits. (Fuji Corp. became a wholly owned subsidiary in September 2021.)	<ul style="list-style-type: none"> <li>Due to production transfer of Fuji Corp.'s Tatebayashi Plant (production integration), the utilization rate of the plant of Ambic Co., Ltd. increased.</li> </ul>





### Nikke Group Results

(Unit: Million yen)	Fiscal year ended November 2021 (1st year)		Fiscal year ending November 2022 (2nd year)		Fiscal year ending November 2023 (final year)	
	Medium-term plan	Results	Medium-term plan	Forecast*	Medium-term plan	Forecast*
Sales	107,000	<b>106,619</b>	114,000	115,000	127,000	127,000
Operating income	8,600	<b>9,900</b>	9,500	10,200	11,500	11,500
Operating margin	8.0%	<b>9.3%</b>	8.3%	8.9%	9.1%	9.1%
Ordinary income	8,200	<b>9,784</b>	9,700	10,500	11,700	11,700
Net income attributable to owners of parent	4,000	<b>8,308</b>	6,500	7,000	7,800	7,800
ROE	—	<b>8.4%</b>	—	8.0% or more	7.0% or more	8.0% or more

- All items except sales achieved the target levels of the medium-term management plan.
- Net income attributable to owners of parent was an all-time high, partly as a result of posting the gain from negative goodwill arising from making Fuji Corp. a wholly owned subsidiary.

\*Announced in January 2022

### Results by Segment

	(Unit: Million yen)	Fiscal year ended November 2021 (1st year)		Fiscal year ending November 2022 (2nd year)		Fiscal year ending November 2023 (final year)	
		Medium-term plan	Results	Medium-term plan	Forecast*	Medium-term plan	Medium-term plan
 Textile & Clothing Materials	Sales	32,000	<b>29,872</b>	34,500	32,400	36,700	
	Operating income	2,700	<b>2,749</b>	3,200	3,200	3,650	
	Operating margin	8.4%	<b>9.2%</b>	9.3%	9.9%	10.0%	
 Industrial Machinery & Materials	Sales	22,000	<b>20,390</b>	24,000	28,000	27,200	
	Operating income	1,200	<b>1,235</b>	1,550	1,800	2,150	
	Operating margin	5.5%	<b>6.1%</b>	6.5%	6.4%	7.9%	
 Human & Future Development	Sales	33,000	<b>34,059</b>	34,000	33,400	37,400	
	Operating income	5,700	<b>6,115</b>	6,000	6,000	6,650	
	Operating margin	17.3%	<b>18.0%</b>	17.7%	18.0%	17.8%	
 Consumer Goods & Services	Sales	17,000	<b>18,685</b>	17,500	18,000	20,700	
	Operating income	1,100	<b>1,410</b>	1,250	1,300	1,550	
	Operating margin	6.5%	<b>7.6%</b>	7.2%	7.2%	7.5%	
Others, adjustments	Sales	3,000	<b>3,612</b>	4,000	3,200	5,000	
	Operating income	(2,100)	<b>(1,610)</b>	(2,500)	(2,100)	(2,500)	
	Operating margin	—	—	—	—	—	
Total	Sales	107,000	<b>106,619</b>	114,000	115,000	127,000	
	Operating income	8,600	<b>9,900</b>	9,500	10,200	11,500	
	Operating margin	8.0%	<b>9.3%</b>	8.3%	8.9%	9.1%	

- All segments achieved the operating income targeted in the medium-term management plan.

\*Announced in January 2022

There is a wide array of social issues that companies must address. In the Nikke Group, we are working to meet the needs and expectations of our stakeholders as a company that creates future lifestyles by carefully identifying those social issues that we can help address and then fostering a value creation story that is built around four materiality action items considered important to the Group.

# Review of Business

## Value Creation Story

- 15 Sustainable Management
- 17 Value Creation Process

## Nikke Business Divisions

- 19 Textile & Clothing Materials
- 21 Industrial Machinery & Materials
- 23 Human & Future Development
- 25 Consumer Goods & Services

## Message from the CFO

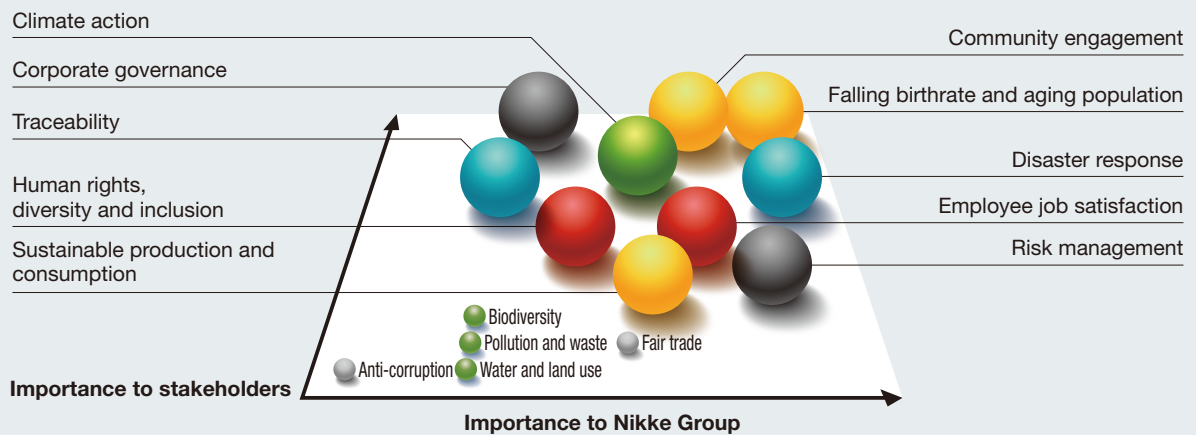
- 27 Message from the CFO

## Sustainable Management Creating attractive, sustainable business that contributes to a sustainable society

### How We Approach and Identify Materiality

Within the Nikke Group, we work to realize our vision for ourselves as “a company that creates future lifestyles” by creating attractive, sustainable business that contributes to a sustainable society and long-term corporate growth and development. Through our efforts, as a corporate member of society, to help address urgent social issues connected with the falling birthrate and aging population, the global environment, human rights, and other areas of concern, we are fulfilling the expectations of our stakeholders and, in turn, increasing our corporate value. We study the impact and importance of these social issues to both stakeholders and the Nikke Group, and we work to ensure that every aspect of our corporate activity contributes to solving them from a perspective of materiality that encompasses health and comfort, safety and security, and the environment. We are also committed to a stronger business foundation, as we believe that healthy corporate growth requires not only thorough compliance but also health and productivity management and a continuing push for greater diversity.

### Nikke Group long-term growth and development and contribution to a sustainable society



### Identifying materiality based on social impact

Related ESG	Identified materiality and key measures	Related SDGs
<b>Improve health and comfort</b>		
E S G	● Grassroots urban development; community-based shopping centers	
E S	● Expansion of lifestyle support-related business (childcare, Kids Land, nursing care, sports)	
E S	● Educational environmental betterment via school uniform provision; environmental education program and Nikke Institute of Education-driven educational support activities	
S	● Medical-related initiatives	
<b>Improve safety and security</b>		
E S	● Provision of safe, secure, and comfortable products and services	
E S	● Creation of a traceable value chain	
S G	● Pursuit of technological innovation; promotion of basic research	
<b>Protect the environment</b>		
E	● Development of environmentally friendly materials incorporating characteristics of natural wool	
E	● Solving environmental problems via development and provision of environmental filters	
E S	● Environmental load reduction via solar power systems	
E S G	● Environmental load reduction via recovery and recycling activities	
E S G	● Energy-saving activities; CO <sub>2</sub> emissions reduction; waste reduction	
<b>Strengthen business foundation</b>		
S G	● Thorough compliance practices	
E S G	● Health and productivity management	
S G	● Employment unbiased by age, gender, disability, race, ethnicity, etc.; creation and operation of a raise and promotion system (“challenge grade system”)	
S G	● Support for balancing child rearing with work through the development of childcare leave and reduced working hours systems that go beyond what is required by law	
S G	● Abolition of employment type-based working conditions/disparities	

## Examples of Specific Initiatives Focused on Value Creation

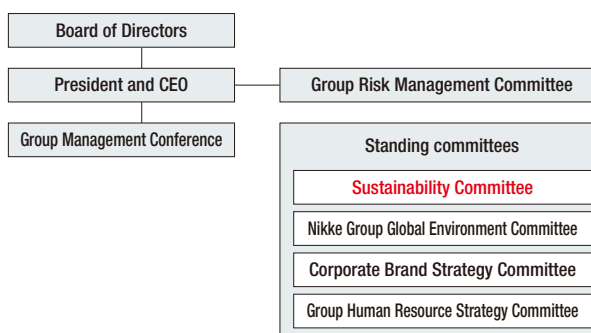
### Establishment of a Sustainability Committee (governance)

By recognizing the importance of strengthening corporate governance in order to improve our corporate value in a long-term and stable manner, we aim to secure corporate transparency and fairness and achieve operations that can be trusted by diverse stakeholders, including shareholders, in accordance with our corporate philosophy and corporate principles.

In addition, we recognize the handling of sustainability-related social issues, such as global environmental challenges, respect for human rights, and fair and proper dealings with business partners, to be a key management issue for the Nikke Group. Because we believe that integrating these into our management will both contribute to the realization of a sustainable society as well as the long-term growth of the Nikke Group, we established the Sustainability Committee as a standing committee on February 25, 2022. This committee prioritizes materiality and pursues Group-wide initiatives, such as the supervision and evaluation of sustainability-related social issue response policies and activities.

#### Structure of the Sustainability Committee

This committee is headed by the Corporate Strategy Center director (head corporate director) and includes the President and Chief Executive Officer, the general managers of each division, the Research and Development Center director, the Human Resource Department general manager, and other related department heads.



### Action on climate change (TCFD recommendation-related initiatives)

We believe action on climate change is an urgent priority among sustainability-related issues. The Nikke Group already has in place a Global Environment Committee and has established and operates an environmental conservation activity initiative structure. Moving forward, we are also pursuing initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)\* and have begun conducting activities that jointly involve the new Sustainability Committee and the Nikke Group Global Environment Committee. These initiatives foster a more robust PDCA cycle and promote environmental conservation, examination of optimal energy procurement, and other action on climate change and information disclosure.

\*The TCFD was established by the Financial Stability Board (FSB), which is made up of members representing the central banks, financial regulatory agencies, and other institutions of 25 major countries and regions. The TCFD's recommendations promote environmental risk and opportunity-related information disclosure by companies and other organizations.

**Value Creation Process** Maintaining a focus on social issues while capitalizing on the strengths of our

The Nikke Group will meet every challenge with passion and pride as



**Inputs**

**Business foundation**

**Strengths**

**Human capital**

Human resources encompassing a diversity of knowledge

- Number of employees: 5,126 (consolidated)
- Group companies: 63

**Financial capital**

Stable financial base and high creditworthiness

- Equity ratio: 62.9%
- JCR credit rating: A

**Manufactured capital**

High quality centered on textile technology

**Social and relationship capital**

Strong partnerships with communities, governments, and business partners

**Intellectual capital**

Fast and efficient M&A know-how

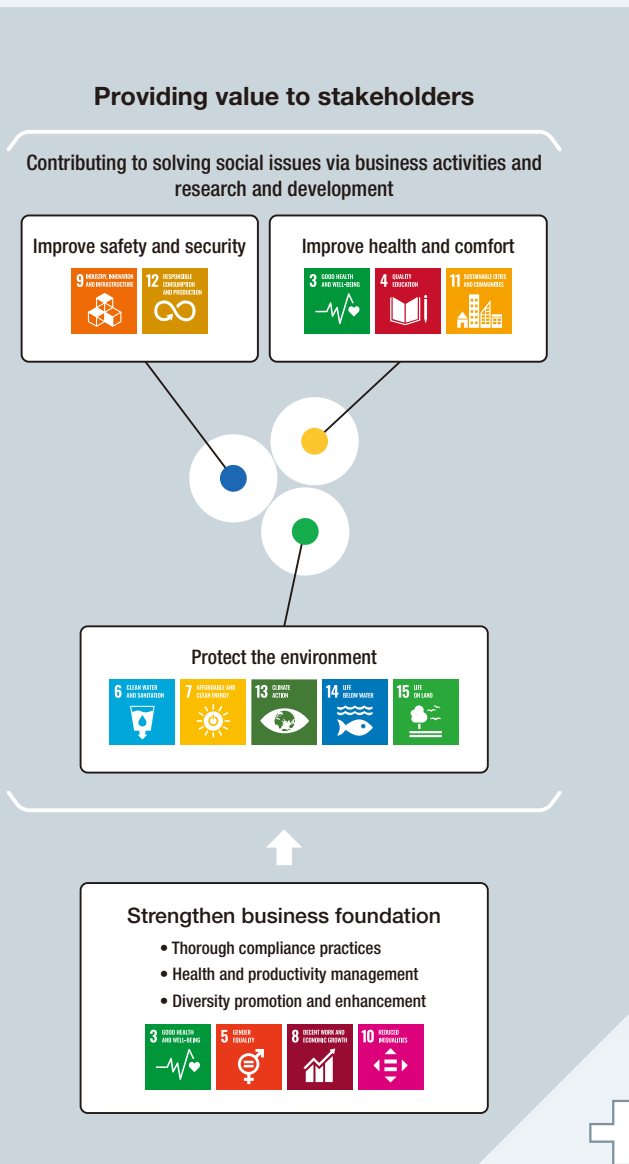


Nikke Group management foundation supporting business from an ESG perspective



business foundation to achieve the vision for the Nikke Group

a corporate group that is gentle and warm toward people and the planet.



**Outcomes**

**Providing value to society**

**Value creation**

**Contributing to the educational environment via school uniforms supplied by our uniform business**

Schools using our uniforms: 50%+ in Japan

**Child care and nursing care business-driven lifestyle support**

Nursing care facilities operated: 34; Child care facilities: 4

**Contributing to environmental load reduction via sales of solar energy**

Solar power generated: 26,329 MWh

**Contributing to people-friendly urban development via commercial facility management business**

Commercial facilities operated: 2

**Nikke Group's financial results**

**Business scale and capital efficiency**

Sales: 106.6 billion yen

Operating income: 9.9 billion yen

ROIC: Textile & Clothing Materials: 6.0%

Industrial Machinery & Materials: 3.6%

Human & Future Development: 16.1%

Consumer Goods & Services: 10.1%



**Progress in RN130 second medium-term management plan**

(Environment ▶ pp.31–34, Social ▶ pp.35–38, Governance ▶ pp.39–44)



## Textile & Clothing Materials



### Results of the first year of the second medium-term management plan (fiscal year ended November 2021)

(Unit: Million yen)

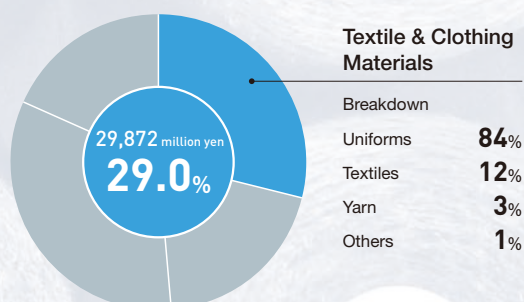
	1st year (fiscal year ended November 2021)				2nd year (fiscal year ending November 2022)		Final year (fiscal year ending November 2023)
	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*	Medium-term plan
Sales	32,000	29,872	(2,128)	↓	34,500	32,400	36,700
Operating income	2,700	2,749	49	↑	3,200	3,200	3,650
Operating margin	8.4%	9.2%	0.8 points	↑	9.3%	9.9%	10.0%

\*Announced in January 2022

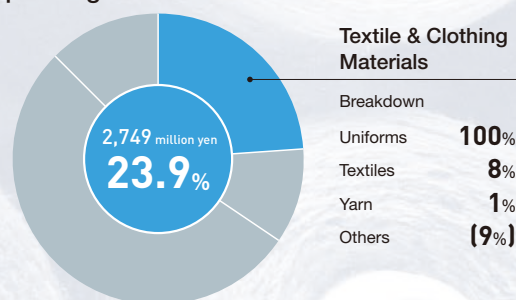
### Performance by business segment for the fiscal year ended November 2021

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,612 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,610 million yen).

#### Sales distribution



#### Operating income distribution



### Main products and services

- Uniforms: Uniform materials for schools, private companies, and government offices
- Textiles: Clothing materials
- Yarn: Yarn sales



# Recycling and reducing our environmental impact



Managing Executive Officer  
General Manager of Textile & Clothing  
Materials Division

**Yoshiyasu Kaneda**

**Business overview** | • Development, manufacture, and sale of high-performance materials and products primarily for clothing use

**Key policies** |  
• Maximize domestic profits and overseas growth  
• For all activities, conduct initiatives with an awareness of the SDGs  
• As the domestic market is shrinking, realize operating profit growth through drastic reductions of manufacturing and operation costs  
• In our overseas businesses, build marketing and promotional infrastructure to accelerate growth

## Sustainable management approach and business strategy

### ■ Our division's approach

The business mission of the Textile & Clothing Materials Division is to continue providing people around the world with comfortable lifestyles with our wool and synthetic fiber technologies cultivated over many years. Our key policies for achieving this involve maintaining an awareness of the SDGs in all of our activities and pursuing consumer-focused innovation in our business processes. With regard to the SDGs, we have already announced an action policy built around a vision of “Weaving for the Future,” and, in fiscal 2022, we are pursuing activities that are even more strongly focused on environmental friendliness. We want to actively communicate the benefits of wool as one of nature's gifts, as well as all that Nikke is doing to reduce environmental load and realize a circular economy.

### ■ Risks and opportunities

Our division recognizes that the continuing decline in Japan's birthrate and working population means a shrinking market for uniforms, which represents a long-term risk to our business. At the same time, however, progress towards the SDGs has started a recovery in demand for environmentally friendly natural fibers, and we are responding to this by developing products for new markets that have not used wool products before now, such as sportswear and inner wear.

### ■ Future business strategy

The urgent concern for our division is getting the growth of our overseas business back on track following the slowdown caused by the COVID-19 pandemic. We will combine our strength together with Nikke Textile Co., Ltd., Daiichi Orimono Co., Ltd., and our Group companies in China to expand sales in Western and Chinese markets. Additionally, one of our strengths is our integrated supply system that completes the supply chain within the Group, encompassing everything from raw materials procurement to sewn product delivery. We aim to further refine this strength to give our organization a high degree of efficiency and competitiveness.

The products from Nikke Textile and Daiichi Orimono have been used by high-end ready-to-wear brands around the world for many years, with both companies' products offering a high degree of distinctiveness backed by technological strength that competitors cannot match. It is important that this value be accurately communicated to customers. Also, in the Chinese market, Nikke's strength comes not only from its brand value but also from its factories that allow products to be manufactured locally. Equipped with technology and know-how from Nikke in Japan, Qingdao Nikke Fabric Co., Ltd. sets itself apart from other local manufacturers, such as by providing small-lot, multi-product manufacturing. These distinctive strengths are being put to use in an integrated manufacturing and sales strategy.

# Industrial Machinery & Materials



## Results of the first year of the second medium-term management plan (fiscal year ended November 2021)

(Unit: Million yen)

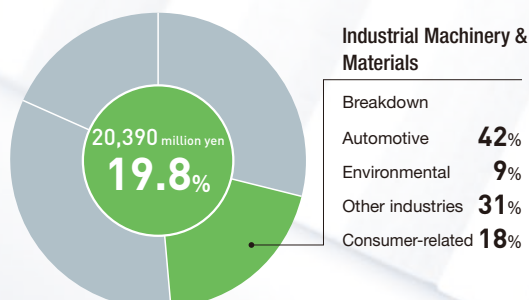
	1st year (fiscal year ended November 2021)				2nd year (fiscal year ending November 2022)		Final year (fiscal year ending November 2023)
	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*	Medium-term plan
Sales	22,000	20,390	(1,610)	↓	24,000	28,000	27,200
Operating income	1,200	1,235	35	↑	1,550	1,800	2,150
Operating margin	5.5%	6.1%	0.6 points	↑	6.5%	6.4%	7.9%

\*Announced in January 2022

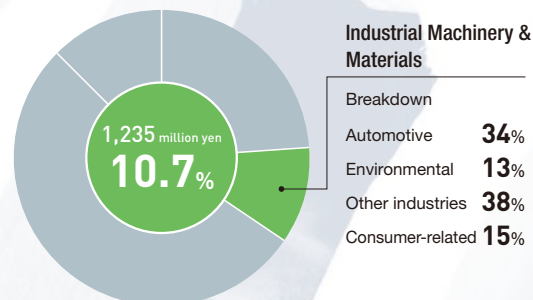
## Performance by business segment for the fiscal year ended November 2021

Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,612 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,610 million yen).

### Sales distribution



### Operating income distribution



## Main products and services

- Automotive: FA equipment, interior materials and cushioning (nonwoven fabric), thread for airbags and seatbelts, motor binding materials
- Environmental: Filters (nonwoven fabric)
- Other industries: OA and home appliance materials; semiconductor-related and imaging equipment; carpets for homes, offices, and trade shows
- Consumer-related: Racket sports related, fishing related, materials for musical instruments

# Achieving our SDGs by supplying eco-friendly products



Director and Managing Executive Officer  
General Manager of Industrial Machinery &  
Materials Division

**Kuniaki Hihara**

**Business overview** | • Provision of products, materials, technology, and services in the following fields:  
Automotive, environmental, other industries, consumer-related

**Key policies** | • Expand profits primarily in automotive and environmental business  
• Expand overseas sales  
• Expand profits in the nonwoven fabric business (synergy between Ambic and Fuji)

## Sustainable management approach and business strategy

### Our division's approach

In the Industrial Machinery & Materials Division, we have established a key policy of expanding profits primarily in the automotive and environmental businesses, whose markets are expected to grow due to strong demand from society, even in the midst of the COVID-19 pandemic. In the automotive business, technological innovation continues to evolve without pause including things like the shift to electrification and automation. This period of transformation is a golden opportunity for the Nikke Group to use its originality and superior technology to proactively develop and provide materials for environmentally friendly vehicles and FA equipment. In the environmental business, as protection of the environment from air pollution and other threats becomes a global issue, by driving the supply of environmentally friendly products, such as high-function filters, and contributing to environmental load reduction, we hope to also contribute to the achievement of the SDGs.

### Risks and opportunities

For our division, we recognize that a shortage of semiconductors coupled with an economic recession creates a risk of slumping automobile sales both in Japan and overseas. At the same time, however, we are working to capture new sales opportunities for high-function incinerator filters as a result of stronger environmental regulations in China, as well as for EV-related materials as a result of the anticipated expansion in the EV market.

### Future business strategy

For the future, our division is particularly focused on overseas sales expansion. In our environmental filter business, operations commenced in April 2022 at our new factory in Jiangsu Province as part of our focus on global sales expansion. Also, in September 2021, the nonwoven fabric manufacturer Fuji Corporation became a wholly owned subsidiary following an exchange of shares. This presents us with opportunities for greater synergy with Fuji, such as through a reorganization between the Fuji and Nikke Group production systems to improve overall productivity. We are also planning to capitalize on Fuji's overseas business locations to facilitate global expansion of our sales network.

#### Topics Synergy between Fuji Corporation

The first full year of consolidation for Fuji will commence from the fiscal year ending November 2022. Moving forward, we will work to further streamline management and expand profits.



Fuji Corporation head office (Itami, Hyogo Prefecture)





# Human & Future Development



## Results of the first year of the second medium-term management plan (fiscal year ended November 2021)

(Unit: Million yen)

	1st year (fiscal year ended November 2021)				2nd year (fiscal year ending November 2022)		Final year (fiscal year ending November 2023)
	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*	Medium-term plan
Sales	33,000	<b>34,059</b>	1,059	↑	34,000	33,400	37,400
Operating income	5,700	<b>6,115</b>	415	↑	6,000	6,000	6,650
Operating margin	17.3%	<b>18.0%</b>	0.7 points	↑	17.7%	18.0%	17.8%

\*Announced in January 2022

## Performance by business segment for the fiscal year ended November 2021

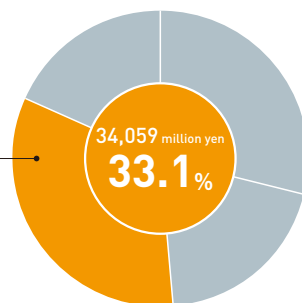
Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,612 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,610 million yen).

### Sales distribution

#### Human & Future Development

Breakdown

Commercial facility management	14%
Real estate development	30%
Lifestyle support	22%
Communications and new services	34%

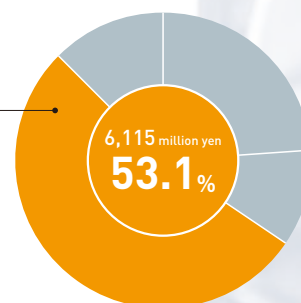


### Operating income distribution

#### Human & Future Development

Breakdown

Commercial facility management	32%
Real estate development	52%
Lifestyle support	13%
Communications and new services	3%



## Main products and services

- Commercial facility management: Shopping centers
- Real estate development: Real estate leasing, sales of solar energy, construction business
- Lifestyle support: Childcare and after-school childcare, nursing care, sports related
- Communications and new services: Communications, Kids Land (amusement facility for young children), franchise business (Baskin Robbins, Tsutaya, etc.)

# Continuing to grow so we can make a greater contribution



Director and Managing Executive Officer  
General Manager of Human & Future  
Development Division

**Yoshiro Kawamura**

## Business overview

- Provision of products and services that meet local needs through regional development encompassing stores to entire communities; development of real estate

## Key policies

- Pursue customer satisfaction and employee satisfaction to continue providing products and services as the undisputed regional No.1
- Strengthen interaction within business divisions to expand options for community and regional development
- Strive to maximize the profits of overall group-company-owned assets and maximize asset value
- Emphasize talent development and have employees demonstrate thoughtful action as professionals in each field

## Sustainable management approach and business strategy

### Our division's approach

“We have an essential role to play in society and business that we need to maintain. For this, we will need to keep our company growing, and that growth is built on people.” This is the basic philosophy of the Human & Future Development Division. It is important, therefore, that the people at every level and in every context, be it business management, strategic planning/implementation or job execution, are themselves growing through the activities they perform. It is important that they adopt a responsible, customer-oriented perspective in their work, making sure to demonstrate thoughtful action. Our approach to business relies on the constant pursuit of customer and employee satisfaction, providing products and services that make us the overwhelming regional No. 1.

### Risks and opportunities

For our division, we recognize the business risk presented by increasing energy costs for large shopping centers and other facilities, as well as increasing materials costs for construction-related businesses. At the same time, however, the increasing focus on outdoor activities and greater health consciousness among the public represents new sales opportunities for our different businesses, such as our golf, tennis and other sports business and our confectionery retail and other franchise business. We are ramping up efforts to capitalize on these opportunities.

### Future business strategy

From the fiscal year ending November 2022, our division will be organized into four departments: the SC Department, Real Estate Development Department, Life Value Services Department, and Communications and New Services Department. Our aim is to ensure strong interaction between these departments leading to synergistic growth. We will continue to refine our existing business model and bring our accumulated wealth of know-how to bear in service of society to earn the affection of our stakeholders and help build a brighter future. Our mission is to support people's lifestyles through commercial facilities, sports facilities, and other real estate as well as to support their lives in a range of contexts, from child care to nursing care, striving to ensure we remain an essential business that is focused on the future.

#### Topics

### Tokyo Building renovation

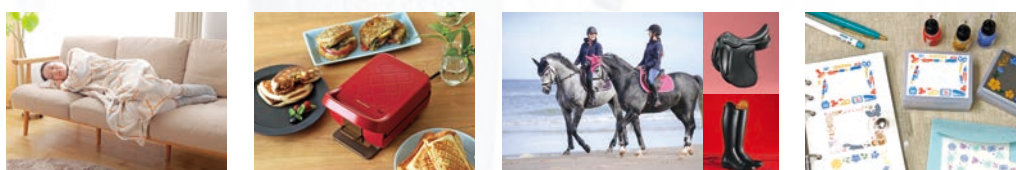
Nikke has begun renovation work on the Nikke Tokyo Building in Tokyo's Chuo Ward. The work is scheduled to be completed in the fall of 2024 and will serve as a symbol of an environmentally conscious “new normal” era.



Conceptual image of the completed building (see p. 34 for details)



# Consumer Goods & Services



## Results of the first year of the second medium-term management plan (fiscal year ended November 2021)

(Unit: Million yen)

	1st year (fiscal year ended November 2021)				2nd year (fiscal year ending November 2022)		Final year (fiscal year ending November 2023)
	Medium-term plan	Results	Difference	Evaluation	Medium-term plan	Forecast*	Medium-term plan
Sales	17,000	18,685	1,685	↑	17,500	18,000	20,700
Operating income	1,100	1,410	310	↑	1,250	1,300	1,550
Operating margin	6.5%	7.6%	1.1 points	↑	7.2%	7.2%	7.5%

\*Announced in January 2022

## Performance by business segment for the fiscal year ended November 2021

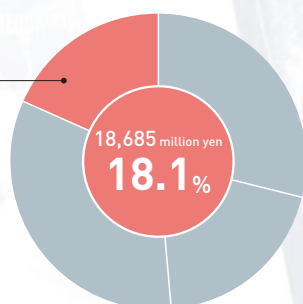
Note: Sales distribution was calculated based on group-wide sales excluding sales of "Others" and adjustment divisions (3,612 million yen). Operating income distribution was calculated based on the total amount of segment income excluding "Others" and the adjustment amount (-1,610 million yen).

### Sales distribution

#### Consumer Goods & Services

Breakdown

- Bedding and business supplies **27%**
- Household goods **49%**
- Hobby and craft **16%**
- Others **7%**

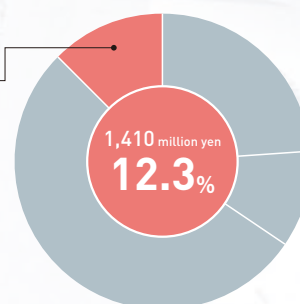


### Operating income distribution

#### Consumer Goods & Services

Breakdown

- Bedding and business supplies **22%**
- Household goods **46%**
- Hobby and craft **18%**
- Others **14%**



## Main products and services

- Bedding and business supplies: Bedding, airline blankets, disaster supply blankets
- Household goods: Lifestyle appliances and miscellaneous goods, goods for 100-yen shops, furniture, film for tablets and computers
- Hobby and craft: Stamping ink and stamps, horse riding goods, knitting yarn
- Others: Container sales, insurance agency

# Evolving with society to deliver convenience and prosperity

Executive Officer  
General Manager of Consumer Goods &  
Services Division

**Hiroshi Fuji**



## Business overview

- Development of products and services without fixation on existing business fields, and the pioneering of new businesses
- Maximizing our trading company functions to propose and realize strengthened foundations for sales, e-commerce, and logistics both inside and outside the Nikke Group

## Key policies

- Discover and develop new businesses with an open mindset, and actively enter into different industry fields without being restricted by existing business frameworks
- Strive for business with high future potential and social impact in all areas, from upstream to downstream

## Sustainable management approach and business strategy

### Our division's approach

The mission of the Consumer Goods & Services Division is to deliver the products and services that customers need in their daily lives, and to do so in the most optimal way. We work every day to develop, innovate, and improve products and services that will meet this standard. In recent years, our focus has been on increasing the rate of e-commerce in bedding and business supplies, household goods and infection control supplies, hobby and craft, and other fields, centered on the three Group companies of Niceday, Miyako, and AQUA. In addition, we are working to provide our partner companies with marketing, content creation, and logistics-related solutions that will facilitate an even greater leap forward.

### Risks and opportunities

For our division, we recognize that the increasing cost of raw materials and crude oil, along with rapid depreciation of the yen and the impact on the supply chain of logistical slow-downs, represents a business risk by inviting an increase in product procurement costs. At the same time, however, we believe that by fully leveraging our trading company functions, and by adapting quickly and flexibly to current conditions, unconstrained by the existing business framework, we can develop new markets while securing sales opportunities.

### Future business strategy

The focus of our division is on increasing the rate of e-commerce in our business, prioritizing both B2B and B2C and pursuing greater sharing of know-how and structures within the Group. With regard to logistics, we will work on stronger coordination with those logistics companies best suited to each business segment, and we will build new distribution centers that will enable to increase our level of service. Our push for increased e-commerce will involve an expansion of business with mail order and e-commerce companies based not only in Japan but also overseas in order to build up the Nikke Group's overseas sales network and achieve even greater growth in sales. We will also actively pursue M&A of companies possessing functions that will augment and supplement our existing business.

#### Topics

#### More products for 100-yen shops

In September 2021, Nikke Group company Yuei Trading Co., Ltd. acquired all issued shares of YY Corporation. Through collaboration in purchasing, sales, logistics, and other areas, we will work to expand sales of products for 100-yen shops.







**We will endeavor to enhance Nikke Group's corporate value on the Prime Market by continuing to promote sustainable business management, with diversification at the core of our growth strategy.**

Director, Managing Executive Officer, and  
Director of Management Strategy Center

Takehiro Okamoto

*Takehiro Okamoto*

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**Revenue increased last fiscal year, and we recorded our highest ever net profit**

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The fiscal year ended November 2021 was the first year of the 2nd Medium-term Management Plan (FY2021-FY2023) under Nikke Group's RN 130 Vision, a medium- to long-term vision that ends in FY2026. Our efforts to diversify the business bore fruit amid the COVID-19 pandemic. Specifically, we were able to achieve year-on-year increases in sales, operating income

and net profit attributable to owners of parent, partly due to the Consumer Goods & Services business successfully capturing stay-at-home demand and price revisions in the Textile & Clothing Materials business. Net profit attributable to owners of parent, in particular, reached the highest level ever, boosted by the posting of gains on negative goodwill of more than 7.2 billion yen as extraordinary income arising from the acquisition of Fuji Corporation as a wholly-owned subsidiary.



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## Improve capital efficiency

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Our financial strategy is based on the policies of integrity, profitability, capital efficiency, growth potential, and stable returns to shareholders. Capital efficiency and growth potential, in particular, are key challenges. We are endeavoring to improve capital efficiency through the use of ROIC for our internal investment criterion and as our measure of investment efficiency for each business segment. Our cost of capital in terms of WACC\*<sup>1</sup> is approximately 4-5%, so our minimum requirement for ROIC is 5% or higher, and our target is 8% or higher. Last fiscal year, ROIC was approximately 6% based on operating income after tax. The Human & Future Development business was the highest at over 16%, while the Textile & Clothing Materials business was only around 6%. The reason why ROIC was so high in the Human & Future Development business was that we have focused on doing business ourselves using the real estate that we hold, rather than just leasing real estate. For example, we run our own businesses using our commercial facilities, golf driving ranges, indoor tennis court facilities, nursing care business, franchise business, solar power sales business, etc. We have also separated the company that engages in business operation from the company that owns the real estate for the purpose of revenue management, with business operations evaluated based on profits after paying rent to the division that owns the real estate. The low ROIC in the Textile & Clothing Materials business was mainly attributable to low inventory turnover. We are rebuilding mechanisms to thoroughly implement inventory management, including at Group companies. Last fiscal year, we recorded ROE of 8.4%, well above the target for the final fiscal year of the 2nd Medium-term Management Plan, which is 7.0% or above. However, this was significantly boosted by the recording of gains on negative goodwill as extraordinary income. Even during the period of this Medium-term Management Plan, we have decided to change our internal ROE basis to operating income after tax, aiming to achieve a stable level of 7.0% or more even after excluding non-operating and extraordinary income or loss. ROE and ROIC have become well understood within Nikke Group as efficiency indicators.

I think our next step should be to use measures such as EBITDA\*<sup>2</sup> to compare and consider the Group's profitability globally, to appeal to foreign investors. We consider the Company to be undervalued in light of current EV/EBITDA\*<sup>3</sup> of 5 or less. This is due to the low level of the market capitalization component of EV. Upon analysis, we think that this is most likely a result of the perception among investors and other stakeholders that our diversification strategy makes the Company's business difficult to comprehend, as well as their consciousness of a conglomerate discount. Diversification will continue to be the pillar of our growth strategy, but we will aim to enhance corporate value in the medium and long term through selection and concentration, and by constructing an attractive business portfolio.

\*1 WACC refers to the weighted average cost of capital.

\*2 EBITDA refers to earnings before tax, plus interest expenses, plus depreciation.

\*3 EV/EBITDA ratio is equal to the sum of market capitalization, net interest-bearing liabilities, and minority interests, divided by the sum of operating income and depreciation.

For example, where the selling company has a market capitalization of 400 million yen, interest-bearing liabilities of 20 million yen, cash and deposits, etc. of 40 million yen, operating income of 40 million yen, and depreciation of 10 million yen:

- EV = (400 + 20 - 40) million yen = 380 million yen
- EBITDA = (40 + 10) million yen = 50 million yen
- EV/EBITDA ratio = 380 / 50 = 7.6.

This indicates that it would take 7.6 years to recover the cost of acquiring this company.

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## Growth investment

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Regarding the challenge of growth potential, during the three years covered by the 2nd Medium-term Management Plan, our growth investment plans include capital investment and R&D investment totaling 25 billion yen and M&A investment of 20 billion yen. Investment during the fiscal year ended November 2021 was subdued, with capital investment of 3.5 billion yen and M&A investment of 2.5 billion yen. However, for M&A, the core of our growth strategy, we have an increasing number of projects underway in the Consumer Goods & Services and Industrial Machinery & Materials businesses, with six or seven projects currently under consideration. We have boosted the number of employees in the Business Development Department, the section responsible for M&A, to bolster our progress on M&A projects this fiscal year.

Regarding capital investment and R&D investment, Mr. Nagaoka, who was newly appointed as President this fiscal year, has expressed his intention to aggressively expand investment, including capital investment to develop new products and enhance production efficiency, and investment in SDGs initiatives, energy-saving measures, and the development of manufacturing and sales bases necessary for cultivating new customers. As CFO, I intend to accelerate these measures from a financial perspective. The relationship between the CEO and CFO is generally one of "attack" and "defense." As the CFO, I will fulfill my duty to keep the president in check. But also as a director, rather than just the head of the finance department, I will provide the CEO with information and advice to facilitate management decision-making. I will actively collect information and work together with him especially for our M&A growth strategy. This policy is unchanged from the time of the previous president.

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## The CFO's check-and-balance function

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Business diversification will remain at the center of Nikke Group's growth strategy. The merits of diversification include risk hedging and synergies. Last fiscal year, the Textile & Clothing Materials and Human & Future Development businesses faced a drop in revenue, mainly due to the impact of COVID-19, but this was offset by a significant increase in revenue from the Consumer Goods & Services e-commerce business. We also made Fuji Corporation a wholly-owned subsidiary. With its entry into Nikke Group, we aim to improve revenue by implementing measures such as mill consolidation, intra-Group OEM, and joint purchasing and sales.

At the same time, diversification may also lead to inefficiencies and governance risks. I therefore consider the check-and-balance function to be an important duty of the CFO. Especially in the case of M&A, business departments tend to become over-enthusiastic, and we keep the takeover price from skyrocketing through measures such as the internal criterion setting the "price of goodwill" paid on acquisition at a maximum of five times the target company's estimated operating income, and making M&A conditional upon ROIC of 8% or more. Diversification also tends to make the profitability of individual businesses harder to gauge, so wherever possible, we divide individual subsidiaries by business to clarify the profitability of each business. In some cases, the increase in the number of subsidiaries leads to the duplication of costs associated with administrative divisions and the like, but we consider these costs necessary.

Regarding our dividend policy, we aim for a payout ratio

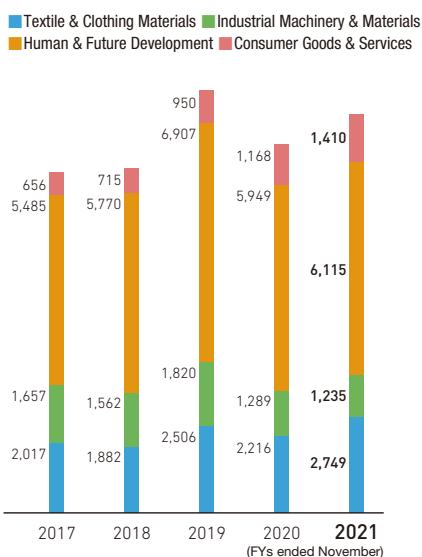
of 30% and a dividend on equity ratio (DOE) of 2%, premised on stable dividends with no dividend cuts. In the fiscal year ending November 2022, we plan the acquisition of up to three million treasury shares (4.07% of the total number of issued shares) to bring about an improvement in capital efficiency. Treasury shares will total 15.7 million shares (18.3% of the total number of issued shares) after this acquisition. Therefore, we are aware of the need to consider canceling some of them, but we currently intend to continue to utilize treasury shares for purposes such as share exchange for the M&A we conducted last year, as well as restricted stock compensation.

Meanwhile, recent years have brought a rise in hostile takeover bids, with four such bids in 2019, five in 2020, and seven in 2021, even as an increasing number of companies abolish takeover defense measures. There is no guarantee that Nikke Group will avoid being targeted by one of these hostile purchasers. The purpose of the "Response Policy for the Large-Scale Purchase of Nikke Shares (Takeover Defense Measures)" is to ensure sufficient information and consideration period and, in some cases, to ensure time to negotiate with the large-scale purchaser, to enable shareholders to make an appropriate decision in the event

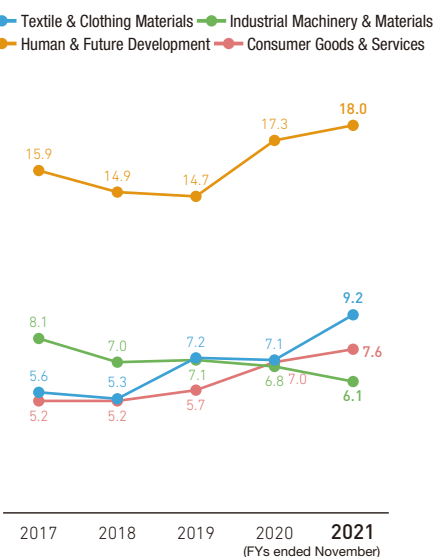
of a hostile takeover attempt. The re-adoption of this policy is proposed every three years for approval by the Company's shareholders at the Ordinary General Meeting of Stockholders. We have adopted a mechanism whereby a special committee composed of three independent external officers considers whether countermeasures should be invoked and whether it is necessary to confirm the will of shareholders, and reports its recommendations to the Board of Directors. In this way, from a governance perspective, the takeover defense measures are prevented from being used to maintain or secure management control.

To conclude, I would like to note that we have transitioned to the Prime Market from April this year. Prime Market companies are subject to higher standards of governance, and are required to achieve sustainable growth and the medium- to long-term enhancement of corporate value with an emphasis on constructive dialogue with investors. As CFO, I will endeavor to secure the trust of the capital market by disclosing information as appropriate, over and above the requirements of laws, regulations, and other rules, as Nikke Group pushes ahead with sustainable business management.

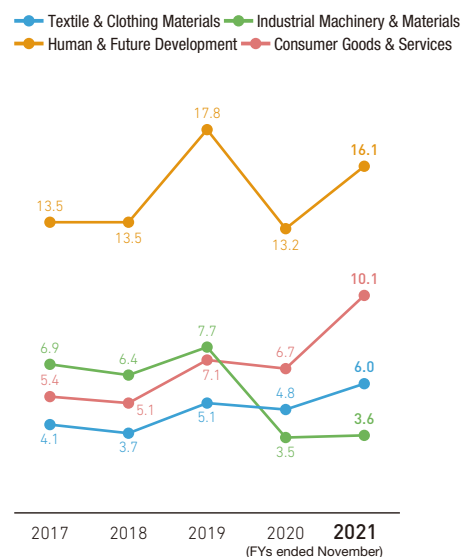
### Operating income by segment (million yen)



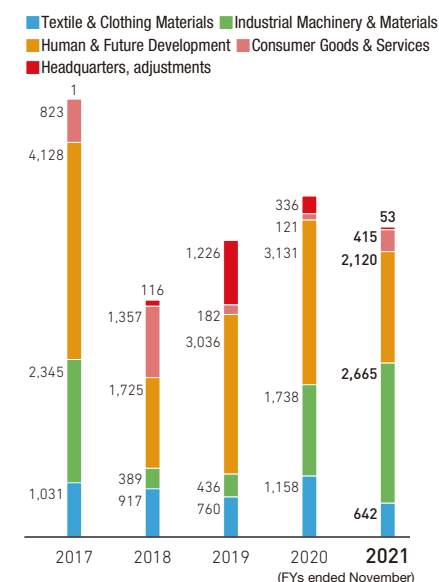
### Operating margin by segment (%)



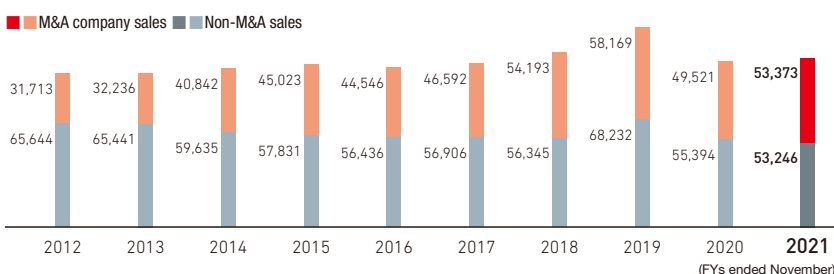
### ROIC by segment (%)



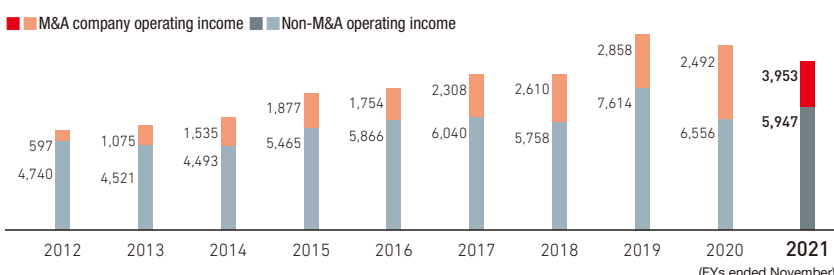
### Capital investment / M&A (million yen)



### M&A sales (million yen)



### M&A operating income (million yen)



The Nikke Group will meet every challenge with passion and pride as a corporate group that is gentle and warm toward people and the planet.

# ESG in Action

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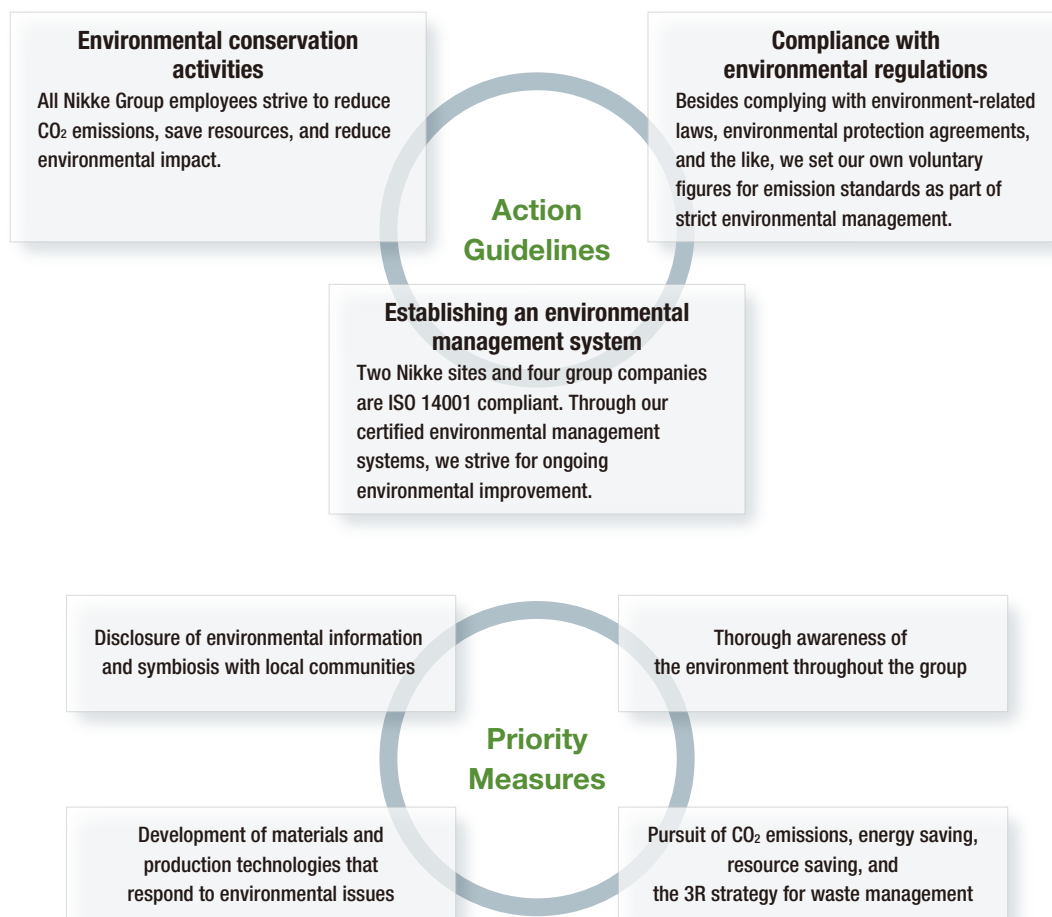
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## Environmental Management

### Basic Environmental Philosophy of Nikke Group

**As a corporate group that is gentle and warm toward people and the planet, we will continue to take on challenges with passion and pride.**

Based on this management philosophy, Nikke Group has established its basic environmental policy to aim to be a corporate group trusted by society through its environmentally friendly business practices and high standards of corporate ethics. In particular, by prioritizing conservation of the global environment, we have established three action guidelines and four priority measures for conducting corporate activities toward the realization of an affluent and livable society. Moreover, all employees across Nikke Group are actively engaged in environmental conservation activities in all facets of business, from research and development to manufacturing, engineering, sales, and distribution.

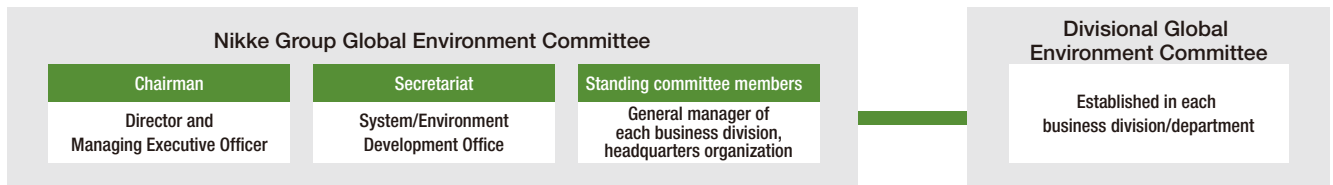


### Environmental Management System

Nikke Group has built a system in which all group companies engage in environmental conservation activities toward the same goal. The Nikke Group Global Environmental Committee determines the basic policies and measures. Meanwhile, the Divisional Global Environmental Committee

creates and implements specific plans. To ensure that our environmental conservation activities become embedded and stronger, we repeatedly implement the PDCA cycle, as shown in the Environmental Conservation Activity Flow on the next page .

### Environmental Management System



### Environmental Conservation Activity Flow



### Medium-term Plan for Environmental Conservation

Objective	FY2021 targets	FY2021 results	Self-evaluation	FY2023 targets (medium- to long-term targets)
Energy saving	99.0% or less (intensity compared with FY2020)	100.1%	🌱	97.0% or less (intensity compared with FY2020)
Reducing CO <sub>2</sub> emissions	99.0% or less (intensity compared with FY2020)	100.3%	🌱	97.0% or less (intensity compared with FY2020)
Reducing the amount of waste	99.0% or less (intensity compared with FY2020)	100.4%	🌱	97.0% or less (intensity compared with FY2020)

Self-evaluation criteria 🌱🌱🌱 Achieved well above the goal 🌱🌱 Achieved the goal 🌱 Couldn't achieve the goal, but came close

### Acquisition Status of ISO 14001 Certification

In Nikke Group, two mills and four group companies have acquired ISO 14001 certification, an international environmental management system standard. In fiscal 2021, no group company acquired ISO 14001 certification.

Site	Registration date
Nikke Innami Mill	November 2000
Akatsuki Shoji Co., Ltd.	September 2001
Nikke Gifu Mill	October 2001
Ambic Co., Ltd.	November 2001
Nikke Machine Manufacturing Corp.	November 2004
Gosen Co., Ltd.	April 2005

**Nikke Group strives to prevent global warming and contribute to a circular economy.**  
 We list data and report on the current state of each environment-related item, such as energy saving activities, reduction of greenhouse gas emissions, reduction of water consumption, and waste reduction.

See **P.49**



# Environmental Activities Report

## Reducing Environmental Impact

### 1 Ambic's Zero Waste Initiative

Ambic Co., Ltd. and the Industrial Machinery & Materials Division have established three themes for achieving the SDGs: contribute to people's health and comfort, reduce impact on the global environment, and contribute to security

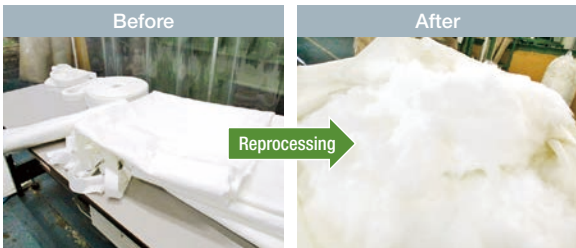
and safety for society. One effort to this end is Ambic's Zero Waste project, which it is undertaking to reduce industrial waste through the following activities.

**Industrial Machinery & Materials Division; Ambic Co., Ltd.**

#### 1 Recycle through reprocessing

The company uses special equipment for processing reclaimed wool so that this material, which previously was thrown out, can be reused as raw material. Another way it strives to protect the environment is by selling its material remnants for use as organic fertilizer and for high-end cosmetics.

##### Reusing reclaimed wool



##### Sold as organic fertilizer



##### Reclaimed wool processing equipment



Five machines for making nonwovens from reclaimed wool



This high-priced European-made machine can process even thick felt

#### What is wool reprocessing?

Textile waste such as cotton and wool is shredded into raw fibers using a mechanical shredding machine.



#### 2 Boost yield ratio to reduce loss

By thoroughly eliminating waste and irregularities in the production process, loss is reduced to the minimum.



Task management charts for each machine show how much has been cut for each product, and based on this instructs how much should be cut for the next production batch.

## 2 Construction Completed on Ambic's New ADMIREX® Plant

On December 28, 2021, a ceremony was held for the completion of a new plant to produce ADMIREX high-performance filter bags at Jiangyin Ambic Felts & Nonwovens Ltd., Ambic's affiliate in Jiangsu Province, China. All employees are currently working to get mass-production started. By producing ADMIREX, which can trap hazardous materials, the new plant is doing its part to contribute to improving environments around the world.

Industrial Machinery & Materials Division; Ambic Co., Ltd.; Jiangyin Ambic Felts & Nonwovens Ltd.



Completion ceremony at the new plant



Visitors got a tour of the new plant on the day of the ceremony

## 3 Production Increase for Breeza® Spun Yarn

During the fiscal year ended November 2021, we released Breeza, a spun yarn that is a mixture of wool, polyester, and other fibers and that we are promoting for use in uniforms for schools and companies.

Breeza achieves an approximately 75% reduction in lint on clothing that is normally generated when clothes are worn or washed. In response to the growing number of inquiries from uniform makers who are concerned about microplastics that cause ocean pollution, we plan to add new production equipment.

Textile & Clothing Materials Division; Nikke Gifu Mill



## 4 Nikke Tokyo Building Slated for Reconstruction

Nikke Group has decided to rebuild the Tokyo Building as a symbol of a "new normal" era of environmental consciousness. Scheduled for completion in the autumn of 2024, the building will incorporate state-of-the-art technology for a post-pandemic, new normal era to provide office space that is environmentally friendly and that considers comfort and security of workers. Besides the latest equipment and facilities, the building will achieve ZEB Ready\* certification, as well as boast a spacious, open roof-top area that allows employees to work in whatever style suits them. And with the corner of the building sporting a highly visible design, the new structure is sure to become a landmark of the area.

Human & Future Development Division; Real Estate Development Department



Artist's conception of the completed Nikke Tokyo Building and its surroundings

### Plan Outline

- Address: 1-2-8 Hatchobori, Chuo-ku, Tokyo
- Zoning: Commercial
- Site area: 883.58 m<sup>2</sup>
- Use: Office (2–12F), retail (1F), automobile parking (B1F)
- Scale: 12 stories above ground, steel frame, building height approx. 50 m

### \*ZEB (Net Zero Energy Building) Ready

A net zero energy building (ZEB) is one with a net energy consumption of zero, meaning it consumes only as much energy as can be produced onsite on an annual basis, without compromising the quality of the indoor environment. It achieves this by incorporating renewable energy and advanced architectural planning that results in large energy savings. A ZEB Ready building is one that aims to reduce by at least 50% the amount of primary energy (excluding renewable energy) consumed. It does this by, for example, improving the insulation efficiency of the building exterior and incorporating highly energy efficient equipment.

(Source: ZEB Roadmap Committee, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, December 2015)

## Relationship to Society

### Basic concept

**With the aim of becoming a company that creates future lifestyles, we consider our relationship with stakeholders to be a top priority as we pursue sustainable management that brings new value to society**

Turning an eye toward undeveloped fields, the Nikke Group will make bold efforts for the development and provision of highly functional products and the best services for communities, aiming to be a company creating future lifestyles.

Our relationship with stakeholders—shareholders, investors, customers, business partners, and employees—is one of our most important management tasks. That’s why, through sincere communication and engagement, we strive for sustainable management that brings new value to society.

### Relationship with Shareholders and Investors

As stated in our corporate principles, the Nikke Group aims to achieve sustainable growth and improve our corporate value in the medium to long term by building durable relationships of trust with a broad range of stakeholders, including our customers, shareholders, employees, business partners, and local communities.

#### ■ ■ Forward-looking IR/SR Activities

In order to ensure shareholders have sufficient time to properly exercise their rights, we send notice of our general meeting of shareholders three weeks beforehand. We also strive to cater to shareholders by, for example, allowing voting via the Internet, streaming the general meeting of shareholders live, and translating some of the meeting notice into English.

In addition, we take care to communicate proactively with shareholders and investors, and in fiscal 2021 we held 1-on-1 meetings (approx. 30 per year) and financial results briefings for analysts (two per year).

#### ■ ■ Shareholder Returns

At Nikke we are particularly focused on shareholder returns. Our basic policy is to increase dividends in line with our profits, and we aim to maintain stable dividends without dividend cuts, a payout ratio of 30%, and a DOE (dividend on equity ratio) of 2%. We also aim to enhance total shareholder returns including the acquisition of treasury shares.

### Relationship with Customers

By stipulating that safety is core to the development and provision of superb products and services, the Nikke Group’s Corporate Code of Ethics supports the aim to become a company that provides value to customers.

#### ■ ■ Stable Product Supply and Quality Control System

Nikke Group has established the Nikke Group PLP Committee to ensure and verify the safety of products based on the Declaration on Product Safety and Guidelines on Product Safety Measures. We also established divisional PLP committees for each division to lead safety activities. In addition, we have established and maintain manufacturing and inspection processes and a quality assurance system. These are used to inspect and verify the compliance of our product manufacturing and sales processes with various laws and standards so that the quality of our products is upheld.

### Relationship with Business Partners

In addition to following the Corporate Code of Ethics, which states that fair and free competition is the basic principle of economic activities, Nikke Group aims to increase corporate value by fulfilling its social responsibility of practicing environmentally friendly procurement.

## Compliance with Business Partners

The Corporate Code of Conduct of Nikke Group includes the code of conduct for domestic and overseas business transactions, code of conduct for relationships with domestic and overseas business partners, and code of conduct for compliance with the Antimonopoly Act. We describe our products and services to our business partners in a sincere way to prohibit any acts in violation of laws and business ethics, such as bribery, unfairly restrained competition, and fictitious transactions. We also ensure that procurement of goods and services necessary for business activities is done from an equal and fair standpoint with our business partners. In our business partner selection criteria, we maintain an open door policy in order to achieve efficient procurement, provide equal business opportunities, and make fair judgments based on price, quality, delivery, safety, and environmental friendliness.

## Relationship with Employees

Aiming to be a corporate group that pursues the happiness of its employees and enables employees to have hope and purpose in life, Nikke Group is working to create a comfortable work environment.

## Respect for Human Rights

Nikke Group clearly states its vision for human rights in the Nikke Group Corporate Ethics Handbook and lays out a goal to create a positive workplace where there are equal employment opportunities, respect for all people's human rights, and no discrimination. Because understanding human rights is important, especially for those in managerial positions, we hold a labor study session every year that includes those in charge of practical affairs. In 2021, 75 people participated.

## Safety and Hygiene

Every fiscal year, Nikke Group formulates an occupational safety and health plan, which covers the following seven items to prevent workplace accidents: (1) reduction of risk level; (2) raising safety awareness; (3) thorough implementation of the 5S practice; (4) review of standard operations; (5) hazard prediction activities; (6) thorough implementation of safety education; and (7) traffic safety education. Recognizing that a safe and healthy work environment for employees is an important responsibility of Nikke Group and the first and foremost step in improving product quality, we share information on all group workplace accidents with our mills and offices to prevent any recurrence of similar accidents.

### Number of workplace accidents

(fiscal year ended November 2021)

Note: The Japan Wool Textile Co., Ltd.

	2016	2017	2018	2019	2020	2021
Number of accidents causing lost worktime	14	9	10	10	6	5
Number of accidents causing leave of absence	4	3	2	2	2	1
Total	18	12	12	12	8	6

## Diversity and Work-life Balance

Nikke Group strives for a diverse workforce that includes seniors, disabled persons, and foreign nationals. Recently, we have been promoting overseas strategies and actively hiring foreign nationals. Employees of various nationalities currently play active roles in the company.

To create a work environment in which both male and female employees can raise children and care for family members while continuing to work, and to enable women to continue working without leaving their jobs for childbirth and childrearing, we have established maternity leave and childcare leave systems that exceed legal requirements for number of days and period. These systems support employees in maintaining a healthy balance between work and childcare. For the nursing care leave system as well, we have established a leave period that exceeds legal requirements in order to offer extended support for those providing nursing care for family members.

### Users of the maternity leave/childcare leave system and nursing care leave system

(Fiscal year ended November 2021)

Note: The Japan Wool Textile Co., Ltd.

	Legal requirement	Description of Nikke's leave system	Number of users
Maternity leave	6 weeks prior to the expected birth date; 8 weeks after giving birth	8 weeks before and after giving birth	4
Childcare leave	Until the child reaches 1 year of age (2 years of age in specific cases)	1 year after maternity leave (2 years of age or until the end of the fiscal year in which the child turns 1 year of age in specific cases)	5
Nursing care leave	93 days	6 months for those with less than 5 years of service; 1 year for those with 5 years of service or longer	1

## Creating a Comfortable Work Environment

Aware that people have an increasingly diverse range of values regarding how they work, Nikke Group is focusing on building a comfortable work environment in which all employees can contribute in numerous ways. We will continue to take into consideration changing environments and values by, for example, introducing flexible work arrangements and leave systems, hiring more seniors and disabled persons, and expanding benefits packages.

Nikke Group's scope of business is expanding: we currently have approximately 60 group companies and over 5,000 employees. To promote greater understanding, a sense of belonging, and shared feelings within the group, four times a year we publish an in-house newsletter.





## Human Resource Strategy

### Message from General Manager of Human Resource Department



Executive Officer, Corporate Strategy Center,  
General Manager of the Human Resource  
Department  
Yasushi Kuruu



### We will embark on a growth strategy recognizing that human resources are our most important management asset

Based on Nikke Group's human resource principles, we have restructured a human resource development system for all group employees. This system provides a wide range of growth opportunities for everyone from new employees to future management members, and it encourages employees to learn through experience and grow as human beings. We do everything possible to foster employees who love challenges. For example, besides rank-specific training, we have a business leader development program anyone can apply for, and next-generation manager training in which chosen participants learn to become future executives.

Diversity and inclusion are key to supporting growth. The RN130 Vision states that we will hire a diverse range of people in order to bring together a variety of knowledge that will innovate and propel our business. This means we hire people regardless of nationality, gender, culture, or values, whether they are new graduates or mid-career hires, and give them opportunities to shine so that we can create new value that responds to globalization and diversifying customer needs. We have also striven to create a comfortable work environment. In 2008, we were one of the first companies to extend retirement age to 65.

We also have systems that exceed the requirements of labor code requirements, such as for shortened working hours for childcare, male employee childcare leave, and nursing care leave. These, along with a system for guaranteeing full-time employees work in a specific region, ensure employees can work in comfort and security.

I believe that Nikke Group's ability to generate value for customers in the future depends on its employees. Moving forward, we will prioritize health and productivity management to revitalize our organization and increase productivity. We will also promote diversity and inclusion so that we can develop high-performance products and provide the region's No. 1 service, in the process bringing society new value.

Working toward goals set for fiscal 2026, the final year of the RN130 Vision, Nikke Group will accelerate its move to sustainable management so that it can be a company that creates future lifestyles.

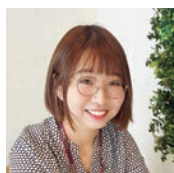
## FOCUS Diversity and Inclusion

### Foreign Employees

#### In the long term, we want to use what we learn about building and operating businesses in our country

##### Pamco Inc.: Tang Jiajia and Wei Jun

Tang: Joining Pamco after graduation, I expected the company would use me as a native speaker of Chinese. But I was surprised when I was assigned to the domestic welfare department. But, I was doing exactly the same work as the Japanese hired at the same time, so it was a nice surprise.



Tang Jiajia

It was also a benefit in terms of communicating: users of the nursing care facilities would often come up and talk to me because they noticed I was a foreigner.

Wei: I agree. I was also assigned to do the same work as Japanese employees, and the work was not as hard as I'd expected.

Being assigned to work in the welfare industry, I was able to think

about how I would use what I learned in my future career. As well, with many countries experiencing rapidly aging populations, I think that Japan will provide an example in terms of both welfare facilities and services.

Tang: I agree. I also hope I can provide other countries with Japan's know-



Wei Jun

how on coping with the aging problem the world is facing. The two of us work in the welfare industry through the Nikke Group, but there are many other foreign employees in various businesses. In Nikke Group, the fact we are foreigners does not really make us special. I think it's good that we can just do our jobs without thinking about our nationality.



## < Nikke's Personnel Development >

We revised our basic approach to personnel development in fiscal 2020 with strict enforcement of new policies

### Purpose of Personnel Development

Towards the realization of RN130 Vision, consciously and systematically develop leaders\* through a stepped approach in which employees learn and acquire awareness of the roles and core skills of each rank.

\*Leaders are not only executives but also personnel who demonstrate leadership to those around them regardless of their rank (position).

### The Role of Leaders

The role of leaders in Nikke Group is defined as “creating new value together with their members to achieve sustainable organizational revitalization.” The main skills necessary to carry out this role are thinking skills and interpersonal skills, and the specific skills of these are shown in the figure to the right.

### Specific Measures

#### Next-generation manager training (VOC training)

With the goal of fostering next-generation executives for Nikke Group, we apply what is learned from management strategy systems and from customer comments (VOC: voice of customer) to our business, and constantly come up with new hypotheses and verifications that gradually improve our strategies.

#### Business leader development program

Positioned as a foundation along with VOC training, in this program employees attend business school, where they learn how to systematically apply theory to management in Nikke Group. Only a few employees are chosen for this elite training program through a competitive in-house application process.

#### Rank-specific training

Defining core skills as “skills that support the creation of results reproducible in any situation,” this training takes a stepped approach to developing the thinking and interpersonal skills required at each employee rank. Open to applicants from the entire Nikke Group, it not only provides participants with knowledge and skills but also contributes to cultivating group awareness and synergy.

Program content   Rank-specific training

Rank	Core skills		Special skills	Self-enlightenment
	Thinking skills	Interpersonal skills		
Department managers and office managers (executive candidates)	Next-generation manager training (VOC training)			
Section chiefs and chiefs (department manager candidates)		New manager training	E-learning (financial accounting, legal affairs, labor, compliance, etc.)	E-learning
Leaders (management candidates)	① Solving well-defined problems ② Leadership that brings out motivation and competence of subordinates	【Leader training】 Creating an organization that helps people grow		
Mid-level (leader candidates)	Business leader development program ① Problem solving with hypothetical thinking ② Facilitation that brings out wisdom and motivation	【Strengthening skills to get people involved】 Demonstrate consensus building/facilitation skills Tutor training		
3rd year employees	① Basics of logical thinking ② Persuasive communication	【Advocacy improvement training】 Refining your involvement in all directions		
2nd year employees		【3rd year training】 Grow through providing guidance to junior employees 【2nd year training】 Improve success rate of communication		
New employees		New employee training		

### Childcare Leave System for Male Employees

#### I'm able to witness my child's growth firsthand

Nikke Gifu Mill: Ritsuki Nishii

When my child was born, I wanted to split child-rearing with my wife so I could experience firsthand the joy of being a father. That's why I decided to talk to my boss and use the company's childcare leave system. Now, in my third month of the system, I am totally satisfied with the stress-free life I am enjoying with my wife and child. The first month after childbirth is an especially important time for the mother to regain her strength, so I believe jointly raising the child with her was crucial in easing her burden.



Having gained the support of my workplace, I can devote myself to raising my child

### Mid-career Hires

#### Core to Nikke's culture is earnestly incorporating outside knowledge and experience

Digital Office: Yasunori Teranishi

There are mid-career hires like myself in many divisions of Nikke, and I feel we are integrated as equals with regularly hired employees. I have worked for numerous companies, but I feel that Nikke employees respect my values and culture rather than focus on what is different about me. It is in Nikke's corporate culture to earnestly accept outside knowledge and experience rather than just stick to conventional ways. One may think that old customs and values persist at a company with such a long history (I also thought this), but Nikke delegates authority by giving autonomy to the company organizations and employees responsible for certain processes, thus prioritizing objective assessment based on rational explanations and management indicators. This contributes to harmony among regularly hired employees and mid-career hires like myself.



I sensed there were barriers at other companies I transferred to in the past, but not at Nikke. We all strive for a workplace where we can grow by working together

## Corporate Governance

### Basic concept

**Meeting the expectations of stakeholders and improving corporate value through innovations in organizational governance that streamline management and increase transparency**

By recognizing the importance of strengthening corporate governance in order to improve our corporate value in a long-term and stable manner, we aim to secure corporate transparency and fairness and achieve operations that can be trusted by diverse stakeholders, including shareholders, in accordance with our corporate philosophy and corporate principles.

### Corporate Governance System

#### ● Institutional Design

Nikke Group has chosen a company with an audit and supervisory board as its institutional design based on the Companies Act, in which the board of directors and the audit and supervisory board supervise and monitor execution of business. We have also established an advisory board to complement the functions of the board of directors. Through these institutional forms, we have created a system for monitoring management to improve our corporate value in the medium to long term and a system for selecting the most suitable managers.

#### ● Structure of the Board of Directors

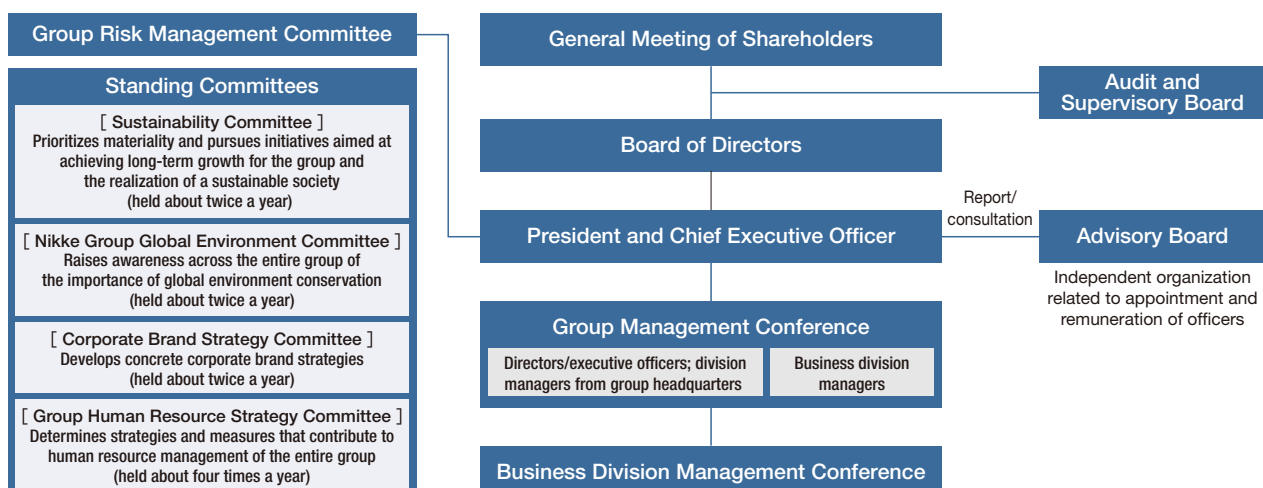
The Board of Directors consists of eight directors (including three external directors), who are balanced in terms of knowledge, experience, and capabilities and have diversified

backgrounds. We ensure that more than one third of the board members are external directors so that we can expect advice from various perspectives and strengthen the board's supervisory function. In addition, we hold a liaison meeting between external directors and Audit and Supervisory Board members twice a year as a place for exchanging information and sharing awareness with outside officers to revitalize the Board of Directors.

#### ● Structure of the Audit and Supervisory Board

The Audit and Supervisory Board consists of four people, including two highly independent external members. The Audit and Supervisory Board members visit each division and group company and interviews the division manager and the group company president about business and risks.

### Corporate Governance System



### ● Group Management Conference

The Group Management Conference consists of executive officers, Audit and Supervisory Board members, division managers, and division managers from group headquarters. It holds meetings twice or more per month to enable the chief executive officer to efficiently make important decisions regarding business execution by discussing each matter from various angles.

### ● Advisory Board

To strengthen the system for monitoring management and the system for selecting the most suitable managers, Nikke Group has established the Advisory Board, which functions as an appointment and remuneration committee and holds regular meetings twice a year. The Advisory Board, which is comprised of no more than five members, at least half of which are independent and external, receives reports regarding the appointment and remuneration of officers and matters that are essential to company management from the chief executive officer and provides advice.

## History

2001	Chairman of the Board of Directors made a director with no right of representation
2003	Shortened the term of office of directors to one year
2004	Established the Advisory Board
2005	Abolished the retirement allowance system for officers
2006	Introduced an executive officer system, invited external directors, and appointed reserve external Audit and Supervisory Board members
2007	Increased the number of external directors to two. Established a special committee to ensure the rationality and fairness of the response policy for the large-scale purchase of Nikke shares (takeover defense measures)
2009	Increased the number of external directors to three
2010	Appointed three independent officers (five as of February 2022)
2016	Established the Nikke Corporate Governance Guidelines (revised in December 2021)
2022	Introduced restricted stock compensation

## ■ Status of Cross-holdings

### ● Policy on Holdings

Regarding share cross-holdings, we disclose these in our securities report as well as conduct an annual review during which the Board of Directors considers a number of questions about each stock held, including the purpose for holding it and whether the risks and benefits of holding it justify the capital cost.

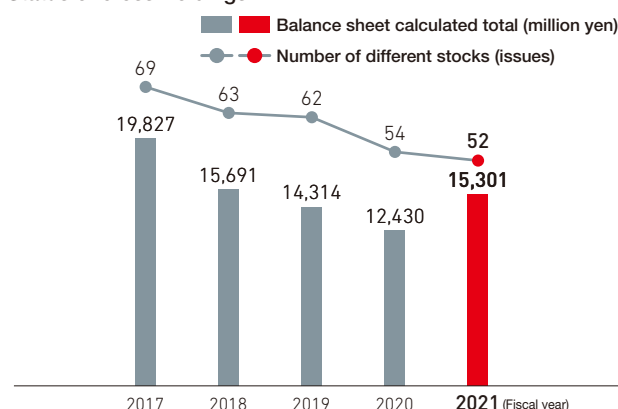
Based on the results of this review, we sold off 20 of our cross-holdings (eight of these partially) as part of the RN130 first medium-term management plan (fiscal 2017–2019), which represented a book value reduction of approximately 2.2 billion yen. Also, we sold off 23 of our cross-holdings between fiscal 2020 and fiscal 2021, which represented a book value reduction of approximately 400 million yen.

### ● Exercise of Voting Rights

With regard to the exercise of our voting rights for share cross-holdings, this is done when we have separately investigated and, when necessary, talked with the issuing

company in question to determine that the exercise of such rights will contribute to an increase in the medium-to-long-term corporate value of said company.

### Status of cross-holdings



In fiscal 2021, Ashimori Industry, Co., Ltd. was removed as an equity method affiliate and switched to investment securities.

## Remuneration of Directors

The Board of Directors determines the amount of remuneration for directors within the range of the total amount approved by a resolution of the general meeting of shareholders. However, prior to making the decision, the Advisory Board, which consists of internal and external members, is consulted on the matter to ensure objective and transparent procedures, and the appropriateness and reasonableness of remuneration through deliberation.

The remuneration system for directors was revised in fiscal 2022 to introduce restricted stock compensation. This revision, aimed at all directors who are not external directors, and at executive officers who are not directors, is intended to incentivize efforts to achieve sustained increases in corporate value, as well as to further facilitate

alignment with shareholder interests. As a result, the amount of remuneration for internal directors consists of a fixed remuneration, which is a standard amount based on job title, annual performance-linked remuneration, business result-linked remuneration related to the progress and achievement of the medium-term management plan, and share-based remuneration, which utilizes allocation of shares. All of this is paid at a ratio of 5:2:1:2 as a standard. Also, the amount of remuneration for the chairman of the Board of Directors consists of a fixed remuneration and share-based remuneration, which are paid at a ratio of 8:2. The amount of remuneration for external directors and Audit and Supervisory Board members is limited to a fixed remuneration, which is not linked to business results of the company in view of their roles and independence.

### Total amount of remuneration, etc. (results for the fiscal year ended November 2021)

	Total amount of remuneration, etc.	Total amount of remuneration by type			Number of eligible executives
		Basic remuneration (fixed remuneration)	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (of which, external directors)	209 million yen (18 million yen)	155 million yen (18 million yen)	53 million yen (—)	— (—)	8 (3)
Audit and Supervisory Board members (of which, external Audit and Supervisory Board members)	49 million yen (12 million yen)	49 million yen (12 million yen)	— (—)	— (—)	4 (2)

#### Note:

- ▶ Total remuneration includes an anticipated 34 million yen directors' bonus for the fiscal year.
- ▶ The maximum amount of remuneration for directors and Audit and Supervisory Board members was revised at the 189th Ordinary General Meeting of Shareholders held on February 26, 2020, with an annual remuneration of up to 300 million yen for directors (of which, up to 24 million yen for external directors) and an annual remuneration of up to 80 million yen for Audit and Supervisory Board members (of which, up to 16 million yen for external Audit and Supervisory Board members). Also, at the Ordinary General Meeting of Shareholders held on February 25, 2022, a remuneration framework separate from that above was approved to set aside up to 50 million yen and 100,000 shares of Nikke common stock per year as monetary claims used for funding restricted stock compensation for directors (excluding external directors).
- ▶ For details, please see pages 18 and 32 of the Notice of Convocation of the 191st Ordinary General Meeting of Shareholders. <https://www.nikke.co.jp/tr/>

## Evaluation of the Effectiveness of the Board of Directors

With respect to the evaluation of the effectiveness of the Board of Directors in fiscal 2021, we conducted a self-evaluation on the composition, content of discussions, and methods of operation of the Board of Directors by distributing questionnaires to directors and Audit and Supervisory Board members. As a result of analyzing the self-evaluation and organizing the issues at the Board of Directors, it was confirmed that the self-evaluation of our Board of Directors was high overall.

The liaison meeting between external directors and Audit and Supervisory Board members, which is held regularly to facilitate information and awareness-sharing with independent external directors, has been well-received for its effectiveness. In addition, the assessment of the overall composition of the Board of Directors has improved. Meanwhile, we recognize the continuing need for

more well-balanced proceedings that align with the agenda.

We will refer to these evaluation results as we continue working to enhance the efficacy of the Board of Directors and strengthen our corporate governance.

### Overview of Matters for Deliberation by the Board of Directors

As a general rule, the Board of Directors meets once a month to make decisions on various matters, such as matters prescribed by law and the articles of incorporation or important investment and loan matters. It also receives reports on, and oversees the status of, operations of the different businesses and group companies. The board also facilitates and oversees corporate strategy, including the approval and progress management of group planning, such as medium-term management plans and fiscal year plans, and the drafting and progress management of important investments.

### Primary matters for deliberation by the Board of Directors (for the fiscal year ended November 2021)

Management strategy related	Medium-term management plan / management plan for the coming fiscal year / financial plan / financial results / performance management / group company financial results / progress management of M&A, restructuring, and investments
Governance	Directors, Audit and Supervisory Board members, executive officers, and important division management personnel / Advisory Board appointment / policy decision-making (e.g., director remuneration) / liability limitation agreements with D&O insurance and outside officers / Audit and Supervisory Board auditing policies and planning / internal control audit planning / accounting auditor audit planning / verification of cross-shareholdings / Board of Directors effectiveness evaluation / Tokyo Stock Exchange new market segment and corporate governance code revision initiatives
Investment and loans	Important investments (production facilities, commercial facilities, opening of new branches, Tokyo Building redevelopment, etc.) / core system investments / investment planning and results comparison
Shareholder related	Shareholder returns / dividend policy / shareholder special benefit plan revision / general meeting of shareholders operating policy and results summarization / deliberation on response policy for the large-scale purchase of Nikke shares

# Compliance and Risk Management

## Risk Recognition

Nikke Group has established the Group Risk Management Committee to identify the risks recognized by the group and strengthen the risk management system for preventing the risks and minimizing losses.

### Business risks

- Declining business results, business withdrawal of important business partners, etc.
- Business reorganization, and improvement of business structure
- Significant drop in stock prices, fluctuations in exchange rates, etc.
- Product defects, etc.
- Purchase of raw materials
- Overseas business development
- Disasters, spread of serious infectious diseases, etc.
- Impairment losses on fixed assets

Note: For details please see page 16 onwards of the 191st Securities Report.  
<https://www.nikke.co.jp/ir/>

## Risk Management System

Through audits by the Audit and Supervisory Board and the Internal Audit Department and Group Risk Management Committee meetings held twice a year, Nikke Group aims to improve comprehensive group-wide recognition and sharing of the risks and conducts regular reviews on the risk management system. Business divisions and group companies also hold Risk Management Committee meetings to understand the risks unique to each business. In order to prevent the spread of COVID-19, we are implementing measures under the instruction of the contingency task force including: encouraging employees to refrain from taking business trips and holding large meetings, utilizing online tools such as online meeting systems, working from home, utilizing staggered working hours, and developing and strengthening contact systems.

### Structure of Nikke Group Risk Management Committee



## Protection of Whistleblowers

Nikke Group has established a whistleblower contact desk for reporting illegal activities and activities that violate the Corporate Code of Ethics. We have informed employees about this contact desk via the Corporate Ethics Handbook and the company intranet.

This whistleblower contact desk can be accessed via two routes, the Audit and Supervisory Board and the Internal Audit Office. The system is designed so that report confidentiality is strictly maintained. There were three reports received in fiscal 2021. Also, in anticipation of the revisions to the Whistleblower Protection Act, we have revised our whistleblower system regulations and are working to strengthen compliance management group-wide.

## Handling of Information

### Respect for Intellectual Property

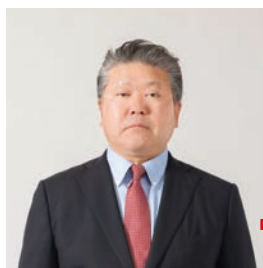
On December 1, 2008, Nikke Group established the Environment/Intellectual Property Control Office (currently, System/Environment Development Office). By establishing a system that supervises the management of intellectual property owned by the entire Nikke Group, we strive to make effective use of and defend the patents owned by the group. In addition to handling the conclusion of non-disclosure agreements for joint research projects and inventions that have been created, we are working to ensure that intellectual property outside the group are also thoroughly respected. At Nikke Group, intellectual property created by employees related to their work are evaluated and treated based on the rules for handling employee inventions, which is an incentive system for inventions.

### Protection of Personal Information

Nikke Group recognizes that information is an important asset for continuing its business and believes that properly handling and protecting personal information is its social responsibility. Having established the Nikke Group Privacy Policy and Nikke Group Personal Information Protection Regulations in 2005 and built a management system based on these, we conscientiously manage personal information to ensure that it is handled appropriately. We also implement awareness-raising activities regularly through the Nikke Group Corporate Ethics Handbook, internal newsletters, and e-learning.



## Nikke Officers (As of February 25, 2022)



■ Kazuya Tomita

Chairman  
Date of birth: April 3, 1959  
Number of years as board member: 9  
Number of shares held: 83 thousand  
Attendance at Board of Directors meetings (previous term): 12/12 meetings

**Reasons for appointment**

As president and chief executive officer, Tomita performed appropriate management supervision and decision-making on important matters. He facilitated the drafting and implementation of the second medium-term management plan, which achieved 11 consecutive periods of profit growth. Further, he is judged to be the appropriate choice for this appointment in light of his success in pursuing diversification of group business and the steady implementation of initiatives in different business fields and for driving other efforts to strengthen our corporate group.



■ Yutaka Nagaoka

President and Chief Executive Officer  
Date of birth: September 7, 1961  
Number of years as board member: 2  
Number of shares held: 32 thousand  
Attendance at Board of Directors meetings (previous term): 12/12 meetings

**Reasons for appointment**

As a director, Nagaoka performed appropriate management supervision and decision-making on important matters. As a managing executive officer, he was the general manager of the Human & Future Development Division, where he facilitated smooth expansion in all business fields. In particular, he is judged to be the appropriate choice for this appointment in light of his positioning of the life support field, which encompasses nursing care, childcare, sports schools, and child-related businesses, to be a growth driver and for developing measures, such as opening new business sites, which are aimed at medium and long-term growth.



■ Kuniaki Hihara

Director and Managing Executive Officer  
General Manager of Industrial Machinery & Materials Division  
Date of birth: May 7, 1957  
Number of years as board member: 4  
Number of shares held: 31 thousand  
Attendance at Board of Directors meetings (previous term): 12/12 meetings

**Reasons for appointment**

As a director, Hihara performed appropriate management supervision and decision-making on important matters. As a managing executive officer, he was the general manager of the Industrial Machinery & Materials Division, where he focused resources on growth industries connected with automobiles and the environment, strengthened overseas business, achieved synergistic results with the now-Nikke Group member Fuji Corporation, expanded nonwoven fabric business, and produced other results for which he is judged to be the appropriate choice for this appointment.



■ Yoshiro Kawamura

Director and Managing Executive Officer  
General Manager of Human & Future Development Division  
Date of birth: November 15, 1960  
Number of years as board member: 3  
Number of shares held: 30 thousand shares  
Attendance at Board of Directors meetings (previous term): 12/12 meetings

**Reasons for appointment**

As a director, Kawamura performed appropriate management supervision and decision-making on important matters. As a managing executive officer, he was the general manager of the Textile & Clothing Materials Division, where he strengthened the profitability of existing business and cultivated new business. In particular, he is judged to be the appropriate choice for this appointment in light of his steady pursuit of measures that position overseas business as growth drivers and cultivate functional materials business.

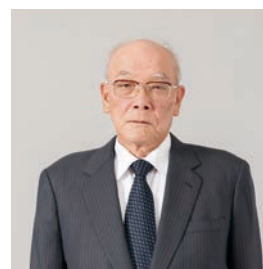


■ Takehiro Okamoto

Director and Managing Executive Officer  
Director of Corporate Strategy Center  
Date of birth: June 9, 1961  
Number of years as board member: – (newly appointed)  
Number of shares held: 25 thousand shares  
Attendance at Board of Directors meetings (previous term): –/– meetings

**Reasons for appointment**

As a managing executive officer, Okamoto oversaw the Corporate Strategy Center as director, formulating and promoting corporate strategy, shaping corporate governance, and facilitating overall group financial, HR, IR, and M&A strategies, among other achievements for which he is judged to be the appropriate choice for this appointment.



■ Yoshihiro Ohnishi

External Director (independent officer)  
Date of birth: January 26, 1946  
Number of years as board member: 4  
Number of shares held: –  
Attendance at Board of Directors meetings (previous term): 12/12 meetings

**Reasons for appointment**

Ohnishi has experience in management at other companies, along with proven results and ample experience in the machine manufacturing industry, which he draws upon while serving in an independent supervisory role among the Board of Directors. In addition, as an external member of the Advisory Board, who advises on the appointment and remuneration of officers and matters put forward by the chief executive officer that are essential to company management, he is judged to be an appropriate appointment who can contribute to improved corporate governance.

Name	Kazuya Tomita	Yutaka Nagaoka	Kuniaki Hihara	Yoshiro Kawamura	Takehiro Okamoto
Position	Chairman	President and Chief Executive Officer	Director and Managing Executive Officer General Manager of Industrial Machinery & Materials Division	Director and Managing Executive Officer General Manager of Human & Future Development Division	Director and Managing Executive Officer Director of Corporate Strategy Center
Skills	Corporate management	●	●	●	
	Sales	●			●
	Engineering/R&D		●	●	
	Finance/accounting	●			●
	HR/labor	●	●		●
	Legal/risk management	●			●
	Global experience		●	●	●
Business experience at Nikke	Textile & Clothing Materials	●	●	●	
	Industrial Machinery & Materials		●	●	●
	Human & Future Development	●	●		●
	Consumer Goods & Services	●	●		



■ Yasuhiro Wakamatsu

External Director (independent officer)  
 Date of birth: August 6, 1954  
 Number of years as board member: – (newly appointed)  
 Number of shares held: –  
 Attendance at Board of Directors meetings (previous term): –/– meetings

**Reasons for appointment**

Wakamatsu has experience in management at other companies, along with proven results and ample experience in the warehouse industry, which he draws upon while serving in an independent role focused on management supervision and sustained improvement in corporate value for the Nikke Group. He is thus judged to be an appropriate appointment who can contribute to improved corporate governance.



■ Seishi Miyajima

External Director (independent officer)  
 Date of birth: January 11, 1960  
 Number of years as board member: – (newly appointed)  
 Number of shares held: –  
 Attendance at Board of Directors meetings (previous term): –/– meetings

**Reasons for appointment**

Miyajima has experience in management at other companies, along with proven results and ample experience in the real estate industry, which he draws upon while serving in an independent role focused on management supervision and sustained improvement in corporate value for the Nikke Group. He is thus judged to be an appropriate appointment who can contribute to improved corporate governance.



■ Shogo Ueno

Audit and Supervisory Board member  
 Date of birth: July 6, 1957  
 Number of years as board member: 2\*  
 Number of shares held: 27 thousand  
 Attendance at Board of Directors meetings (previous term): 12/12 meetings  
 Attendance at Audit and Supervisory Board meetings (previous term): 12/12 meetings

**Reasons for appointment**

As a director, Ueno has overall management experience encompassing a broad range of business, including Textile & Clothing Materials, Human & Future Development, and Consumer Goods & Services. As a full-time Audit and Supervisory Board member, he has participated in key meetings, conducted visiting audits of group companies, and been involved in other duties, which have provided him with a great deal of insight into Nikke Group business. In addition, Ueno also has group company management experience. He is thus judged to be an appropriate appointment who can contribute to auditing that will ensure good corporate health.



■ Junichi Komiya

Audit and Supervisory Board member  
 Date of birth: September 14, 1958  
 Number of years as board member: 4  
 Number of shares held: 18 thousand  
 Attendance at Board of Directors meetings (previous term): 12/12 meetings  
 Attendance at Audit and Supervisory Board meetings (previous term): 12/12 meetings

**Reasons for appointment**

Komiya has a broad range of experience with Nikke, including sales, marketing, public relations, general affairs, legal affairs, and internal auditing. As a full-time Audit and Supervisory Board member, he has participated in key meetings, conducted visiting audits of group companies, and been involved in other duties, which have provided him with a great deal of insight into Nikke Group business. In addition, Komiya also has group company management experience. He is thus judged to be an appropriate appointment who can contribute to auditing that will ensure good corporate health.

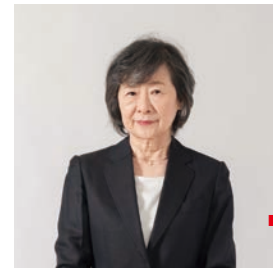


■ Takeshi Katayama

External Audit and Supervisory Board member (independent officer)  
 Date of birth: February 26, 1950  
 Number of years as board member: 7  
 Number of shares held: –  
 Attendance at Board of Directors meetings (previous term): 12/12 meetings  
 Attendance at Audit and Supervisory Board meetings (previous term): 12/12 meetings

**Reasons for appointment**

Katayama has experience in management at other companies, along with proven results and ample experience in the finance industry, which he draws upon to carry out independent and objective audits that help ensure corporate health. He is thus judged to be an appropriate appointment who can contribute to improved corporate governance as an external Audit and Supervisory Board member.



■ Michiko Uehara

External Audit and Supervisory Board member (independent officer)  
 Date of birth: December 24, 1949  
 Number of years as board member: 5  
 Number of shares held: –  
 Attendance at Board of Directors meetings (previous term): 11/12 meetings  
 Attendance at Audit and Supervisory Board meetings (previous term): 12/12 meetings

**Reasons for appointment**

As a highly skilled attorney, Uehara draws upon a wealth of experience to carry out independent and objective audits that help ensure corporate health. She is thus judged to be an appropriate appointment who can contribute to improved corporate governance as an external Audit and Supervisory Board member.

\* Before his appointment as a Nikke Audit and Supervisory Board member, Shogo Ueno had two years of experience serving as a Nikke director.

	Yoshihiro Ohnishi	Yasuhiro Wakamatsu	Seishi Miyajima	Shogo Ueno	Junichi Komiya	Takeshi Katayama	Michiko Uehara
External Director (independent officer)		External Director (independent officer)	External Director (independent officer)	Full-time Audit and Supervisory Board member	Full-time Audit and Supervisory Board member	External Audit and Supervisory Board member (independent officer)	External Audit and Supervisory Board member (independent officer)
	●	●	●	●	●	●	
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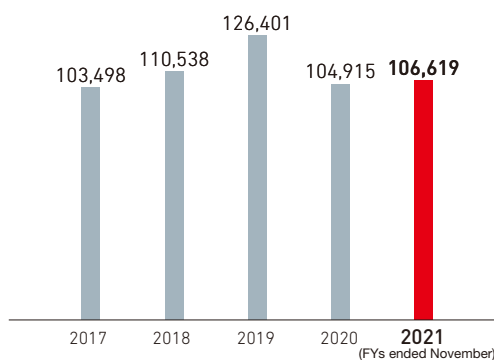
## Changes in Significant Financial Data (Over 11 Years)

	FY ended Nov. 2011	FY ended Nov. 2012	FY ended Nov. 2013	FY ended Nov. 2014	FY ended Nov. 2015
<b>Consolidated Profit/Loss</b>					
Sales (million yen)	87,659	97,357	97,677	100,477	102,854
Operating income (million yen)	5,056	5,337	5,596	6,028	7,342
Ordinary income (million yen)	4,942	5,401	6,023	6,635	7,799
Net income attributable to owners of parent (million yen)	3,102	3,261	3,346	3,572	4,690
<b>Consolidated Financial Standing</b>					
Net assets (million yen)	67,642	70,046	77,485	79,442	81,807
Total assets (million yen)	111,392	117,792	132,931	133,938	132,749
Interest-bearing liabilities (million yen)	13,032	15,976	20,678	17,748	16,879
<b>Consolidated Free Cash Flow</b>					
Cash flow from operating activities (million yen)	4,299	5,397	6,180	12,146	6,845
Cash flow from investing activities (million yen)	(2,183)	(3,740)	(10,104)	(4,061)	(2,324)
Cash flow from financing activities (million yen)	(5,023)	1,505	2,158	(5,334)	(4,909)
Free cash flow (million yen)	2,116	1,657	(3,924)	8,085	4,521
Balance of cash and cash equivalents at year's end (million yen)	10,247	13,525	11,986	14,923	14,686
<b>Per Share Information</b>					
Net assets per share (yen)	879.84	913.10	1,010.83	1,036.09	1,096.44
Net profit per share (yen)	40.13	42.98	44.16	47.15	62.17
Dividends (yen)	18	18	18	18	20
Price-to-earnings ratio (PER)	13.83x	12.91x	17.19x	16.25x	15.02x
Dividend payout ratio	44.9%	41.9%	40.8%	38.2%	32.2%
Highest stock price (yen)	789	649	873	816	1,042
Lowest stock price (yen)	532	513	549	680	737
<b>Financial Data</b>					
Operating margin (%)	5.8%	5.5%	5.7%	6.0%	7.1%
Equity ratio (%)	60.0%	58.8%	57.6%	58.6%	60.9%
Return on equity (ROE)	4.6%	4.7%	4.6%	4.6%	5.9%
Capital investment (million yen)	2,128	3,678	6,804	6,127	3,066
Depreciation (million yen)	3,494	3,505	3,383	3,671	3,564

FY ended Nov. 2016	FY ended Nov. 2017	FY ended Nov. 2018	FY ended Nov. 2019	FY ended Nov. 2020	FY ended Nov. 2021
100,982	103,498	110,538	126,401	104,915	<b>106,619</b>
7,620	8,348	8,368	10,472	9,048	<b>9,900</b>
7,649	9,089	9,128	11,165	12,655	<b>9,784</b>
5,002	5,270	5,274	6,520	7,121	<b>8,308</b>
82,155	89,067	89,195	93,344	95,714	<b>104,620</b>
130,635	140,202	141,644	148,707	147,172	<b>163,632</b>
15,413	16,742	18,139	17,476	20,771	<b>21,082</b>
9,514	9,206	5,812	13,694	11,315	<b>12,404</b>
(6,590)	(6,695)	(2,933)	(3,143)	(6,225)	<b>(2,093)</b>
(3,361)	(743)	(1,483)	(2,923)	(359)	<b>(1,483)</b>
2,924	2,511	2,879	10,551	5,090	<b>10,311</b>
14,265	15,951	17,425	25,013	29,927	<b>41,052</b>
1,101.87	1,194.34	1,212.69	1,264.35	1,310.05	<b>1,398.04</b>
67.88	71.52	72.26	89.70	98.57	<b>115.07</b>
22	22	22	26	27	<b>28</b>
11.79x	13.87x	12.72x	11.85x	10.71x	<b>7.31x</b>
32.4%	30.8%	30.4%	29.0%	27.4%	<b>24.3%</b>
949	1,054	1,205	1,115	1,153	<b>1,072</b>
664	766	840	727	706	<b>834</b>
7.5%	8.1%	7.6%	8.3%	8.6%	<b>9.3%</b>
62.2%	62.8%	62.2%	61.8%	63.8%	<b>62.9%</b>
6.2%	6.2%	6.0%	7.2%	7.7%	<b>8.4%</b>
5,966	6,063	3,227	3,865	3,562	<b>3,525</b>
3,490	3,681	3,780	3,580	3,669	<b>3,669</b>

## Changes in Financial Data in Graphs

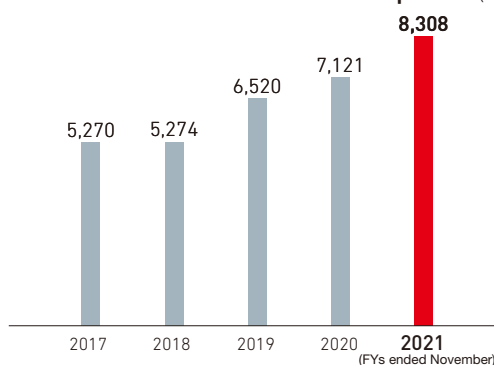
Sales (million yen)



Up 1.6% YoY

Sales for the fiscal year ended November 2021, which was the first year of the second medium-term management plan, increased 1.6% YoY to 106,619 million yen as a result of medium and long-term strategic efforts, such as expansion of overseas business and improvement in capital efficiency, combined with business operations focused on adapting to the impact of the COVID-19 pandemic.

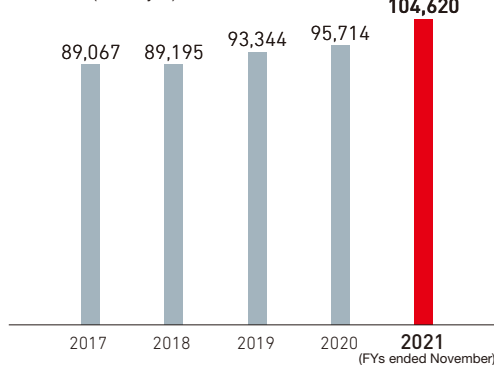
Net income attributable to owners of parent (million yen)



Up 16.7% YoY

We set an all-time record-high for net income attributable to owners of parent (up 16.7% YoY) as a result of posting negative goodwill arising from making Fuji Corporation, an affiliate accounted for using the equity method, into a wholly owned subsidiary.

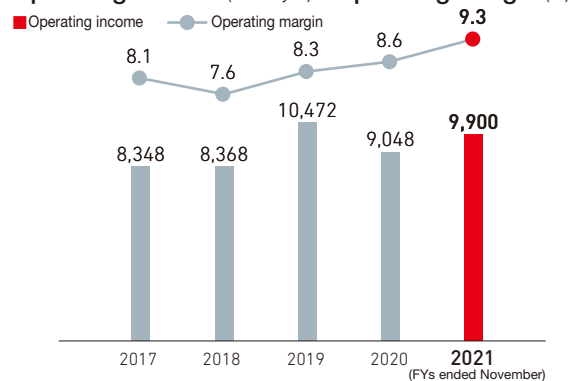
Net assets (million yen)



Up 9.3% YoY

Net assets increased 9.3% YoY to 104,620 million yen. This was mainly due to an increase in retained earnings and a decrease in treasury shares. Net assets per share also increased to 1,398.04 yen.

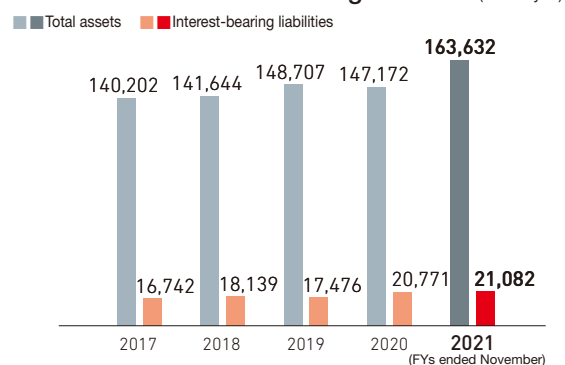
Operating income (million yen) / Operating margin (%)



Operating income up 9.4% YoY, operating margin up 0.7 points YoY

Operating income increased 9.4% YoY to 9,900 million yen. We exceeded our initial target by diversifying risks through diversified group management, and through initiatives addressing each relevant business environment.

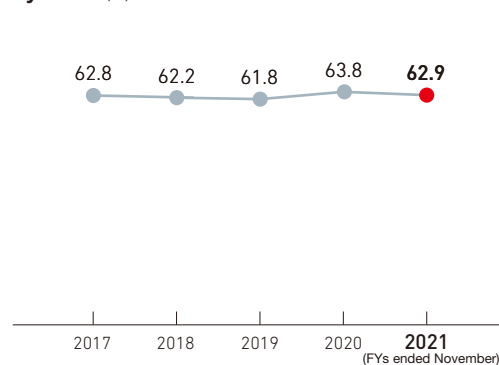
Total assets / Interest-bearing liabilities (million yen)



Total assets up 16,460 million yen, interest-bearing liabilities up 311 million yen

Due to increases in cash, deposits, and trade receivables, total assets were up 16,460 million yen to 163,632 million yen. Interest-bearing liabilities increased 311 million yen YoY to 21,082 million yen.

Equity ratio (%)

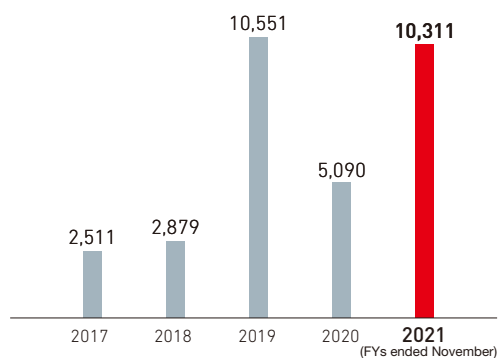


Down 0.9 points YoY from 63.8% to 62.9%

Though equity ratio fell from 63.8% to 62.9% YoY, it remains at a high level.



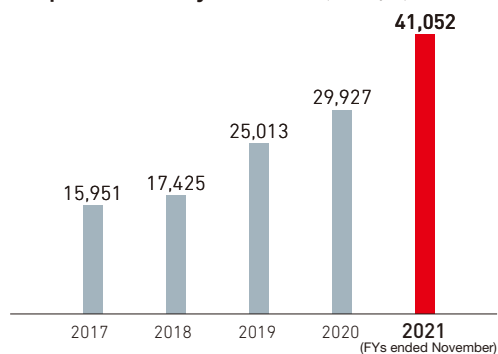
### Free cash flow (million yen)



#### Up 5,221 million yen YoY

Operating cash flow was 12,404 million yen, while investment cash flow was minus 2,093 million yen, leaving free cash flow of 10,311 million yen for the period.

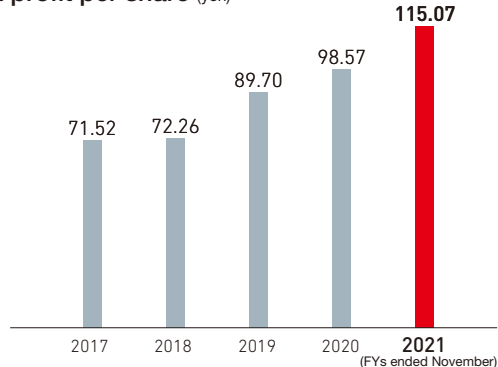
### Balance of cash and cash equivalents at year's end (million yen)



#### Up 11,125 million yen YoY

The balance of cash and cash equivalents at year's end increased by 11,125 million yen YoY to 41,052 million yen.

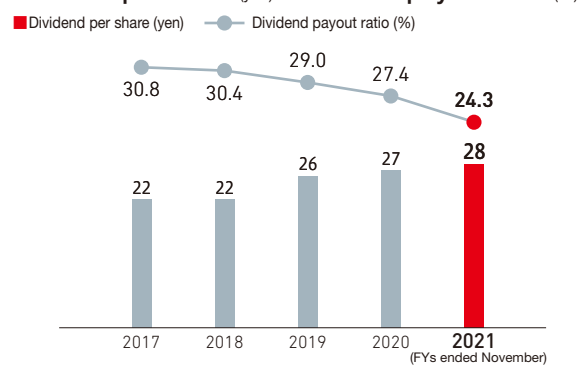
### Net profit per share (yen)



#### Up 16.50 yen YoY

Net profit per share increased by 16.50 yen to 115.07 yen from last year's 98.57 yen. We consider this a key business indicator.

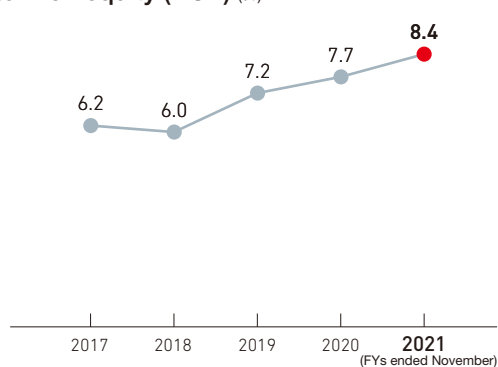
### Dividend per share (yen) / Dividend payout ratio (%)



#### Annual dividend up 1 yen YoY

Annual dividend increased by 1 yen to 28 yen from last year's 27 yen. Dividend payout ratio was 24.3%.

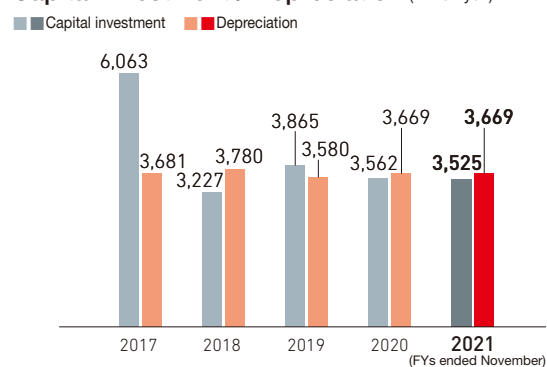
### Return on equity (ROE) (%)



#### Up 0.7 points YoY

ROE increased by 0.7 points from last year's 7.7% to 8.4%. We are maintaining the target level of 7.0% or higher under the medium-term management plan. We consider this a key business indicator.

### Capital investment / Depreciation (million yen)



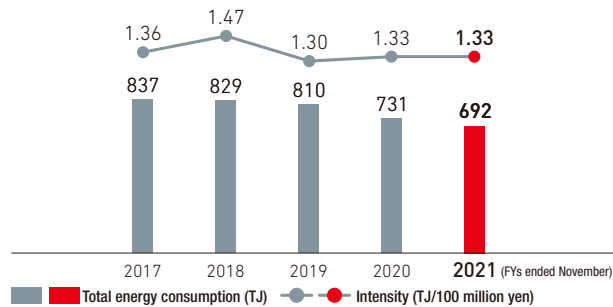
#### Capital investment 3,525 million yen, depreciation 3,669 million yen

The amount of capital investment this fiscal year was 3,525 million yen. This is mainly accounted for by factors such as the opening of new nursing care facilities and the construction of commercial facility infrastructure. Furthermore, depreciation was 3,669 million yen.

## Environment

Figures have been changed because of the addition and retroactive tabulation back to fiscal 2016 of the results data for shopping centers and Nikke Machine Manufacturing Corp., which have large environmental loads.

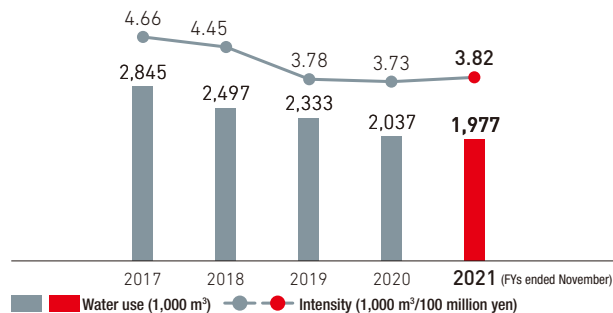
### Total energy consumption (Nikke mills + domestic group companies)



**Despite a reduction of 5.3% YoY, the target was not met due to intensity remaining at the same level**

The total energy consumption intensity was 100.1%, which did not meet the target of "99.0% or less compared with FY2020." The main reasons for this were a reduction in production volume caused by a low number of orders and an increase in power usage for air conditioning to combat the spread of COVID-19. However, efficient energy usage was able to keep the situation from worsening.

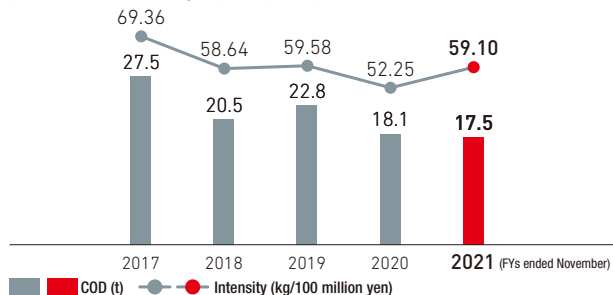
### Water resource use and intensity (Mills + domestic group companies)



**Despite a reduction of 2.9% YoY, the target was not met due to a 2.4% increase in intensity**

We use tap water, industrial water, and groundwater for production. Water consumption in fiscal 2021 decreased by 2.9% and water intensity increased by 2.4% compared with fiscal 2020. We will continue to work to reduce our water usage by recycling water and strengthening inspections and repairs of our piping systems.

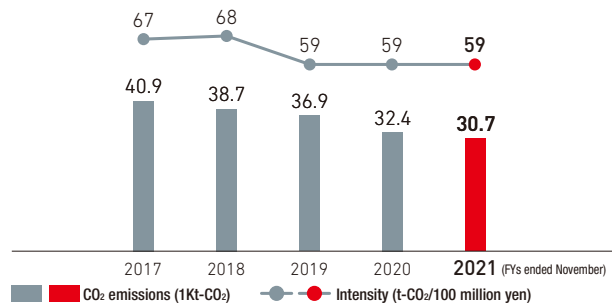
### Wastewater management (water pollution discharge: COD load) (Nikke mills + domestic group companies)



**A 0.6 point YoY reduction was achieved, which met the target; however, intensity increased**

Factory wastewater, including COD load and SS load, is released into rivers and other public bodies of water after having this environmental load reduced at our own wastewater treatment facilities or public wastewater treatment plants. In addition to conducting regular and reliable maintenance, each factory conducts daily managed operations, has established extra wastewater standards, performs regular wastewater quality analysis, and takes other steps to manage wastewater levels below those stipulated by the Water Pollution Prevention Act and other relevant laws, regulations, and environmental agreements.

### CO<sub>2</sub> emissions (Nikke mills + domestic group companies)

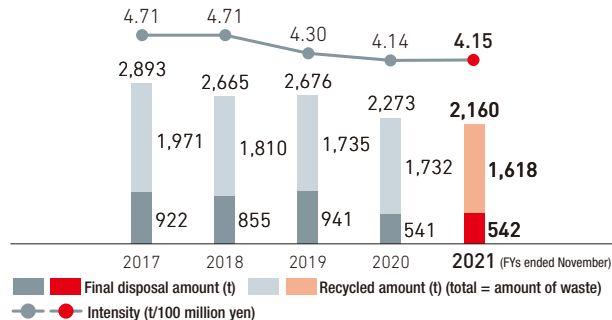


Note: The FY2020 CO<sub>2</sub> emission factor was used to calculate FY2021 results because the CO<sub>2</sub> emission factor for FY2021 had not been announced. Also, FY2020 results have been revised to reflect the newly released FY2020 CO<sub>2</sub> emission factor. Figures thus differ from those reported last year.

**Despite a reduction of 5.2% YoY, the target was not met due to intensity remaining at the same level**

The intensity of CO<sub>2</sub> emissions was 100.3%, which did not meet the target of "99.0% or less compared with FY2020." This was mainly due to the same reasons responsible for the increase in energy intensity. Compared to 1990 levels, under which the Kyoto Protocol was based, our CO<sub>2</sub> emissions decreased by 77.0% in the domestic manufacturing division and by 78.6% including the shopping center division.

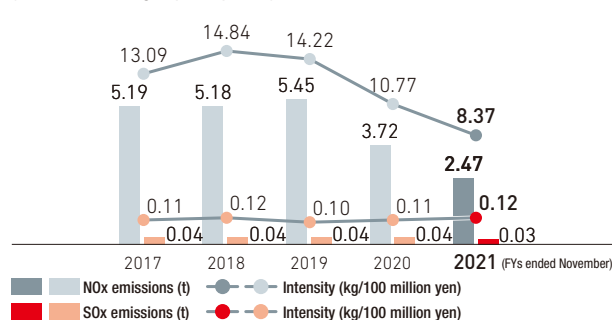
### Amount of waste, recycled amount, final disposal amount (Nikke mills + domestic group companies)



**Waste generation intensity was 100.4% YoY and did not meet the target**

The intensity of waste generation was 100.4%, which did not meet the target of "99.0% or less compared with FY2020." At shopping centers, there was an increase in the amount of waste as a result of increased sales; however, we were able to improve sales intensity. In our offices, we are working to reduce waste by going paperless.

### Air quality management (SO<sub>x</sub> and NO<sub>x</sub> emissions) (Mills + domestic group companies)

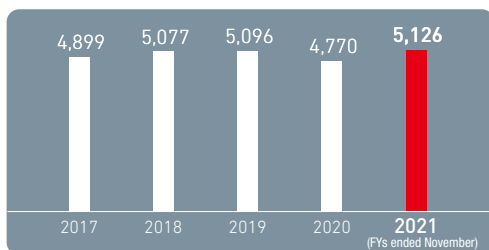


**A 0.1 YoY reduction in SO<sub>x</sub> emissions was achieved; however, intensity increased 0.01%**

**NO<sub>x</sub> emissions intensity decreased 33.6% YoY, meeting the target**  
SO<sub>x</sub>, NO<sub>x</sub>, and particulate matter emissions from the Nikke Group are contained in boiler exhaust gas, with SO<sub>x</sub> emissions, in particular being attributable to boiler fuel. Nikke Innami Mill, Ichinomiya Office, Gifu Mill, and Ambic use natural gas and other such fuels to power their boilers, resulting in zero SO<sub>x</sub> emissions. In addition to conducting regular and reliable maintenance, each factory conducts daily managed operations and performs regular exhaust gas analysis to manage NO<sub>x</sub> and particulate matter exhaust levels below those stipulated by the Air Pollution Control Act and other relevant laws, regulations, and environmental agreements.

# Social

Number of employees (entire Nikke Group)

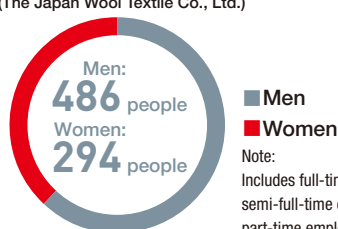


The total number of employees in the Nikke Group for the fiscal year ended November 2021 was 5,126. This is an increase of 356 over the previous year as a result of pursuing an M&A-driven diversification strategy, which added new employees.

Number of mid-career hires (The Japan Wool Textile Co., Ltd.)



Ratio of men and female employees (The Japan Wool Textile Co., Ltd.)



Note: Includes full-time employees, semi-full-time employees, part-time employees, and loaned employees.

Ratio of men and female managers (The Japan Wool Textile Co., Ltd.)



Number of new graduate hires (The Japan Wool Textile Co., Ltd.)



Number of employees with disabilities (The Japan Wool Textile Co., Ltd.)



Number of employees who took childcare leave (The Japan Wool Textile Co., Ltd.)



Number of employees who took nursing care leave (The Japan Wool Textile Co., Ltd.)



Average number of annual paid holidays (The Japan Wool Textile Co., Ltd.)



Average age of employees (The Japan Wool Textile Co., Ltd.)

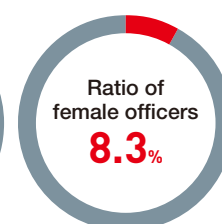
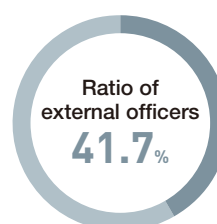
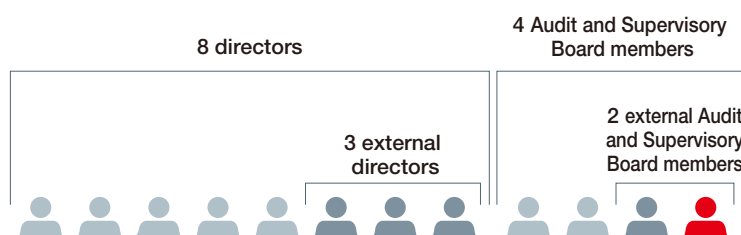


Average length of service of employees (The Japan Wool Textile Co., Ltd.)



# Governance

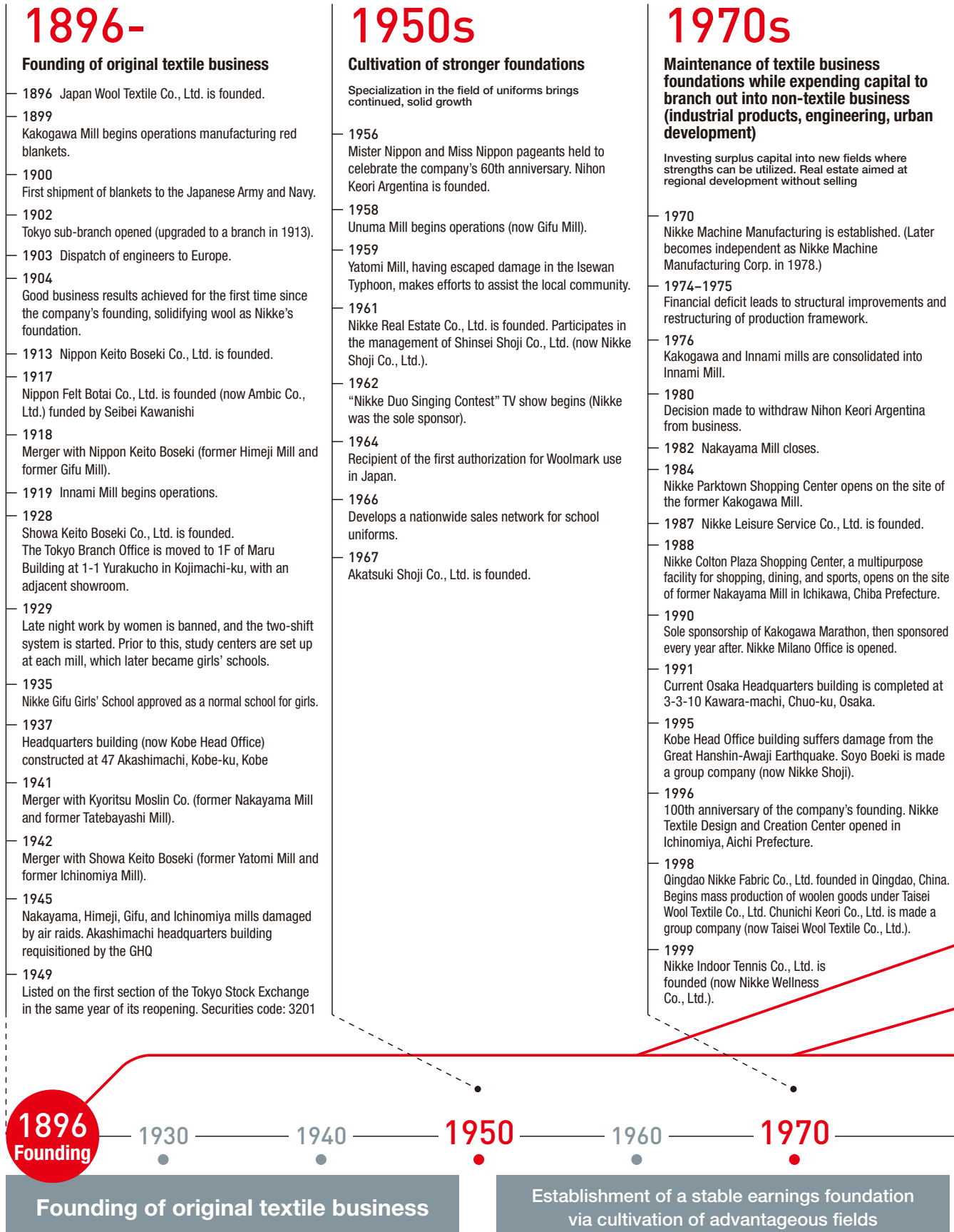
Structure of the Board of Directors and Audit and Supervisory Board



The total number of external officers in the Nikke Group for the fiscal year ended November 2021 was five, of which one is a woman. The percentage of female officers is 8.3%.

## The Nikke Group's story is one of value transformation

One of the strengths of our business is our unique sustainable management model by which we have taken the diverse capital cultivated from our original textile business and turned it into a broad business portfolio. This is based on a management policy that combines reliability and initiative to stay abreast of changing times, continually transforming know-how and experience into new value for society.







Our company logo is a stylized version of the kanji for "wool" surrounded by the sun



Founder Seibei Kawanishi, at the age of 33 when he succeeded to the name and became Seibei Kawanishi VI

## 2000s

### Reinvestment in value drivers (investment and M&A that catalyze new value for society)

Pursuing not only M&A centered on textile business consolidation (textile reorganization) but also entry into new fields with high social demand

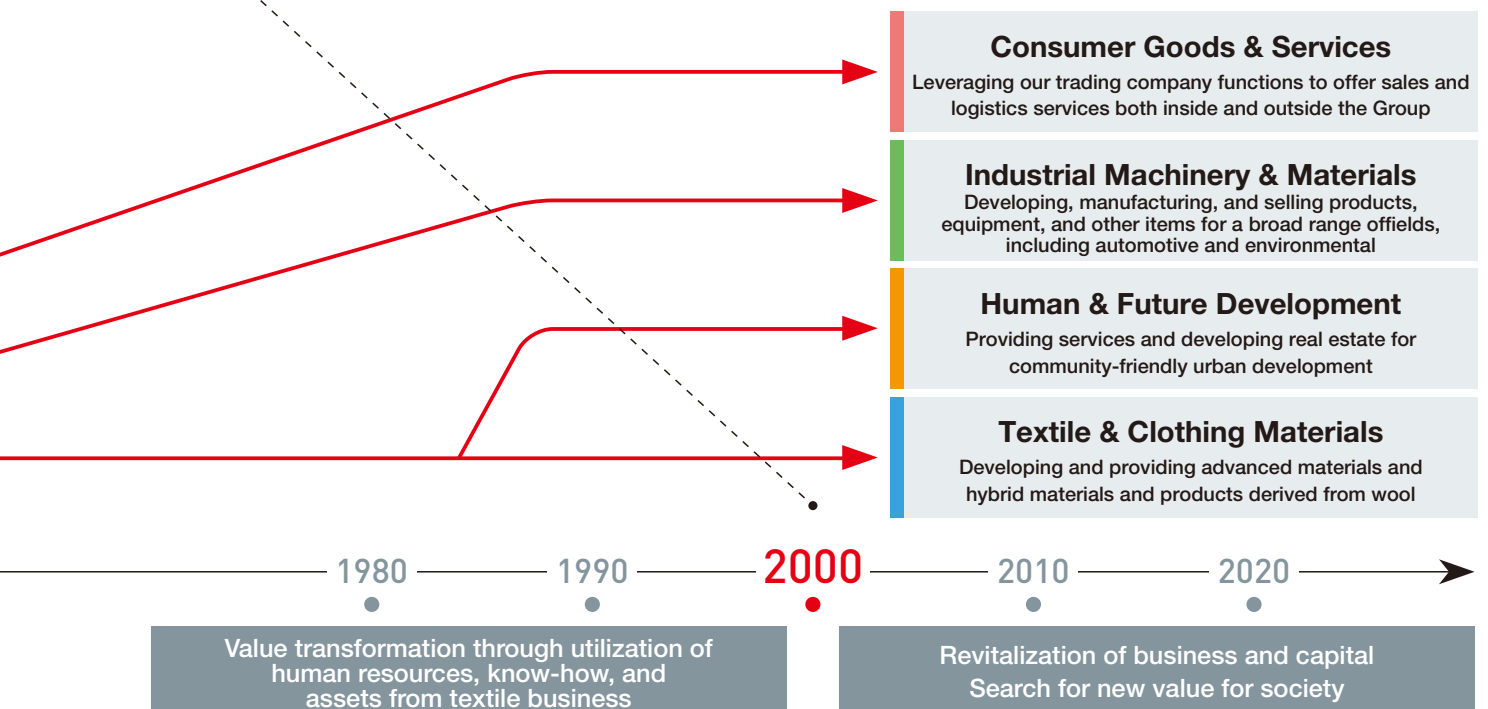
- 2001  
Shinsei Shoji; Matsumoto Co., Ltd.; and Eiko Shinso Co., Ltd. merge to form Nikke Shoji Co., Ltd.
- 2002  
Nikke Care Service Co., Ltd. is founded. Ambic Co., Ltd. is made a group company. Redevelopment of idle land in Yatomi, Gifu, and Ichinomiya.
- 2003  
GCC Co., Ltd. is made a group company.
- 2004  
Kansai Media Hanbai Co., Ltd. is made a group company (now Nikke Audeo Service and Development Co., Ltd.).
- 2006  
Gosen Co., Ltd.; Nakahiro Corp.; and Satoh Sangyo Co., Ltd. are made group companies.
- 2007  
Consolidated sales exceed 100 billion yen. The NN120 Vision is formulated to eliminate the division between textile and non-textile businesses and to divide business into six divisions with all segments treated as our main business.

- 2008  
Adopted the shortened company name Nikke.
- 2009  
Implemented measures to address deteriorating business results in the wake of the economic downturn that resulted from the 2008 financial crisis. Extended the retirement age to 65.
- 2011  
Yuei Trading Co., Ltd. is made a group company.
- 2012  
Nikke (Shanghai) Management Co., Ltd. is founded. Nankai Keito Boseki is made a group company (now Nikke Textile Co., Ltd.). NN120 Vision 2nd medium-term management plan is formulated. Transitions to a four business division system.
- 2013  
Tsukineko Co., Ltd. is made a group company. Nikke (Thailand) Co., Ltd. is founded. Nikke Machinaka Power Plant begins operating in Akashi Tsuchiyama.
- 2014  
Niceday Inc. is made a group company.
- 2015  
Pamco Inc. and Sugimoto Textile Inc. (now Nakahiro Corp.) are made group companies.

## 2016 to today

### A company that creates future lifestyles

- 2016  
120th anniversary of the company's founding. RN130 Vision is formulated. Kodomo no Kao Co., Ltd. and Miyako Corp. are made group companies. "Craft in Action" receives the Grand Mécénat Award at the 2016 Mécénat Awards.
- 2017  
EMI Corp. is made a group company. "Craft in Action" receives the Good Design Award.
- 2018  
Nikke Medical Co., Ltd. is founded. Qingdao Nikke Fabric opens a branch in Shanghai to develop the China school uniform business. AQUA Co., Ltd. is made a group company.
- 2019  
Kyoto Medical Planning Co., Ltd. and Horsy International Co., Ltd. are made group companies. Achieved increases in operating income for 10 consecutive periods.
- 2020  
Daiichi Orimono Co., Ltd. and Nakata Construction Inc. are made group companies. Capital and business alliance with Fuji Corporation. Nikke Indoor Tennis and Nikke Leisure Service are merged to form Nikke Wellness Co., Ltd.
- 2021  
YY Corporation and Fuji Corporation are made group companies. Ambic's Chinese subsidiary builds a new factory.
- 2022  
Listed on the Tokyo Stock Exchange Prime Market.





### Nikke's Major Business Bases

- Nikke Osaka Headquarters, Osaka Office
- Nikke Kobe Head Office
- Tokyo Branch Office, Tokyo Office
- Nikke Nagoya Liaison Office
- Nikke Kyushu Liaison Office
- Nikke Innami Mill
- Nikke Ichinomiya Office
- Nikke Gifu Mill
- Nikke Textile Design and Creation Center
- Nikke Parktown
- Nikke Colton Plaza
- Nikke Horseriding Club
- Nikke Milano Office



### Textile & Clothing Materials

- Nakahiro Corp. ▶ Sales of clothing materials and products
- Akatsuki Shoji Co., Ltd. ▶ Sales of clothing materials and products
- Satoh Sangyo Co., Ltd. ▶ Sales of clothing products
- Taisei Wool Textile Co., Ltd. ▶ Manufacture of woolen goods
- Kanaya Knit Co., Ltd. ▶ Manufacture of knit products
- Bisyuu Wool Co., Ltd. ▶ Manufacture of woolen goods
- Nikke Textile Co., Ltd. ▶ Planning and sales of yarn and textiles
- Nikke Okoshi Dyeing Co., Ltd. ▶ Yarn dyeing, dyeing and finishing
- Nikke Logistics Co., Ltd. ▶ General logistics-related operations
- Daiichi Orimono Co., Ltd. ▶ Development, manufacture, planning, and sales of ultra-high-density fabric
- ??? Trading Company?? ▶ Planning and sales of ultra-high-density fabric
- Kyu-tech Co., Ltd. ▶ Manufacture of woolen goods
- Tsuyakin Co., Ltd. ▶ Dyeing, treatment, and finishing; planning, manufacture, and sales of sewn products and knit materials
- Qingdao Nikke Fabric Co., Ltd. ▶ Manufacture of woolen goods
  - Qingdao Nikke Fabric Co., Ltd. Shanghai Branch ▶ Sales of woolen goods



### Industrial Machinery & Materials

- Ambic Co., Ltd. ▶ Manufacture and sales of nonwovens and felt
  - Japan Felt Industry Co., Ltd. ▶ Processing of felt
  - Jiangyin Ambic Felts & Nonwovens Ltd. ▶ Manufacture of felt and high-performance filter material
  - Ambic (Shanghai) Trading Co., Ltd. ▶ Sales of felt and high-performance filter material
- Gosen Co., Ltd. ▶ Manufacture and sales of sporting equipment, fishing line, and industrial-use materials
  - Shanghai Gosen Seichu Co., Ltd. ▶ Manufacture of EV motor binding strings
  - Gosen (Thailand) Co., Ltd. ▶ Manufacture and processing of textile materials for automobiles
  - Hokuren Co., Ltd. ▶ Cheese dyeing and winding of synthetic and natural fibers
- Nikke Machine Manufacturing Corp. ▶ Manufacture and sales of industrial machinery
- Nikke (Thailand) Co., Ltd. ▶ Operational support for Group companies in Asia and Oceania
- EMI Corp. ▶ Import and export of industrial materials, plant equipment, etc.
  - Yiming Trade (Xiamen) Co., Ltd. ▶ Sales of Japan-related products in China
  - Yiming Trade (Xiamen) Co., Ltd. Kunshan Branch ▶ Sales of Japan-related products in China
- Fuji Corporation ▶ Manufacture and sales of nonwovens and felt
  - Fuji Corp. International Hong Kong Ltd. ▶ Sales of nonwovens and felt
  - Fuji Corp. Precision Products (Shenzhen) Co., Ltd. ▶ Manufacture and processing of nonwovens and felt
  - PT. Fujiko Indonesia ▶ Manufacture of nonwovens and felt
  - Fujico Korea Co., Ltd. ▶ Sales of nonwovens and felt
  - Sanwa Felt Co. Ltd. ▶ Processing of nonwovens and felt
    - Sanwa Felt Hong Kong Ltd. ▶ Sales base in Hong Kong
    - Sanwa Felt (Thailand) Co., Ltd. ▶ Processing of nonwovens and felt
    - Sanwa Felt (Vietnam) Co., Ltd. ▶ Processing of nonwovens and felt



### Human & Future Development

- Nikke Town Partners Co., Ltd. ▶ Shopping center management and operations consignment
- Nikke Real Estate Co., Ltd. ▶ Construction, real estate transactions, building management, security
  - Cosmo Maintenance Co., Ltd. ▶ Total support for building maintenance
  - Keihan Electrical Co., Ltd. ▶ Planning, design, and construction of power equipment and facilities
  - Nakata Construction Inc. ▶ Design and construction of buildings
- Nikke Wellness Co., Ltd. ▶ Sports-related business
- Nikke Care Service Co., Ltd. ▶ Nursing care business
- Pamco Inc. ▶ Nursing care business
  - Scuderia Inc. ▶ Nursing care business, child development support
- Nikke Life Co., Ltd. ▶ Operation of licensed nursery centers, after-school day care centers, and bilingual kindergartens
  - Nikke Nursery Co., Ltd. ▶ Operation of licensed nursery centers
- GCC Co., Ltd. ▶ Sales of communications equipment
- Future Wireless ▶ Sales of communications equipment
- Nikke Mercury Co., Ltd. ▶ Sales of communications equipment
- Nikke Audeo Service and Development Co., Ltd. ▶ Franchise business, child-related businesses



### Consumer Goods & Services

- Nikke Shoji Co., Ltd. ▶ Planning and sales of daily necessities, leisure and hobby-related goods, and other products
- Niceday Inc. ▶ Manufacture and sales of bedwear, bedding, etc.; production of various content
- Optimum Performance ▶ Import/export, processing, and sales of functional film
- Yuei Trading Co., Ltd. ▶ Planning, import, and sales of miscellaneous goods for 100-yen shops
  - YY Corporation ▶ Planning, import, and sales of clothing accessories and miscellaneous goods
- Tsukineko Co., Ltd. ▶ Planning, manufacture, and sales of ink pads
  - Tsukineko Hong Kong Ltd.
- Kodomo no Kao Co., Ltd. ▶ Planning and sales of stamp-related products
- Miyako Corp. ▶ Import/export, wholesale, and retail of furniture and interior goods
- AQUA Co., Ltd. ▶ Online retail and retail of designer appliances, interior goods, and kitchen items
- Nitto Family Co., Ltd. ▶ Aflac insurance agency
- ID Create Inc. ▶ OEM/ODM of LCD protective film
- Horsy International Co., Ltd. ▶ Import and sales of horse-riding gear and goods

### Others

- Kyoto Medical Planning Co., Ltd. ▶ Development, manufacture, and sales of medical equipment
- Nikke Medical Co., Ltd. ▶ Development, manufacture, and sales of reagents and medical device materials
- Nikke (Shanghai) Management Co., Ltd. ▶ Base in Shanghai, China

## Company Overview (As of February 25, 2022)

Company name (short form)	Nikke
Official company name	The Japan Wool Textile Co., Ltd.
Headquarters	3-3-10 Kawaramachi, Chuo-ku, Osaka 541-0048, Japan
Date of foundation	December 3, 1896
Capital	6,465 million yen
No. of employees	5,126 (consolidated)* 501 (non-consolidated)* *As of November 30, 2021
Listed on	Tokyo Stock Exchange Prime Market
Representative	Nikke Group Representative Director President and Chief Executive Officer Yutaka Nagaoka

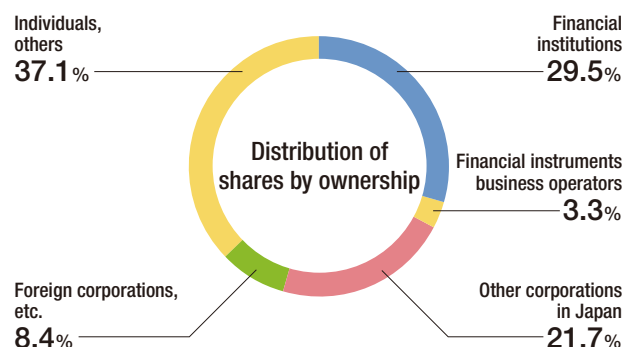


### Status of major shareholders (as of November 30, 2021)

Shareholder name	Number of shares held (thousand shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,501
Mizuho Bank, Ltd.	3,339
Sumitomo Mitsui Banking Corporation	3,268
Nisshinbo Holdings Inc.	2,763
MUFG Bank, Ltd.	2,298
Custody Bank of Japan, Ltd. (Trust Account)	2,101
Takenaka Corporation	2,000
Nippon Life Insurance Company	1,808
SMBC Nikko Securities Inc.	1,707
Nikke Employee Stock Ownership Association	1,642

Note: 12,848,696 treasury shares that we own are not included in the above table.

### Status of shares (as of November 30, 2021)



### Our website

Visit our corporate website and IR information page for up-to-date information on Nikke Group, as well as our business results.



<https://www.nikke.co.jp/english/>

### IR site (in Japanese)



<https://www.nikke.co.jp/investor/>

**Nikke Corporate Strategy Center** General Affairs, Legal, and PR Office

Inquiries

Tel: +81-6-6205-6601 Fax: +81-6205-6684  
Email: [webmaster@nikke.co.jp](mailto:webmaster@nikke.co.jp)

We will ask for your contact information and direct your comments or questions to the appropriate department. Please note that you may not receive a reply on the same day.

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